

Labour and Localism: Perspectives on a New English Deal



Labour and localism: perspectives on a new English deal

Published by The Smith Institute

This report represents the views of the authors and not those of the Smith Institute.

© The Smith Institute January 2014

Contents

Foreword

Rt Hon Hilary Benn MP, Shadow Secretary of State for Communities and Local Government 3

Introduction: a localist future

Clive Betts MP, Chair of the Communities and Local Government Select Committee 6

Chapter 1: The power of localism

Andy Sawford MP, Shadow Local Government Minister 14

Chapter 2: The co-operative council

Councillor Lib Peck, Leader of Lambeth Council 22

Chapter 3: The co-ordinating council

Councillor Doug Taylor, Leader of Enfield Council 28

Chapter 4: Independent local government

Graham Allen MP, Chair of the Political and Constitutional Reform Select Committee 34

Chapter 5: City deals and city regions

Councillor Sir Richard Leese, Leader of Manchester City Council 40

Chapter 6: Economic development

John Healey MP 48

Chapter 7: Civic enterprise

Councillor Keith Wakefield, Leader of Leeds City Council 56

Chapter 8: Planning reforms

Roberta Blackman-Woods MP, Shadow Planning Minister 62

Chapter 9: Education and children's services

Councillor John Merry CBE, Assistant Mayor of Salford City Council 70

Chapter 10: Troubled Families in Troubling Times

Lyn Brown MP, Shadow Fire and Communities Minister 78

Foreword

Hilary Benn, Shadow Secretary of State for Communities and Local Government

This collection of contributions from Graham Allen, Clive Betts, Roberta Blackman-Woods, Lyn Brown, John Healey, Richard Leese, John Merry, Lib Peck, Doug Taylor, Andy Sawford, and Keith Wakefield is a sign of two things. First, that the Labour Party is brimming with ideas about how to respond to the challenges facing our society. And second, that the argument for a really radical transfer of power down to communities is both overwhelming and essential if we are to rebuild confidence in our democracy.

For Labour the balance between the central and the local has been a long-running debate. We grew out of a tradition in which people did things for themselves as we became a movement that wanted to apply the best of these ideas everywhere. But I believe both the era in which we now live and the circumstances we will confront after 2015 demand a decisive move in the direction of localism.

Why?

Firstly, because public services are being pushed to breaking point. Nowhere is this more apparent than in local government where it's becoming harder for councils to keep services going, let alone cope with rising demand for social care, as they bear the brunt of the Coalition's austerity. Councils are having their government funding cut by over 40%, and the poorest areas have been unfairly hit the hardest. Labour will, therefore, face a tough inheritance.

Secondly, because although we will distribute funding on a fairer basis, the current system has reached the limit of its capacity to cope with less funding without radical change.

We will have to change the way in which public money is spent on the things we all value and rely on. Money (and the power that goes with it) needs to be moved out of Whitehall and down to communities where it can be used to best effect by supporting local collaboration between public bodies, rather than perpetuating duplication and overlap. Whether it's whole person care, or helping the long-term unemployed into work, or building up credit unions, or generating more of our own renewable energy locally, or supporting families that are having a tough time, the case for decentralisation - pretty strong before - is now overwhelming.

Thirdly, because the tide is turning, as local communities seek greater control over their own destinies, including how their local economies develop. While the last Labour Government devolved to Wales and Scotland, England remained largely unreformed. This is unfinished business, and while there isn't public appetite for another tier of elected politicians, there is a justified sense that too much power is hoarded in Whitehall. That's why we need a fundamental shift from the centre to the local – communities, towns, cities and counties – which gives more power to people and to the elected politicians we already have. It's what I call the New English Deal.

But fourthly, and perhaps most important of all, we need to make this change if we are going to do something about the crisis of confidence in our politics and the alienation that flows from it. The global economic crash came as a great shock; living standards have fallen, parents think about pensions, housing or the environment and wonder whether the future for their children will be better than the life they have enjoyed, and many people feel that too many decisions are taken too far away from them.

For too long, we have fallen prey to consumerist politics – people demanding of government and then sitting back to wait for things to happen. The changes I want to see are based on the idea of contributory politics. It's up to all of us to put something in because by taking responsibility we can take back power over our own lives.

And that's why the only way we are going to rebuild confidence in the power of people working together to create something better – the thing we call politics – is to give people the power to do precisely that for themselves.

And that's what this collection of essays is all about.

I hope you will find them as inspiring and stimulating as I have.

Introduction

Clive Betts MP, Chair of the Communities and Local Government
Select Committee

Introduction: a localist future

A Labour Government can deliver for One Nation but only by recognising the differences within it. If we are to serve the whole nation effectively, we have to develop ways of governing which respect and allow for local and regional differences and enable different localities to do things differently, appropriate to their circumstances.

We start from the position of the United Kingdom being one of the most centralised democracies in the western world. The Community and Local Government Select Committee report on the Balance of Power between central and local Government in the last Parliament confirmed this view, a perspective that is rarely challenged. The argument now is not between those who believe the statement is true or not, but between those who believe this state of affairs is satisfactory and those who believe it isn't and must be changed.

While comparisons with other countries in terms of central and local relationships are possible, the fundamental difference is that all other countries have a written constitution. There, it is possible to clearly examine where power functionally resides. Not only is this more difficult in the United Kingdom, but it is self-evident that it is also a lot easier for the centre, through Parliament and the Executive, to change the balance of power and to centralise decision-making as it chooses without any checks or balances.

There does not need to be a constitutional change to transfer more power from localities to the centre. Acts of Parliament as a matter of course can simply give more powers to Government and take them away from localities without any formal or informal constitutional check.

In looking at the very centralised state of the UK, the first question to ask is "Does it matter?" If it is the case that decisions are better made if, they can be influenced, or even made, by those most affected, the answer would be that it does. If the same solution is not thought to be right for every part of England, then a centralised state is not the right solution. A more localist solution is better if there is recognition that different needs and different views are entitled to be reflected in different service provision, even if there is a common policy framework or over-arching set of objectives.

There is real concern about the growing disconnect between the politicians who govern and the people who are governed. Making decisions which matter at a local level is more likely to lead people to feel more engaged because real change can be achieved as a result of their involvement. There is considerable democratic benefit if electors can

see that decisions they make at the ballot box can actually have an influence on local services. If they feel that those they elect cannot really change anything, this adds to disaffection with the whole democratic process. Localism may help save democracy itself.

The last Labour Government brought about significant devolution to Scotland and Wales but, save for the creation of the Greater London Authority, no comparable devolution in England. Two interesting aspects of devolution to Scotland and Wales are firstly it is not remaining fixed but evolving with the agreement of Westminster and the devolved bodies. Secondly because the initial settlement was endorsed in a referendum it would be technically possible but politically impossible for Westminster to unilaterally take powers back to itself as it can elsewhere in the UK.

The design of governance arrangements in Scotland and Wales has also established a principle that the devolution we have will be asymmetrical. Different parts of the UK will have different structures of government with powers exercised at different levels. The West Lothian question is a distraction from the creation of a dynamic democracy where subsidiarity is the principle which is applied appropriately but differently in different parts of the country.

In England, there is unlikely to be an English Parliament. If there is to be a move towards a more localist solution, given recent experience, it is not going to come by the re-creation of the regions. In any event, these have largely been administrative conveniences without any democratic accountability; nor are they related to real economic areas.

If devolution is going to occur in England it is going to be through the development of enhanced powers and responsibilities for local authorities. Fundamentally, localism will only truly work if ultimately decisions are accountable to elected representatives. If there is a need for wider strategic decision making beyond individual councils then that is likely to come from the voluntarily coming together of councils to form more strategic authorities. Greater Manchester has provided one model for this, which is being replicated in other city regions. Top down structural changes are not likely to work. Elected bodies coming together to pool their sovereignty in their wider communal interests is the way forward.

Is fundamental change a real possibility? There is increasing cross party agreement in Parliament. While 20 years ago the assumption would have been that local councils are not really up to much and not capable of exercising many of the powers they had, there is now amongst many parliamentarians an interest in and a commitment to change. Local government itself is getting more assertive and again there is strong

cross party agreement in the LGA that change is possible as well as necessary, and that councils should be more demanding of it.

This Government has moved to localism in name. In reality, however, they have not been able to resist reverting to type. Ministers once they get behind desks rather like the idea that they might have the best ideas and then to try to move the levers of power to implement them. This Government has also suffered from the fact that, while it has a localist brand name, it does not have any core strategy by which the whole of Government was committed to one objective to be delivered in a co-ordinated way. The CLG Select Committee's Localism Report highlighted this.

Because there is no overall strategy within government, different departments have reacted with different degrees of enthusiasm to localism. Neither Ministers nor senior civil servants are keen on giving up their powers and ability to control. The key lesson for Labour to learn is that, if it is going to be committed to a localist and devolutionary agenda, it has to agree its overall strategy in opposition and have a clear implementation strategy.

This government has consistently fudged the issue as to whether localism is about transferring powers to local accountable and elected bodies or, wherever possible, as part of its objective of having a smaller state, simply creating local organisations such as free schools which have little or no accountability. The decision to pursue single purpose elections, such as for police and crime commissioners further muddles the picture. Whatever, this piecemeal approach negates the possibility of elected representatives determining priorities across a wide range of service provisions and coordinating wider strategies. If Whitehall silos are a problem, why create new silos at local level?

With devolution in Scotland and Wales moving us to an asymmetrical system of government there is no requirement that devolution to councils in England needs to be on a uniform basis. Different powers can be transferred down to different councils at different times.

Similarly, at local level, the 21st century localist agenda will allow different types of devolution within localities that can appropriately respond to different communities. If the principle of subsidiarity is correct then the devolving of powers should not stop at the Town Hall. Many councils are already developing ways to further involve communities and pass more responsibilities to ward councillors with area committees and budgets and a range of mechanisms to encourage resident participation. Again there is no one size fits all model but a variety of approaches to suit local circumstances.

Looking at different models of devolution there could be an agenda which local areas can

choose deciding what powers they want to exercise at local level. It would then be possible for a council proposing to run certain services at that local level to put those proposals in a referendum to local people and use referenda in a positive way as they have been doing in Scotland and Wales to underpin that constitutional way of working. Alternatively the centre could establish a number of requirements for local councils to fulfil before extra powers are given. This would be an extension of the earned autonomy of the City Deal approach.

Even if more powers are transferred to local level, there will be a need for some overall national approach on some issues. Minimum standards may be thought appropriate in education or care. Councils could deliver these perhaps with local variations in how they are delivered and additional improvements according to local wishes. One of the fundamental benefits of localism is that by allowing scope for variation in how things are done, for allowing services to be improved beyond the minimum, when communities in another area see these they can request them as well. Innovation and new ways of working are more likely to happen in a multitude of local authorities than in one Whitehall department.

People, locally and nationally, will still want to know that they are getting good value from devolved services. Therefore, localism must bring with it an expectation of continuous improvement, tools for performance evaluation and transparency in outcomes.

Devolution needs to be bold and radical, going beyond those services traditionally within local government's remit. As contributors have identified, there is a crying need for policies on economic development, skills, training and transport infrastructure to be determined locally, better related to local circumstances and the needs of local businesses. There is a much better chance of breaking down barriers and developing coordinated strategic approaches at local level than expecting the silos of Whitehall to start delivering joined up government.

Councils should be the accountable education authority overseeing standards, the provision of places, coordinated admissions, special needs provision, community use of facilities and other back up services that schools require. The need to join up services for the elderly across health and social care should maintain accountable oversight of commissioning by elected representatives even if national minimum standards are determined.

The key issues in any devolutionary settlement are:

1. Devolution must be through elected local councils who can co-ordinate a range of services? Councils have to be at the heart of localism and not by-passed by it?
2. Serious consideration should be given to a more formal constitutional settlement which lays out the overall responsibilities and powers local councils are entitled to take or which are available to those which fulfil certain requirements. The work of my colleague Graham Allen MP and the Political and Constitutional Reform Select Committee in promoting the codification of relationship between central and local government has given a real profile to this idea.
3. How do we put a financial system into place that enables councils not merely to make decisions about spending money but also with the responsibility of and choices about raising it. Local democracy is undermined if councils always have to go cap in hand to fund their priorities. In the UK taxes at sub national level account for only 1.75% of GDP compared to 7.6% in Germany and 4.6% in France. Should we accept the proposals of the London Finance Commission to give cities at least control over a range of property taxes? Linking economic development to financial returns for councils and their communities make economic as well as political sense. The new settlement will require that a proportion of the national tax take goes to local authorities by right, and not at the continuing whim of the Chancellor.
4. With more local say over taxation there still needs to be a mechanism for the redistribution of resources from areas with the greatest resources to those with the most needs. If we are to really change the balance of power why not let the Local Government association have responsibility for distributing central government grant, as happens in Denmark, with the LGA and the Government sitting down at the beginning of each Parliament to agree a settlement for the 5 year period giving councils the certainty they have long requested?
5. More freedom, within prudential financial guidelines, should also be given for Councils to borrow as well as raise revenue. There should be no additional cap on borrowing to invest in housing. Councils are going to have to play a vital role in helping us deliver the target of 200,000 new homes a year by 2020. Why do public sector trading accounts like Housing Revenue Accounts have their borrowing controlled in the UK but not in other EU countries?
6. Fundamentally, however, although there is a need for constitutional and financial change, the most important change required is cultural.. We have to get away

from the idea that the Secretary of State is responsible for everything and can be called to account for everything. This will be challenging not only to our politicians but to the media as well who like to hold Government to account for everything that happens.

7. Finally there is the question of the postcode lottery. When asked whether local people should have a right to make decisions about what happens in their area, people will overwhelmingly say "Yes". When also asked in the same survey "should the same level of service provision be available everywhere?" they will say "Yes" to that as well. The same MPs who spent the last decade being critical of any service variations, describing them critically as postcode lotteries are the same ones who have been busily dismantling national standards. The issue of challenging the postcode lottery and arguing positively for a post-code choice has to be at the heart of any fundamental devolutionary approach. It is ironical that a governance structure which is so centralised has managed to produce inequalities in income, GDP and service delivery far greater than in far more decentralised countries.

If we really want to be radical; if we really want to change our country in the way the government of 1945 did, then instead of asking which powers could be better exercised at a local level, we should ask which services it is essential to run from Whitehall? Let's begin from the presumption that allowing people to make decisions affecting the communities in which they live is the right place to start, and that any proposal to maintain central control over particular services would need to be justified. Maybe asking the question that way round really could change Britain, deliver better and more accountable services, and breathe new life into our democratic processes.

Localism will deliver far more innovation than the current settlement. It is far more likely that new ways of delivering services and new forms of provision would be identified by an individual council responding to a particular local need rather than civil servants in Whitehall determining how things should be done. The big issue will then be about how new and best practice is promoted and exchanged and stopping councils re-inventing the wheel. That one individual council doing things differently would then see its ideas and provisions recognised and subsequently adopted by other parts of the country. Let a thousand local flowers bloom!

Chapter 1

The power of localism

Andy Sawford MP, Shadow Local Government Minister

The power of localism

When we learn and celebrate the story of British democracy the key events are national rather than local – the Magna Carta, the English Civil War, the Bill of Rights, the 1832 Reform Act and so on. But we don't have to look hard to see how much of our government and democracy has developed at a local level. The English shires are one of the oldest units of local government to have survived anywhere in the Western world. The Domesday Book (1086) shows a shire system that we could recognise today. Our national government has traditionally been a 'Night-watchman'. Its concerns limited to the collection of taxes to defend the realm and keep the King's peace. Local government has been much more active in domestic matters.

In the 19th Century, in particular urbanisation and industrialisation created the impetus in towns and cities for the growth of local democracy. Guilds of merchants and craftsmen came together to regulate local commercial and economic affairs. Their practice of electing officials and providing representation and accountability to members found its way into local government; indeed many Guildhalls became Town Halls. Turnpike Trusts and Improvement Commissions were created, many through local acts of Parliament that were council sponsored Bills, enacted by Parliament for the needs of a particular locality. For example, Newcastle sponsored an act of parliament that allowed them to prohibit the building of houses that did not have privies attached to them. Councils in the Midlands originated laws to prevent cruelty to animals. Many of these local laws became national laws over time, such as the powers councils sought to improve public health which led to the 1848 Public Health Act with measures to contain the spread of diseases such as cholera and tuberculosis.

Over these years, a plethora of arrangements came to be in place in many areas: from Library Commissioners, to Commissioners of Baths and Washhouses, to burial boards, Inspectors of Lighting. School Boards and Boards of Guardians were separately elected, self-organised by communities. The invention and confidence of municipalism in these years is symbolised by people like Joseph Chamberlain, who as Leader of Birmingham Council, municipalised the gas works and the water supply, and in London, where the county council began providing public housing. Local government was constantly setting the pace.

By the middle of the 20th Century as central government took a stronger role in domestic policy, the freedoms that councils had enjoyed came to be challenged. The 1945 Labour government was notable for having three prominent former Councillors in the cabinet, Herbert Morrison, Clement Attlee and Aneurin Bevan. Debates about the role of central

versus local government raged over these years. When the NHS was being created it was originally planned that universal healthcare would be a function of local authorities, which already administered a large number of hospitals. In London for example, the London County Council owned and ran 40,000 of the 55,000 hospital beds. But Bevan became convinced that a centrally run National Health Service was the way forward. Nationalisation of utilities and centralisation of policy in many areas, continued apace.

We can see a very clear change in the relationship, a shift in power, as local government became increasingly a delivery agent of the central state. So whilst local government's role expanded in areas like social housing and social services, this was at the behest of central government. Via the major local government structural reforms of the 1970s, the constraints imposed on councils in the 1980s, such as rate capping, and the performance management of the late 1990s and past decade, centralism prevailed. It is no coincidence that over this period we see a general decline in turnout in local government elections. It is no coincidence either that local elections and local politics have been viewed in the shadow of what is happening in Westminster.

The 2013 local elections gave 18.4 million people the opportunity to vote but just 5.71 million people chose to participate. Worryingly the turnout at 31% was 9% lower than the equivalent set of elections four years ago. Why do only 3 in every 10 people think it is worthwhile having a say on who runs their town or county halls? There is an old joke that it doesn't matter who you vote for because the council always gets in. There is some truth in this when you consider the stifling effect of an overbearing Whitehall using ring-fenced funds, legislation and performance management. It is easy to see why voters may have wondered if it mattered whether a council was Labour or Tory if priorities were being determined by central government anyway?

As a former councillor I know that politics makes a big difference in town halls. The administration I was part of focused on regeneration and made improvements to our housing stock in a way that the Tories would never have done. But there is no doubt that elections would have more impact if councils were free to do what is most important for the communities they serve, rather than dancing to Whitehall's tune. The electoral imperative to revive participation is only part of the drive behind Labour's localism. There is a much wider context too, both of the way our communities have changed, and of the challenges that can only be met by local responses.

When you compare localism to lots of other isms, you'll find that it's a newish concept. It is in some respects a philosophical response to centralism and globalism. As national and supranational forces have grown stronger from big government, to big business, localism

urges us to think more about the local. There is much to recommend larger forces of co-operation, whether that is across nations or across the globe. The sharing of ideas, cultures, trade and resources are broadly positive forces. Yet as the world that we live in has grown richer in many ways as we have been empowered by global communication, global travel and global trade, in other ways we have become less powerful. Our connection with our neighbours is not as strong today as it might have been at any previous time in history.

A study by researchers at Sheffield University found that communities in Britain are significantly more fragmented and provide a lesser sense of belonging than 40 years ago. What's more the level and quality of social capital is changing for the worse. This matters because it strongly influences people's health, educational performance, crime rate and socio-economic inequality in an area. There is a relationship between globalisation and this decline of traditional community. Our willingness to look out for our neighbours has in some ways been diminished by the sense that all the world is our neighbours. Internationalism is good for us, for our families, for our communities, but as well as the shared destiny we have with people the other side of the world, what about the people in our street and our town?

Global influences are on our own doorstep. Most people embrace this: it brings variety, diversity, and invention. But for some it can cause fear, uncertainty and conflict. When our jobs may be threatened by people from far away, producing goods in distant places at prices that we can't compete with, or offering labour in our communities at a lower wage than locals seek, and accessing services, such as health and housing in a way that some may feel is unfair, Labour must show more clearly than ever that we understand why people are concerned about the changes in our world.

We can appeal to people to be welcoming, open and tolerant but we know too that being part of society is not an altogether altruistic thing. Co-operating with others through neighbourliness, through community, through trade, through government, is generally better for all of us. When people feel that co-operation is not working for them, it can be alienating. We must recognise that for all that co-operation on a national or global scale can enrich us in some ways it can undermine the very things we hold most dear: our identity, our power as citizens over our own lives, our ability to shape our own destiny. I believe that this is the biggest challenge facing us in Britain in the 21st Century: how to adjust to being citizens of a fast changing and intimately interconnected world. The world is shrinking, the pace of technological, scientific, medical development is astonishing, people are living longer and differently, our climate is changing – whatever the cause or our response. These are complex challenges, that can only be met by collaboration, by pooling our creativity and intelligence and responding through collective action. This

is not a job for central government but for local communities, and 'localism' is to me about empowering councils and the citizens they serve to shape local responses to the opportunities and challenges of our time.

The Tory government pays lip service to localism and the rhetoric does not match the reality. Councils far from being empowered feel emasculated. They have been consistently attacked by the Secretary of State, Eric Pickles who vents his opinion on everything from the level of reserves councils should hold to how often the bins should be collected. At the same councils have been given the biggest cuts of any part of the public sector, despite being recognized as the most efficient. Core funding reductions in local government are an average real-terms cut of 33% and the figures announced in the 2013 spending round envisage a further 10% cut in the Local Government Resource Budget. Yet those cuts were not spread fairly. Reductions in spending have hit areas with the highest needs hardest and projections for 2017-18 suggest that by then there may be a difference in cuts of £900 per head between the least and worst affected communities. Labour will end that bias against our poorest areas to ensure that the funding we have is distributed more fairly. I am grateful to the Labour council leaders, from different kinds of authorities spread across the country who are working with me to look at what can be done to make the system work better.

There are three key ways we will approach local government finance. First, whilst the next Labour government will not be able to stop the cuts or turn back the clock we can at least make sure councils are treated fairly, taking account both of need and of a council's ability to generate income from council tax and business rates. Local councils have very different demands on their services and different capacities for raising revenue. For example, in Halton 24% of the population have a limiting long-term illness, leading to a high demand for adult social services. In Durham there are two-and-a-half the numbers of people requiring home care as there are in Surrey. Yet it is often the areas which have the highest demand for services which have the least capacity to raise income and this applies both to business rates and to council tax. The government's aim of increasing dependence on business rates ignores the fact that some areas have a great deal of business property which is unused and subject to an empty rating assessment. In Halton, for example, that figure is 22%. Even if it is all brought back into use it will not generate extra income for the council. In addition the amount which can be raised from the same level of council tax depends on the number of properties in each band. In the North East, for example, 56% of properties are in Band A and 86% in Bands A-C. In Surrey 75% of properties are in Band D or above.

Secondly, it is crucial that our funding helps to deliver economic growth in a way which

benefits all regions of the country. To do that, we will have to build on the model of city deals and extend it throughout local government. We want to devolve power over housing and planning, jobs and skills, but councils will need to come together to decide how best to use these powers. Local economies and local needs differ so we will not set down a model from Whitehall but will expect local areas to decide the best structure for them. I am also attracted to exploring other ideas such as allocating some business rate income to councils as a pro-rata share of economic growth but only after funding based on local need has been allocated and separated from it. This would have the merit of incentivising local growth while ensuring that councils are not disadvantaged by a failure to meet the needs of their area.

Thirdly, we need to take the process of devolving power from Whitehall much further. Labour's Total Place programme, which the Government has now re-invented as Whole Place Community Budgets, made a start but it did not go far enough. A much more radical approach is needed if we are to tackle the economic problems which face us and to persuade voters to re-engage with local government. The current Whole Place programme shows the potential for what can be done but the pilot projects were focused on health and social care and families with complex needs – all high-cost areas with the potential to produce significant savings. Greater Manchester estimated they could achieve £270 million net savings over five years while Essex forecasts a saving of £414 million over 6 years.

There are many other areas where, I believe, councils could deliver better and more efficient services than those delivered from Whitehall. To do so, government departments across the board, not just the Department for Communities and Local Government, will need to be committed to the project and determined to see it through. Shadow ministers frequently talk about how they can avoid being locked inside their departmental "silos" in government and look at policies across the board. Serious questions are being asked about where and how services are best delivered. We know that councils will play a vital role in the integration of health and social care budgets but there are other policy objectives which may be achieved more effectively locally than centrally. For example, if councils are to play a role in reviving their local economies, should they not also play a key role in employment support and skills training? They know their own area, can identify skills gaps and work with local employers. There is certainly an argument for saying that they are better placed to run schemes to get people back into work when the nationally-directed Work Programme is clearly failing. They might also be better-placed to enforce the minimum wage since they know local employers and will be in touch with them already over economic development issues, planning, and environmental health matters. Clearly the current system is not working because there have been so few

prosecutions, so we ought to consider whether councils can do a better job.

The Local Government Innovation Taskforce that Ed Miliband has set up is looking at all these opportunities and more. It will have a strong role right at the heart of Labour's policy development to show how Labour in local government is already innovating and responding to the challenges our communities face. More than this, the taskforce will press for a growing role and greater freedoms. Labour's localism will be an ambitious programme requiring both Whitehall and Local Government to work together. It will transfer much more power and responsibility to local councils but it will demand more of them. Our localism will aim to re-engage voters and communities and ultimately to be a powerful force to make the changes in our world work for the communities and people we represent. I believe we can capture the spirit of those 19th Century pioneers of strong local democracy so that local government, despite all the pressures and difficulties it faces, will be as important to our future as it is to our past.

Chapter 2

The co-operative council

Councillor Lib Peck, Leader of Lambeth Council

The co-operative council

Lambeth is making huge changes in the way we work with our citizens, giving them greater control over their neighbourhoods to transform public services, from youth services to libraries and to parks.

The Young Lambeth Co-operative (YLC)¹ is one of Lambeth's most radical and innovative projects. The YLC is open to any resident and already has 350 registered members, most of whom are young people. It is now established as the body that determines how a £3 million budget, previously used on youth clubs and playgrounds, should be spent. The YLC board decides, procures and consults on what activities young people want in their local neighbourhood, how it should be delivered and by whom. The Council has a place on the board and it will continue to provide financial, legal and employment advice and support. But critically it is one of many voices at the table and not the loudest.

Our co-operative libraries programme has been the result of an intensive 18 month programme working with local residents. We decided very early on when the first round of government cuts to our budget were announced following the 2010 election that rather than immediately close libraries, we would instead draw on another equally important asset - the people who actually use the library - for ideas. We wanted to explore whether there were other ways in which we could operate that would make libraries sustainable and more creative. The result has been emerging plans for each of our 10 libraries - working with friends of libraries groups and other residents, thinking imaginatively about alternative income streams, and most importantly listening to new ideas about the way libraries should be run (especially how to increase relevance for community libraries in a digital age). To aid our dialogue with residents over the way their libraries are run we designed a digital library app² which challenges users to spend a £200,000 budget on local libraries. By sliding a tab across the screen, people can allot the money to different parts of the library service such as staff, books, e-books, running-costs and repairs.

And in July 2013, we agreed a new approach about the way our parks are managed. Our residents are very clear that Lambeth Council should remain the custodian of our green parks and spaces, which are highly valued across our densely populated borough. But equally many of our friends groups are confident that they can share their horticultural and local knowledge with staff to develop better ways to manage our parks. They have now been offered that choice.

1 <http://www.younglambeth.org/young-lambeth/landing-pages/young-lambeth-cooperative.html>

2 <http://www.theguardian.com/local-government-network/2013/jul/30/lambeth-library-app-challenges-residents>

These are just a few examples of a wide ranging programme of change across Lambeth which the Council has initiated from sustainable living and economic growth through to parking and environmental services.

And for every council-initiated scheme there are many more that were started by individuals or groups alive to their own community's needs. Indeed it was the number of innovative local projects that first inspired the move towards a Co-operative Council back in 2010 when Lambeth set up its Co-operative Council Commission.

The renamed Van Gogh Walk in Stockwell picked up its second award recently as an exemplar of public space. Residents had started with a concept of traffic-calming and this work evolved into designing an appealing and innovative spaces for children to play in the community, linked to Vincent van Gogh's former nearby residence. The project completely changed the Council's approach to dealing with traffic measures and listening and engaging with local people about improvements to their communities.

In the area of social care, Lambeth Living Well is a group that aims to ensure every citizen, no matter what their ability or disability, is able to flourish, contribute and lead the life they want. Similar accolades have come the way of the Edible Bus Stop,³ Brixton Energy,⁴ and the Remakery.⁵ The list goes on and contains a wide range of fascinating projects which are making Lambeth a better place to live.

All of these projects have been (and in some cases continue to be) very challenging, taking an enormous amount of energy, time and patience from citizens, local councillors and council officers. In some cases it is too early to say whether they have been deemed a success, but it is clear that many are already making a huge difference.

What cannot be doubted is that this approach is redefining the relationship between citizens, councillors and staff in a much more interesting and productive way. In some cases, residents have turned from critics into supporters as they start to see that we are serious about change. Councillors have had to immerse themselves more in the different communities that make up their ward. And council officers have had to reshape working styles, away from a defensive certainty that big bureaucracies encourage into something that is much more flexible, supportive and enabling.

The experience has led us to conclude that we need to redesign the council's structures.

3 <http://www.theediblebusstop.org/>

4 <https://brixtonenergy.co.uk/>

5 <http://www.remakery.org/>

If we want a council that is more open then it cannot be one which is stifled by the loyalties of service-led departments. If we want decisions that take account of community value and interest we need to change our constitution and decision-making process to enable that. If we want staff and councillors to be much more encouraging and open to resident involvement we need a programme of training and support for both. And finally, if we genuinely want creative, innovative, and in these austere times, cheaper service delivery, then we need a different way of doing things; and for us this means community commissioning.

Increasingly, other councils are coming to the same sorts of conclusions. The Co-operative Councils Innovation Network⁶ is a 16-strong group of local authorities, all committed to developing a new style of working and a new style of services, which values citizens as equals.

Like Lambeth, these councils have seen the improvements to public services that this new style of engagement has engendered. And like Lambeth their politicians will have witnessed how it has the potential to be a powerful tool to combat one of the most pernicious social issues - political alienation. By giving residents a much greater influence over decision making we are eliminating one of the principle reasons for people feeling distanced from politics: a lack of relevance and influence. A co-operative way of working provides the most solid counter to the often-heard doorstep complaint that there is no point in voting or getting involved because no one ever listens and in any case decisions have already been made.

However, for this agenda to really flourish, national government has to play its part. It has to start a serious programme of devolution from national to local government, confident that local government is enabling communities to take control. Central government has to trust councils and citizens to take control of decision making so they can shape their own neighbourhoods, rather than their neighbourhoods being shaped around them.

We have heard much of the rhetoric of localism from successive governments. This government's Local Government Resource Review recommended greater financial autonomy and reduced dependence on central government. But the reality has been Whitehall decisions on the provision of local school places, nationally steered policy on council tax and Eric Pickles' pronouncements on bins and car parking spaces. The last Labour government was similarly limited in its localism. Inspection regimes and the Audit Commission did help to drive up performance standards, but failed to reward success

⁶ <http://www.coopinnoation.co.uk/>

with autonomy. Eventually the inspection regime had the effect of displacing local priorities with initiatives favoured by Whitehall civil servants. "Double devolution", the empowerment white paper and the Localism Act faltered before they became a reality in most town halls and communities.

However, national government needs to recognise how it is hard to get people to engage about their local town centre when an empty shop can become an off-licence regardless of local opinion. It is hard for people to remain convinced of the importance of local economies when the government can decide at the stroke of a pen that locally designated industrial centres can become the place for homes not jobs, or that the frequency of their waste collection or number and location of primary school places is decided by Whitehall.

Genuine localism should be a priority for a new Labour administration in 2015. There needs to be specific changes to planning legislation enabling councils in partnership with citizens to shape their own neighbourhood. There needs to be a shift in the way funding is allocated to local government. Had the changes promised in localisation of business rates been fulfilled, we might be less reliant on government funding and more able to generate income in a fairer way, based on local circumstances.

I think Whitehall also needs to discard its very departmental, silo focus which is often the barrier to creative thinking. It stifles rather than engenders the empowerment citizens and local government seek. With such a significant reduction in public sector spending – Lambeth's budget alone has been reduced by 40% over 4 years – we need to be smarter about how funding is allocated and what value we are getting from ever scarcer resources.

Finally, central government could learn a huge amount from local government. So often we are pitched as the less relevant branch of government, and yet our decisions are of huge relevance to many of our citizens. And very often we are perceived nationally as the barrier to citizen involvement; and yet we are frequently the pioneers of creative and more efficient ways of working which result in real improvements to the lives of our residents. It's time for ministers and civil servants to let go of the 'Whitehall knows best attitude' and work more constructively with local councils and local communities. It is very often the people who experience the service, or who live in the local neighbourhood, who are in the best position to determine what is needed and who and how it is delivered.

Chapter 3

The co-ordinating council

Councillor Doug Taylor, Leader of Enfield Council

The co-ordinating council

Parties in opposition talk localism – it energises local activists. Parties in Government talk centralism because informed responsibility, and power, requires Government to limit their reputational risks by managing the local state, and perhaps find scapegoats. This Government explicitly commands on high street design and refuse collection – what local government should do and how they should do it. Labour should not fall into this perennial trap. If there are things that should be centrally driven, then identify and state them, and guarantee the inviolability of what is local.

Localism can create the so-called postcode lottery. Indeed it should, because local decisions will create local variations. In the health sector, localisation of priorities will inevitably create access to some treatments easier in some places than in others. When Andy Burnham MP emphasises the National in NHS he is explicit about the limits to localism. I believe we need these limits to be clear. It is not a postcode lottery, it is a postcode difference.

Localism should be a Labour value. Bottom up, closeness to people, representing local aspirations are our values. And if politics is anything, it is about values. We should be bold, but crystal clear. We want to get decisions made by the local state and we want councils to be confident and certain in their role. Local councils should not be the supine servants of Westminster and Whitehall.

But we should also recognise that to tackle embedded disadvantage, national support, strategies and resources are needed. So the trick is to blend localism and centralism. Localism should then create the genuine differences that inhabit communities and localities.

Values should drive and underpin our cultural approach. Opposing companies that use blacklists to determine their employment practices, implementing the London Living Wage, analysing and implementing strategies based on outcomes of fairness, cohesion and equality are some of our core values in Enfield. As an administration, we have taken them into the Council. Localism is about politically supporting a vision of place, people and potential.

Enfield – the co-ordinating council

In May 2010, a change of government coincided with a change in the political administration of Enfield. As Labour lost power at Westminster, we were gaining it here in Enfield for the first time in 8 years. Since then, as leader of the council I've

naturally sought to focus on the priorities of our local population. But things are very different to the Enfield of the early 2000s. Swingeing cuts in Government funding have coincided with some radical social and demographic changes in London's 'leafy suburbia'. Together, these are placing huge pressure on our ability to deliver the services that local people need.

We have developed a vision for the area, which involves making it a fairer place to live, with strong communities, a sustainable environment and a growing economy.

Alongside this, we have also developed a vision for how we intend to achieve this, which we call the co-ordinating council. This involves re-thinking and re-focussing our approach.

As a coordinating council Enfield will:

- Use its democratic mandate and community leadership role to bring together resources and organisations to deliver our ambitious plans for the area.
- Take an innovative and enterprising approach to attracting inward investment that will bring new housing, jobs and training opportunities for our residents Advocate for Enfield to ensure the maximum benefit for residents from national, regional and sub-regional initiatives.
- Have a flexible, proactive view on service delivery that places the emphasis on the best possible outcomes for residents and those who work to deliver those services.
- Actively involve Enfield's communities and voluntary groups in the development and delivery of services and projects that will make Enfield a better place to live and work delivering fairness for all, growth and sustainability and strong communities.

The democratic mandate is absolutely fundamental to what we do and why we do it. Local government might as well hand everything over to other sectors if the public no longer feel that they have a say in their local area via the ballot box.

The **democratic mandate** is absolutely fundamental to what we do and why we do it. Local government might as well hand everything over to other sectors if the public no longer feel that they have a say in their local area via the ballot box.

This is not to deny that localism needs to be much, much more than a survey of the public mood every 4 years, but in 2010 we made a series of commitments and promises which I think the public have a right to judge us on. I firmly believe that the policies we have pursued have helped to change the area for the better. By working closely with key partner agencies, the voluntary sector and local businesses, I believe that we have delivered a range of initiatives that have tackled disadvantage, or at least mitigated the impact of Government policies which are widening the gap between the wealthy and the poor. I believe that we have delivered policies which have improved the lives of many local people.

One key way in which we are addressing the increasing poverty and disadvantage in the borough is by taking an innovative and enterprising approach to attracting inward investment. We have a programme called New Directions which is looking at how we can work with others to proactively secure more opportunities and resource for local people. The project is looking at how the local community can get more benefit from the large corporations that operate within the borough, focussing on inward investment, local supply chains and local jobs. It is also investigating how better use can be made of our own resources including the land we own and the pension fund that we administrate on behalf of our employees.

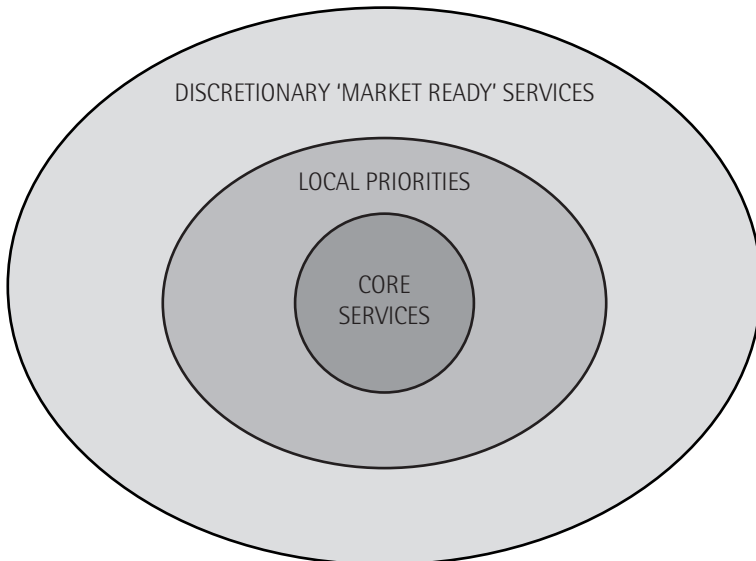
The changes that we've seen in Enfield's population, combined with Government policy decisions, has made it more important than ever to advocate on behalf of Enfield's population. According to the census, between 2001 and 2011, Enfield saw the third highest rise in single parent households among all the local authority areas in the country. Many of these families have low incomes and the only adult is often not working. The poorer parts of the borough have very high rates of child obesity and very low life expectancy.

David Cameron's Big Society concept gave birth to the government's approach to localism. Their vision was that decision making should be closer to the people, with a default position that delivering public choice can best be achieved by the supply and demand of the market. As a result, they said that we would see far greater community involvement in shaping the local area and local services. This, they believed, would bring real local choice.

However, if we examine what has happened in practice, what do we see? To date we see little evidence that this is generating economic benefit or better services, let alone more community involvement in decision making.

My concern is that the Coalition's approach is almost entirely ideological in both design and intention. It lacks both the subtlety required for delivering local choice, but also some of the clear guiding principles. Enfield (and many other authorities including those which are Conservative and Liberal Democrat controlled) are taking a much more pragmatic approach to service delivery than the one favoured by government.

I think that we need to look as dispassionately as possible at all the services that we currently provide and how they are provided. Clearly there are some key statutory and democratic services that the authority has a duty to provide and which we should and need to retain control over. I think of these as the first ring of services (See below diagram). Then comes a second ring of services which are very important to local people and to the Council in achieving our aims and objectives. We may not need to provide them directly but we would certainly want to have a significant role in shaping them and in assessing how they are performing. At the outside, there is a third ring of services which add value to the local area but which we don't necessarily need to have any day to day control over and are more discretionary in nature and impact.



The final element of the Co-ordinating Council is about involving communities and the voluntary sector in the development and delivery of services. It is certainly been an important element of our approach over the last three years. The Enfield Residents

Priority Fund allows elected members, local community groups and local individuals to come together and decide how to allocate funds at ward level. It is local, but it is aligned to borough wide priorities as every project approved under the fund must demonstrate how they will contribute to tackling poverty and disadvantage. Our Community Capacity Building Fund is another important element, utilising one off funding, allowing local voluntary sector organisations to bid for funds in order to enable projects that will build resilience within the local community.

These are important projects, but the capacity to deliver locally is limited - partly by the level of social capital within our communities and community organisations, but principally by a finance settlement that never equated to the level of local need and which has grown more and more inadequate since 2010. With our ability to raise council tax regulated and constrained by the secretary of state, we can't raise significant levels of funding from that mechanism without an expensive referendum. We are also told that Councils are raising too much money from parking revenues, despite the fact that any surplus that arises has specific constraints on its use.

Perhaps the community doesn't want us to raise council tax in return for better services, but perhaps they do. It seems a fundamental tenet of localism that the directly elected local public body should be the one making these decisions, rather than the Department for Communities and Local Government. After all, that's what the ballot box is for. And if we ignore that, aren't we all in a pickle!

I want to see a future Labour Government celebrating the entrepreneurship, innovation and excellence of delivery in councils. By 2015 councils will be bruised and battered by Government diktat and cuts. Even without massive extra funding, the least we can expect is a new accord. I think Hilary Benn and his team get it. The trick will be to ensure that it is not damaged in the transition to Government.

Chapter 4

Independent local government

Graham Allen MP, Chair of the Political and Constitutional Reform
Select Committee

Independent local government

Were we directed from Washington when to sow and when to reap, we should soon want for bread.

Thomas Jefferson

Jefferson's wisdom is as relevant today as it was back then. Labour in 2015 can of course be one of its previous incarnations, the party of over-centralisation and statism, or an unconvincing market oriented imitation of the Conservatives. Alternatively, we can represent something new for Britain and be the party of democracy and plurality, setting out to realise a vision of liberated talent expressing itself through elected independent political institutions, rich in debate and ideas and reconciled through a clear constitutional settlement. Nowhere is this more opportune and essential than in freeing the repressed ingenuity in our localities. To do that Britain only needs what almost every other Western Democracy has: constitutionally independent local government.

We've seen successful devolution on our doorstep in Scotland, Wales and Northern Ireland, leaving England as the last country in the empire. Devolution to the English regions, so mishandled by the Blair Government is dead for a generation. There is neither the political nor public appetite for this. Instead, England should look to use the local political structures it already has in place around the country. Local government should be the vehicle for devolution in this country.

As Chair of the Political and Constitutional Reform committee, I've overseen the recent report *Prospects for codifying the relationship between central and local government*.¹ The report laid out the blueprint for local government to have control over its own affairs. Good news for democrats but worryingly for Labour it is attracting serious interest from the governing parties.

The Committee created a draft code setting out a clear relationship between central and local government as two equal and independent partners. Since central government can remove any independence currently given, the select committee drew up a code that would be enshrined in statute, which would constitutionally protect local autonomy.

¹ Political and Constitutional Reform Committee, *Prospects for codifying the relationship between central and local government* (House of Commons, 2012) <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpolcon/656/656.pdf>

The code itself set out the broad principles that would govern the relationship between central and local government. These included that local government should be independent of central government, have a secure financial base through the sort of income tax retention that now smoothly operates in Scotland, and, with the consent of its electors, be able to exercise a range of revenue-raising powers suitable to the needs of the local community.

If localism is truly to take root and flourish, petty interference from the centre must be denied any legal or financial basis, and local government given unchallengeable legitimacy. This can be done in two ways. First, 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. Local government, like any other public body, would have to perform its duties within a legitimate inspection regime and be held to account by any citizen. This independence must be protected from easy repeal, by 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 fundamental bedrock of our democracy must be guaranteed by clauses in a written constitution for the United Kingdom.

Second, political independence for councils would mean less than nothing without financial independence. Of all local authority spending, the bulk is now provided by central government and only a fraction (one eighth) raised locally by the council tax. This dependency culture must end. A radical new settlement is needed on taxation, with HMRC sending the appropriate tax take back to local councils via an independent "redistribution commission". Central government could continue to be free to assist councils with funding on particular problems, just as the federal governments of the US and many European states do.

The other nations of the Union are already leaps and bounds ahead of England in terms of financial independence. The Scotland Act 2012 enables the Scottish Parliament to set a Scottish rate of income tax, to be administered by HMRC, for Scottish taxpayers. It is expected to apply from April 2016. The rate paid by Scottish taxpayers will be calculated by reducing the basic, higher and additional rates of income tax levied by the UK Government by 10 pence in the pound and substituting it with a new Scottish rate set by the Scottish Parliament. A rate of 10 percent levied by Scotland (or any other nation in due course) would mean no change to the UK rates. It would cover a sixth of total spending and including other retained taxes a third would be covered.

Wales gets it, too. There, the Silk Commission recommends that the UK and Welsh

Governments share responsibility for income tax at all rates by 2020. The proposal is that the UK Government would reduce each rate of income tax that applies in Wales by 10 pence in the pound, and also reduce the grant to the Welsh Government by an equivalent amount. To substitute for that, the National Assembly for Wales would then vote to decide the level of Welsh income tax for each rate individually. The BBC noted that these proposals, if implemented, would "make the Welsh government responsible for raising around 25% of its budget". A rate of 10% levied by Wales (or any other nation in due course) would mean no change to the UK rates. It would cover an eighth of spending or a quarter with other retained taxes.

Northern Ireland can now retain air passenger duty on long haul flights, and there is speculation, too, about the future of corporation tax. Given what is happening in Scotland and Wales it is surely only a matter of time before they too raise questions on income tax transparency. If Northern Ireland followed Scotland, as above, then a rate of 10% assigned to Northern Ireland would mean no change to the UK rates. A 10p income tax would yield about £1 billion – this amounts to around 10% of the Northern Ireland budget.

So surely, then, England should not be too far behind; especially if it is to realise its own devolution settlement through local councils. How would transparency around income tax and its assignment work in the devolved settlements and in England with devolved local councils?

The English, too, should be able to retain a comparable income tax take which should then be equalised through the existing mechanism and distributed, as it is now, through English local government. The fraction of income tax going to local government should be made plain on every electors salary slip to stimulate accountability. Central government already spends the equivalent of two-thirds of our income tax take in England on local government in England, and using the Scottish precedent and the Welsh proposal, England too could start its journey of devolution, not separation. Having secured its base budget this way, then local government in England should be free to use whatever financial powers the local electorate authorise, for example setting a tourist tax, as is common in much of Western Europe.

We should not be frightened of what is proposed. This is the way to deliver the most accountability for the least change. No change in income tax rates. No change in the method of collecting income tax by HMRC. No change in the equalisation formula/distribution so funding levels on the ground would be precisely as now. By being clear and honest about the amount local government spends and how much income tax

that spend is equivalent to, the relationship between income tax and local spending becomes much more obvious. Central government will continue to be funded to precisely the same levels, and in precisely the same way, as now.

While the concept of devolving some responsibility for income tax to devolved government is now established, the degree to which it should apply to English local government is open to negotiation, so this could be introduced gently or all in one go. There are, of course, several options for English local councils that central government should discuss with local government.

First, "the full English" devolution option. Income tax is collected by HMRC as it is now, but under this set-up, one third goes to central government and two-thirds goes to English local government allocated using the existing redistribution formula. This would cover most of local expenditure. Linked to the legal separation that my committee suggests, this would create the sort of independent local government in England, which is commonplace in other Western democracies.

Second, the "England is treated the same as Scotland and Wales" option. Another option would be for England to adopt a practise similar to that in Scotland, and proposed by the Silk Commission proposals for Wales, of assigning a rate of 10p to England too (would yield roughly £49 billion, around 25% of spending). This would mean no change to the UK rates. Similarly this would lead to around 25% of English local government expenditure being met by income tax retained for distribution to English local councils. Unlike Scotland and Wales, I do not suggest any power to English local government to vary the rate. The usual equalisation process to councils would take place.

Third, the "extend the principle to England" option. Income tax is collected by HMRC as it is now, but if education spending is retained centrally a much smaller fraction of the income tax is needed to be assigned to local councils but the principle is established and can evolve.

If linked to the freedoms and powers for English local government which my committee suggest, then a new settlement would be achieved which achieves devolution within a stronger, modern and sustainable union.

Local authorities already have a record of financial expertise and economic management which outshines that of 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. Local borrowing, providing its costs were met from annual income, would not be controlled by Whitehall. Well-managed local councils would gain Triple-A credit ratings, poorly run ones would fail to raise borrowing.

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 however they and their electorates decided, from a menu of revenue raising powers, ranging from property rates to sales taxes or local bond issues. In a mature democracy, local authorities would be confident and competent enough to raise and spend what they decide is appropriate. Citizens knowing what they pay and why they pay it and holding their own local representatives to account will constitute a firmer discipline and stronger bulwark against central interference than any statute.

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 anymore. 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.

The 2015 government must be clear about ending the over-centralisation of England and letting local government flourish and grow. Otherwise local government will not only want for bread but will barely have the strength to raise its traditional begging bowl.

Chapter 5

City deals and city regions

Councillor Sir Richard Leese, Leader of Manchester City Council

City deals and city regions

The Greater Manchester Combined Authority (GMCA) came into existence on April 1st, 2011 by way of legislation passed in 2009, by the last Labour government. The legalisation allowed for the establishment of economic prosperity boards and Combined Authorities (CA), the latter bringing together groups of (contiguous) local authorities in a statutory local authority to jointly exercise local economic development and transport powers. For the time being, GMCA remains unique but that is unlikely to remain the case for very much longer as the Leeds, Sheffield, Liverpool and Newcastle city-regions are now making rapid progress to establishing their own CAs. Why and how is it important to Labour?

The notion of the city-region, the economic geography CAs are based on, is not a new one. The underpinning economic theories centre on the "functional economic areas" and have been around since the mid-1960s. France, long criticised for its excessively centralised state developed 'Metro' authorities in the 1990s. In local political landscapes they are far more complicated than those in England, involving cities of the scale of Lyon in formal arrangements with dozens of other municipalities including communes of just a few hundred people. Put simply, the city-region is a functionally inter-related geographical area comprising a central, or core city with a hinterland of smaller urban centres and rural areas, which are socially and economically interdependent.

In the UK it is the English core cities that are principally responsible for planting city-regions firmly on the economic and political map. Their very first summit held in Sheffield in 1999 was focused on research commissioned by them from the Centre for Urban and Regional Development Studies (CURDS) at the University of Newcastle. The research report argued that "unless policy is developed at the city-region level then the English provincial cities cannot be expected to play the role they should play as regional economic motors, and Britain as a whole will continue to suffer from economic under-performance and social polarisation".

Although the English core cities and city-regions contribute over a quarter of national GDP, comparative studies carried out over the last decade and a half demonstrate that our cities perform poorly in comparison to our major European competitors. Our cities suffer from lower productivity and generally higher levels of deprivation. Policies to address these issues have tended to be either highly localised programmes like the Single Regeneration Budget or the Neighbourhood Renewal Fund or have been locked into departmental boundaries (including almost every programme aimed at tackling worklessness over the last twenty years). If Labour is to achieve its mission as the party of fairness, social justice and of prosperity for all, then city-regions, as by far both the biggest concentration of

economic growth and the biggest concentration of social issues, are the key.

The core cities' argument (all Labour led at that time) was initially greeted with a mixture of fear and hostility by government. There was an ideological and dogmatic commitment to regionalisation based on the standardised English regions. The establishment of regional development agencies had already been mired in inter-departmental and inter-ministerial disputes which left them initially with no economic development budget at all to speak of. The argument for a new economic model based on a sub-regional building block was seen wrongly as a direct threat to government orthodoxy.

A whole range of economic studies carried out directly or indirectly for government confirmed the economic importance of city-regions. The work commissioned by the North West Development Agency (NWDA) to evidence its economic strategy clearly indicated that the biggest growth potential lay in the Manchester city-region, the second biggest in Liverpool. Indeed, the Northern Way (itself a gap to "compensate" for investment going into Thames Gateway), originally had the idea of a "J" shaped growth corridor connecting Newcastle, Leeds, Sheffield, Manchester and Liverpool. However, studies found no evidence to support that premise. Instead, it concluded that the best prospects for growth in the North (and to narrow the economic divide), lay not in a linear model, but in a nodal one, based on the city-regions. So convincing was the evidence, government even invented three new city-regions to try and make the economic geography fit the political argument.

Notwithstanding this body of evidence (and the very positive work the Greater Manchester authorities had been doing with successive Secretaries of State at Communities and Local Government since late 2005) it was only with the publication of the sub-national review of economic development (SNR), led by the then DCLG minister, John Healey MP, that the city-region/sub-regional case became more widely accepted in government. Although many in the current government are as equally ideologically opposed to regionalisation as those in the previous one were in favour, the SNR has continued to provide a robust base for the need for a variable geography. As John Healey said: "Whitehall centralism is the biggest obstacle to progress and we shouldn't be diverted either by a desire to prescribe new government structures or unnecessary arguments between regions and cities".

Although local transport is a significant part of the GMCA, transport is also a very good example of a policy area where the sub-region can't do everything itself. The current investment into the Northern Hub, to address a number of pinch-points in the railway network around Manchester that impact on capacity across the whole of the North and North Midlands, could only have been addressed through a national agency. Once the work is completed and the capacity is released the growth potential needs to be realised.

Northern local authorities are convinced that the best way of doing that is for the two northern rail franchises, Northern and Transpennine, to be controlled in the North. The right spatial level for this is the whole of the North. We have, therefore, formed a new body, Rail North, for the express purpose of, subject to government agreement, taking over the franchising programme. However, this is probably only possible through the establishment of CAs – bodies that are both properly accountable but also capable of taking the risk associated with the franchising process.

That the ten local councils of Greater Manchester have been the front runner in the development of the city-region model should be no surprise. In 1986, following the abolition of the Greater Manchester County Council, the ten authorities formed a voluntary association, the Association of Greater Manchester (AGMA). They have worked together increasingly closely since then, though, as with most partnerships, it has not been without its ups and downs. Marketing Manchester (our national and international marketing agency) and MIDAS (our inward and indigenous investment agency) were both launched in 1996. Manchester Enterprises, later New Economy (strategy) and Manchester Solutions (delivery), our first economy strategy and delivery agency was launched in 2001 on the back of the abolition of Training and Enterprise Councils. Marketing Manchester had always been AGMA-wide. The other two agencies followed the first Greater Manchester Strategy, and other initiatives such as the conurbation-wide "Manchester: Knowledge Capital" developed in 2004.

The city-region was by now functioning as an economic unit but not in a way that conflicted with the regional economic strategy. The NWDA's strategy identified the city-region as central to regional growth prospects, recognising the needs for greater devolution to the city-region, and on this basis became a funder, alongside AGMA, of MIDAS, Marketing Manchester and Manchester Enterprises. In March 2006 AGMA submitted a proposal to the then Minister for Communities and Local Government, David Miliband MP, seeking to capture the spirit of the times by entitling it 'A New Deal for Manchester'. This set out a shared vision of how the city-region could be governed collectively with a method which would enable us to have a better opportunity to reach our potential and goal of becoming "a world class city-region at the heart of a thriving and competitive North". Again this prospectus was actively supported by the Regional Development Agency who also took part in subsequent meetings with Ruth Kelly MP who later that year became Secretary of State for Communities and Local Government.

The New Deal for Manchester was very much focused on the economy of Greater Manchester although through issues like tackling worklessness (Manchester had

been selected as a Pathfinder area to work with DWP on the development of a new consortium approach to tackling worklessness) we were already beginning to delve collectively into related social issues. The approach, unlike most of what had happened in the previous nine years of the Labour government, was both bottom-up and strategic. The devolution it called for was based on an analysis that "existing structures do not ensure that all agencies operating in the conurbation work towards shared strategic goals", and neither was it a crude power grab. On the contrary we explicitly stated that "we are not seeking to take powers away from the bodies (various government departments and agencies), but to tie them into the joint development of integrated strategies, jointly owned and to which all are jointly accountable."

The mechanism suggested was, paralleling the local area agreements (LAA) already coming into place, a Manchester metropolitan agreement (MMA). But the proposal went beyond that, and also argued that for governance arrangements to give proper accountability for such an agreement, a purely voluntary association was no longer adequate, and AGMA needed to have a new statutory framework. It is from this proposal to government in 2006 that CAs and a little later, city-deals emerged.

This was also a very new approach to politics. The delegation that first went to see Ruth Kelly MP consisted of two Labour leaders, one Tory, one Liberal Democrat, as did the delegation that went to see the city-deal Ministerial group chaired by Nick Clegg MP. The politics of Greater Manchester have fluctuated significantly between 2006 and the City-deal signed in 2012. However, it has remained characterised by a cross-party commitment to work together for the common good of the city-region. CAs came out of Labour legislation. The draft order was published for consultation by a Labour Minister, John Denham MP, but was confirmed under the present government. That would not have happened without that strong local consensus.

City-deals began under a Labour government. In parallel with the work to develop a CA, Greater Manchester was in detailed discussion with government on a package of devolutionary measures aimed at supporting economic growth. Skills, business support, worklessness, housing, and transport were all on the agenda - all building on the seminal Manchester Independent Economic Review published in 2009. The MIER delivered a robust and irrefutable case for the need for a range of economic levers to be operated locally at the city-region level, rather than centrally. Agreement was reached with a ministerial group chaired by Liam Byrne MP close, sadly too close, to the 2010 general election, but the evidence for change was there and wasn't going to go away.

Some credit has to go to the Coalition, first of all for appointing a cities minister (hardly their natural hunting ground), and then inviting the eight core cities to put forward proposals for devolution of economic development - powers an approach later extended to 22 other, smaller cities. It is fair to say that that first round of city-deals were very much a tentative first step on the devolution road with the exception of Manchester's Earn Back Scheme.

The Earn Back Scheme hypothecated back to Greater Manchester a part of national tax take from increased revenues generated by Greater Manchester's investment in transport infrastructure. That funding provided further investment in infrastructure is truly radical. It should pave the way for further financial devolution along the lines of the London Finance Commission's report. Today we are able to influence skills policy, operate a local business support service, have a single pot and run joint management arrangements with the Homes and Communities Agency.

The case for the housing element of the city-deal arises from a prime example of weaknesses in current systems. National policy is pre-occupied with the housing market in London and the South East and is not responsive to different housing markets in different areas, each exhibiting their own supply and demand dynamics. The result is that cities do not have the toolkit available to support new housing development in their areas, and if unchallenged there is a danger that growth will be constrained and the local labour market undermined.

This means the policy framework needs to respect the difference and the critically important local characteristics of the residential market across different places in England. This should involve devolution of powers, funding and freedom to innovate, so that cities can, through a local housing plan, design housing solutions in line with their particular housing market needs. The Housing and Investment Board in Greater Manchester provides a potential vehicle through which such a local plan could be developed and managed.

The risk for a future Labour government is a failure to realise that well-evidenced policies for a devolutionary approach to economic development are essentially Labour policies that the current government has sensibly, albeit timidly, continued. The opportunity for Labour is to be bold; and whilst one might not want to look to a Tory grandee for inspiration, to be prepared to introduce change on a scale of Lord Heseltine's No stone left unturned report.

Labour also needs to realise how the debate has developed since 2010. The recent

Whole Place Community Budget pilot which Greater Manchester was a part of (building on the work we had done as Total Place) now points the way to an even more radical approach to public service reform inextricably linked to job-creation and sustainable growth. There is more than an echo of AGMA's 2006 submission to government. In a number of key areas (complex families, tackling worklessness, integrating health and social care) we seek to have the whole of public services, both local and national, working as one to the same place-based performance framework. This scale of change, just like the approach to economic development, would be impossible to achieve at a single local authority level. However it can be achieved by local authorities working together at the right scale. For GMCA this means after a little more than two years of existence, our ambition and understanding of what we can achieve for, and with our people, has grown immensely.

However, the ability to improve neighbourhoods will always be dependent on our ability to promote job-creating growth. Eleven years on from the work undertaken by CURDS for the Core Cities Group, Michael Parkinson and colleagues from across Europe have restated the case in their report *Second Tier Cities in Europe: In An Age of Austerity Why Invest Beyond the Capital*. The simple answer is that countries who do invest beyond the capital have "higher performing cities and national economies as opposed to those who do not." But for this to work "successful city regions need governance to be upscaled to the functional economic level."

Manchester may have the first CA, but others are following. We have the potential for the UK to have a vibrant, dynamic economic geography based on sub-regions. With the right governance in place we have a better opportunity than ever before to translate economic success into local benefit. However, this requires two things that central government is notoriously weak on. Boldness and flexibility. The last Labour government took ten years to realise that it could not achieve its objectives through centralised, compartmentalised, nationally imposed programmes. We mustn't make the same mistake again.

Chapter 6

Economic development and localism

John Healey MP

Economic development and localism

The need for a strong principled case as well as sound practical policy

Debate on localism is too often too limited. Policy-makers ask what competencies should lie at what level? Managers argue about what structures deliver best? Academics debate what are the best-fit functional footprints?

All are relevant and important policy debates but the biggest question lies in how to challenge the deep-seated centralising control of Whitehall and Westminster, and this requires a strong principled case for decentralisation whatever the policy detail.

Ed Balls, Richard Caborn, I and others worked hard from 1997 to develop both Labour's local devolved economic policies and the intellectual case to underpin our approach in speeches, articles and pamphlets – including a series published by the Smith Institute between 1997 and 2005.

One research paper we commissioned in government spelt out the problem, "The prevailing orthodoxy at the Treasury was that ... city and regeneration policies were essentially seen as distributional palliatives for treating symptoms in the poorest places."¹

Labour's determination to achieve more balanced economic growth, exploit local indigenous strengths and tackle the causes of economic under-performance rather than simply soften the social consequences was a fundamental change in policy. And our case that regional inequality is not inevitable, was a radical break from two decades of Conservative free-market thinking.

By making the clear principled and public case for devolving economic policy we helped create the scope for specific policy decisions, such as the unprecedented single funding pot for Regional Development Agencies (RDAs) and the local authority business growth incentive for local government.

This task is not just of academic interest. Reform which is not advanced in theory will not be sustained in practice, as the recent experience of Local Enterprise Partnerships (LEPs) has shown.

The Coalition's white paper on local growth in 2010 promised that its first priority would be "shifting power to local communities and businesses" through the creation of

¹ 'The state of English cities' – background paper prepared for urban white paper by Robson, Parkinson, Boddy, MacLennan

new LEPs. The Deputy Prime Minister told us this would "foster prosperity in all parts of the country".

Three years on, these claims ring hollow. LEPs lack both resources and capabilities, with negligible budgets and no real powers to lead economic development in their areas. They risk being written off as 'talking shops' as a result and a recent CBI survey found that half of businesses expected LEPs to have little or no impact on growth.

The latest high rhetoric on economic localism was set out by Lord Heseltine in his recent report *No Stone Unturned*. It had bold plans to boost the resources and responsibility that both local authorities and LEPs have over economic policy. It received wide support. But in this summer's Spending Review the Chancellor only earmarked an extra £2 billion for LEPs – this is barely 4% of what Lord Heseltine recommended, it will only be available from 2015-16 and the money has been top-sliced from local government funding.

What's more, Whitehall has done what Whitehall always does and clawed back the powers over skills, housing and business support that Labour previously forced it to devolve to RDAs, despite initial promises that these would pass to LEPs.

Uneven economic development in the UK

In 1997 we were acutely aware of the economic inequalities that had developed, especially over the previous two decades.

Regional differences in the unemployment rate rarely exceeded 2% of the labour force before 1979.² In contrast, during the years 1984-1996 unemployment in the old Northern region (the current North East, plus Cumbria) averaged 12.4%, or one in eight of those of working age, whilst the rate in both the South East and South West was just over half that at 7%. Weaker demand for labour in the less developed regions outside of the south-eastern core also meant wage growth was notably slower, increasing income inequality for those in work.

By 1997 regional GVA - the key measure of regional income excluding taxes and subsidies on production - showed that the North East's economy was a fifth of the size of London's and the South East's economy was around the same size as Scotland, Wales and Northern Ireland combined.³ In terms of GVA per head, London was operating at 156% of the UK average, with the North East and Wales down at 80%.

2 Gudgin, C "Regional policy and problems in the UK" Oxford Review of Economic Policy (1995) http://web.mnstate.edu/machunda/Globalization%20in%20The%20UK/regional_UK.pdf, p. 20

3 ONS (2010) Regional Gross Value Added series, NUTS1 Regional GVA 1989-2009; 2009 prices.

The 'North-South divide' had become firmly established as a result of the dramatic dislocation between different parts of the country during the 1980s, exacerbated by the laissez-faire attitude of Conservative governments to regional policy in general and to strategically important sectors of the economy in the North and Wales in particular.

Regional Development Agencies in England were a bold attempt to arrest the decline and close the divide. We set the RDAs up in 1998 as strategic leaders in their areas, commanding substantial programme powers and spending. They are widely seen by impartial observers to have been successful, at least in part. The series of demanding targets that RDAs were set including on business development, infrastructure, skills and competitiveness were all collectively exceeded, creating or safeguarding over 200,000 jobs. A report from PwC in 2009 found that for every £1 RDAs spent, regional GVA increased by £4.50.⁴

But while offering good value for money for the country as a whole, RDAs did not do enough for long enough to reverse the relative decline of the less economically developed regions.

Job creation was strong in all regions, with the employment rate in areas such as Scotland, Wales, the North East, and Yorkshire and the Humber all improving faster than the country-wide average.⁵ But regional variations in labour productivity failed to close and in some cases widened. Wage growth was strong in all regions, but often stronger in more developed regions.⁶ Regional GVA per head growth from 1999-2009 was certainly more equal than the decade that preceded it, but still more rapid in some regions than others.⁷

The political and policy divide

There's a basic divide in the political response to these deep regional imbalances.

The Tories have generally taken a laissez-faire view, arguing that little can be done to correct spatial inequalities. Faux-credibility is given to this view by some economists who argue that in the long run areas will eventually converge as firms move to areas where labour and capital are cheaper, but in the meantime intervention is futile. Margaret Thatcher's Chancellor Geoffrey Howe had this fatalistic attitude to policy

4 PwC (2009) 'Impact of RDA Spending: National Report'.

5 Based on percentage change in the employment rate, 1998-2008; ONS, Labour Market Statistics dataset and House of Commons Library calculations. Nb have had to slightly change the data range to get this result given disproportionate effect the downturn had on these regions so this is based on data for 98-08.

6 Annual Survey of Earnings and Hours, mean gross full-time weekly wages, 1999-2009.

7 Calculations on the basis of variation of GVA per head between regions; ONS (2010) Regional Gross Value Added series, NUTS1 Regional GVA 1989-2009; 2009 prices.

action, notoriously advising that the government should 'let Liverpool decline' after the 1981 riots.⁸

More recently, David Cameron's favourite think tank Policy Exchange recommended that northern cities such as Bradford and Sunderland were 'beyond revival' and that their inhabitants should leave and head south. The public outcry forced Cameron publicly to reject the analysis at the time, but the report's main author is now a government advisor.⁹

And the current government's 2010 BIS evidence paper 'Understanding local growth' shows a similar sort of pessimism when it says of regional inequalities that: "much of the increase in economic disparities seems long-term and linked to globalisation".¹⁰

This political and economic shrug of the shoulders is unforgivable.

The alternative Labour approach, which underpinned our case for RDAs, was based on two broad arguments.

First, that it is desirable to correct the market mismatch of economic opportunities, both because a commitment to social justice demands support for disadvantaged areas and because our national economy is stronger if all areas are making a fuller contribution. As Ed Balls and I argued in 2000, "Greater national prosperity must also mean a fairer spread and share of that prosperity."¹¹

Second, it is possible to correct spatial economic inequalities, and this is best done by strong sub-national agencies, separate from Whitehall and based in their local areas.

The Labour Party has instinctively embraced the first argument, but has not always given enough attention to the second. If we want an effective and persuasive plan for local economic development for the next Labour government, this second argument needs to be revisited and reinforced.

The economic case for sub-national policy and delivery

The core insight of the case for sub-national economic development is this: at

8 BBC News (2011) 'Thatcher urged let Liverpool decline after 1981 riots' <http://www.bbc.co.uk/news/uk-16361170>.

9 Policy Exchange (2008) 'Cities Unlimited' <http://news.bbc.co.uk/1/hi/7556937.stm>.

10 BIS (2010) 'Understanding Local Growth' <http://www.bis.gov.uk/assets/biscore/economics-and-statistics/docs/u/10-1226-understanding-local-growth.pdf> p. 26

11 Towards a new regional policy – delivering growth and full employment, edited by Balls and Healey, The Smith Institute 2000

their best, local institutions can bring together economic actors who have both an incentive to deliver growth and jobs in their areas and the local insight and information to do it well.

This argument has become more pressing as globalisation increases the risk that regions are left behind. Global market forces can embed economic success in more developed areas. These areas do well because they are well placed to compete in international markets, while other areas risk stagnation or decline and see only limited benefits from greater global movement of capital. Intra-nationally and internationally, the lesson of recent decades is that globalisation can both create and reinforce unbalanced economic development.¹²

There are four central reasons why sub-national agencies are best placed to offset and exploit the opportunities of potentially disruptive and inegalitarian global market forces.¹³

First, locally based agencies can better identify local competitive advantage. We know that economies succeed when they focus on their specific strengths. But it makes little sense to talk only of national competitive advantage when the opportunities for growth vary so much from one area to another within the UK. Economic transformation and development is most effective when it draws on what areas can best offer – location, transport and communications links, or the specialist capabilities of its workforce, universities and companies.

The world-leading Advanced Manufacturing Park (AMP) in Rotherham connects Sheffield University expertise to global businesses like Boeing and Rolls Royce, building on the local pedigree of advanced materials manufacturing and engineering. The project required strategic vision, plus long-term, large-scale public and private investment. No national programme or Whitehall department could have made this happen. It needed leadership from the RDA, Yorkshire Forward, with local partners. By 2010 the Park had 26 companies, 500 employees and 150 PhD or graduate researchers, with contracts worth over £500 million. The global head of manufacturing at Rolls Royce recently said the company had transformed their approach to innovation in manufacturing across the world using the AMP model.

Second, sub-national agencies can foster collaboration more effectively to realise local competitive advantage. For growth and jobs to flourish, strategic decisions that

12 Ascani et al (2012) 'Regional economic development: a review': <http://www.ub.edu/searchproject/wp-content/uploads/2012/02/WP-1.3.pdf>, pp. 10-11

13 Pike et al., 2010, <http://www.ub.edu/searchproject/wp-content/uploads/2012/02/WP-1.3.pdf>

require the coordination of public and private sectors need to be made on regeneration, planning, investment, business support and skills. This is very difficult to do without strong leadership at that local level. Economic shocks or crises during the last decade demonstrated the assets of local knowledge and flexibility as RDAs stepped in to coordinate action to rescue Rover, respond to the foot-and-mouth crisis and to the 2007 floods and retain businesses at risk following the 2008 global financial crash and recession.

Third, despite the digital age, much knowledge transfer and innovation still goes on at the local level. Good connections between firms at this level can generate a wide range of spill-over gains with mutual learning on different ways of working, insight into new products and markets, and additional partnerships. Again, it was Yorkshire Forward's strategic focus on low carbon and the energy strengths of the region that has led David Brown in Huddersfield to branch out into wind renewables or Drax to develop carbon capture and storage.

Fourth, local or regional economies need organisations as their advocates on the national and international stage because the interests of national business organisations or government will often be different. Next year's Tour de France will start in Leeds because Yorkshire's own tourism agency and local councils combined to win 'le grand depart', while UK ministers were backing Scotland's bid.

Economic success need not be a zero sum game and these four arguments point to ways of increasing the national income in total, not just the way it is distributed.

Preparing local economic development policy for 2015

The make-up of markets for labour, housing, skills and business investment are becoming more difficult across the country. Similarly, levels of productivity, wages, innovation, company start-ups, business investment and digital connection display greater variations. It is therefore time to turn orthodox thinking on its head, with a new presumption that economic policy and delivery should be devolved beyond Whitehall unless the case is made for more effective decisions taken centrally and more effective policy or programmes run nationally.

If policy and delivery are properly decentralised in England as well as in Scotland, Wales and Northern Ireland then there's also scope for significantly fewer central government departments and a smaller cabinet.

In his 'No Stone Unturned' report, Lord Heseltine is rightly critical of the current

state of LEPs. As he remarks, "At present LEPs simply do not... have the authority or resource to transform their locality in the way our economy needs".¹⁴ Nevertheless he accepts LEPs as facts on the ground and his recommendations reinforce their role. Shadow business secretary Chuka Umunna has said that Labour will also nail its colours to the LEPs' mast, declaring in a speech last year "we will work to improve LEPs not abolish them if elected."

I suggest five tests for any future agencies for economic development – the 'SCRAP tests' for LEPs which must measure up on Strategy, Culture, Resources, Advocacy, Purpose.

- **Strategy:** Led by a strategy and vision for their area, not driven by nationally set numerical targets.
- **Culture:** Capacity to foster close collaboration between public, private and third sectors is central, as is blending the dynamism of private enterprise with the responsibility and accountability of public service.
- **Resources:** Substantial funding and flexibility to act in their area's interests, with decentralisation in financial as well as economic policy and activity
- **Advocacy:** Challenging advocate for their area not an agency of central government
- **Purpose:** The single clear purpose, to promote stronger sustainable economic development in their area.

Conclusion

There is an appeal in avoiding two years of fresh legislation and re-organisation after the 2015 election, but if Labour wants to succeed where the Coalition has failed – and most importantly, if we want LEPs to succeed – then a hard analysis of the lessons and limitations of economic development success through RDAs and local government under Labour is now essential. And at the same time, creating a powerful intellectual economic case for decentralisation is just as important as specific policy plans.

¹⁴ Heseltine (2013) 'No Stone Unturned', p. 40.

¹⁵ Chuka Umunna speech on a One Nation Industrial policy: <http://www.labour.org.uk/chuka-umunna-speech-on-a-one-nation-industrial-strategy,2012-11-14>.

Chapter 7

Jobs and growth: civic enterprise

Councillor Keith Wakefield, Leader of Leeds City Council

Jobs and growth: civic enterprise

As we emerge from the economic upheaval caused by the global financial crisis, it is increasingly clear that it will be a difficult road to economic recovery. Although recent economic indicators give some cause for optimism, we need to pursue economic growth on a broader front, not simply 'chasing' high-growth, globally mobile, knowledge-rich sectors (like everybody else), but embarking on an approach that looks to embed and share the benefits of economic growth amongst all sections of our communities.

The challenge of big cities

Against the backdrop of fiscal austerity, the challenge for policy-makers is to target interventions and resources in a way that maximises the UK's potential for economic growth. Our big cities are already the drivers of regional and national growth, however, there is significant untapped potential.

The population density and proximity of our cities means they are best placed to generate economic activity and growth. Cities account for 60% of the UK's Gross Value Added (Centre for Cities). They enable close links between businesses, individuals and institutions, with distinct advantages for economic growth, productivity and job creation. Yet, long-standing barriers to improving economic performance remain. In particular, low skill levels, areas of deprivation and weak transport infrastructure. Failure to tackle these continues to inhibit growth.

Although some progress has been made in the devolution of funding and associated powers in some of our cities (e.g. City Deals) the limited freedoms and flexibilities to invest to mitigate these long-standing challenges restricts potential for growth. Cities only directly control a very limited proportion of the total taxation raised within their boundaries but they are competing on a global scale with international cities with far greater control over finance and investment. This leaves our cities less able to enhance their competitiveness by addressing their distinctive challenges and exploiting opportunities.

Skills and the Economy

Economic prosperity depends on employment and productivity. Skills are an essential part of achieving higher levels of both. Indeed, in the global economy skills are often the key determinant in competitiveness.

Skills are of economic value to individuals as workers; to the organisations that employ them; and, to the wider economy through greater productivity and competitiveness.

There are also considerable social benefits to individuals and communities which aid the development of more equitable and better functioning communities, which in turn supports economic growth and performance.

Skills are a primary factor in routes out of poverty and worklessness. The economic and social impact of skills can be maximised by investing in the right skills. These are the skills which achieve business success and create opportunities for individuals. These are the skills which effectively meet the changing needs of the labour market. A key challenge is clearly identifying future skills requirements of the economy, but also to ensure more equitable access to these skills for individuals.

The progression of skills requirements

Leeds, like other large UK cities, experienced significant economic growth in the decade preceding the economic shock of 2007/8. However, (again like other large UK cities) employment growth, although positive, did not match the scale of output growth, in part perhaps explained by improvements in productivity, but also by the nature of economic growth. For example, a significant element was based on sectors which are not job intensive. Boosting the job intensity of our industrial profile will therefore be a key challenge as the economy recovers.

It is also important to consider the changes in the skills profile of local economies. In Leeds we have seen a steady increase in jobs requiring high level skills. Over the last 20 years the occupational profile of the city has changed significantly, this is in part explained by the growth in knowledge based industries (financial business services, low carbon, digital and creative industries, advanced manufacturing and health technologies), but also because employers are increasingly demanding higher level skills in the face of modern working practices and the utilisation of information technologies.

In 1990, 41% of occupations in Leeds were in skilled trades, process, plant and machine operatives, and elementary occupations. Over the last 10–15 years there has been a gradual shift in this distribution towards high skilled roles. Forecasts for the next decade are of continuation of current trends towards increased skilled roles. By 2020 professional occupations will be the largest grouping of jobs superseding skilled trades occupations.

The latest occupational forecasts show that higher skilled occupations like managers, directors and senior officials, professional and associate professional occupations are set to increase as a share of the total. However, driven by the expansion of the care

sector and by the continuing growth in consumer related industries - personal contact occupations like caring, sales and customer service are also projected to grow strongly over the next decade. On the other hand, traditional (primarily male occupations) in skilled trades, plant and machine operatives and elementary occupations are forecast to shrink as a share of the total.

It is also important to remember that although the trend is to higher level skills, there will continue to be a wide range of employment opportunities through 'replacement' demand. That is the turnover of opportunities as existing employees leave the workforce due to retirement, relocation and so on. The majority of these employees will be replaced and this creates opportunities for others to either move up the "ladder" or to enter the workforce. For example, in the Leeds City Region, replacement demand accounts for 10 times as many job opportunities as expansion. In the period to 2020, it is estimated that over half a million employment opportunities will arise through replacement demand compared to over 50,000 through expansion.

The local challenge of responding to the increasing demand for higher level skills Over the rest of the decade, the demand for highly skilled labour is projected to grow strongly in the Leeds City Region whilst the demand for people with low qualifications is set to weaken relatively. The latest forecasts show a significant fall in demand of employees with no qualification. High qualification occupations, meanwhile, are forecast to expand, as well as employment opportunities for those mid-ranking skills due to replacement demand.

In terms of labour supply, the proportion of individuals economically active in Leeds with high skills (NVQ4+) is now higher than the England average - 39% compared to 38%. Leeds' highly qualified workforce has grown strongly in recent years: up from 33% in 2010 when it was below the national average.

It is a less positive picture in relation to lower level skills. The proportion of individuals with no qualifications is 6.4%, above the UK average of 5.9%. This is a similar trend to that observed in the NVQ 1 bracket. By NVQ2, Leeds falls below the national average of 16.5% with an attainment of 13%. It is also important to understand that our lowest qualified people are centred in those localities in the city that have long-standing challenges of disadvantage and deprivation. Many of them face a complex and inter-related set of barriers to labour market entry - such as poor housing, language and literacy skills issues, ill-health, difficult care responsibilities.

Interventions and targeted resources are required to address these barriers if we

are to be successful in providing routes out of poverty for our most disadvantaged communities. A systematic approach to skills and employment is required, including:

- close working with local business and potential investors in understanding the demand for skills;
- ensuring skills and education providers have positive relationships both with business and the local community and are responsive in providing high quality provision;
- agencies working on a coherent and collaborative basis to tackle barriers to employment, education and training; and,
- communities with the assets to help themselves, with a stake in their own future.

Educational attainment is also a key factor in providing the foundations for a skilled and flexible workforce. The percentage of students in Leeds achieving five A*-Cs including English and Maths at GCSE has grown strongly in recent years. In 2005/6, 40% of students achieved this level and this improved to 55% in 2011/12. However, this is still below the national average.

Just a 1% improvement in Leeds' economic growth is worth £200 million a year, every year. Growth at this rate in its turn it would create around 4,000 new jobs.

If the city's employment rate was increased by just 1% it would add £125 million a year to our economy. We need these jobs; there are currently 41,000 people unemployed in the city, double what it was prior to the global financial crisis.

What can we do in Leeds?

We need to create more jobs for Leeds citizens. There are 85,000 people from outside Leeds who work in the city each day and our workforce has grown by 80,000 in just the last ten years. The dynamics of the wider city-region labour market, with flows in and out of local labour markets is a vital component of a healthy economy. However, there is significant potential to increase access to employment opportunities for local communities, particularly those currently at most disadvantage.

On the demand side, cities can work with employers, recruitment agencies. Job Centre Plus and work programme providers to make it easier for employers to hire more local people and to hire more unemployed people and more people who are not in education, employment or training. On the supply side we can work with schools, colleges and communities and use labour market intelligence and careers advice. We can also

try to get additional job rich growth, developing and attracting businesses that are more job intensive than some of our economically important knowledge-rich, but low employment intensity businesses. For example, we can help enable markets to develop in some areas such as adult social care, child development, health care and household services.

We do not just need more jobs, we need better jobs. One in five people in work in the UK are still in poverty although they are in employment. In addition, the increase in temporary contracts and part-time working results in relatively precarious, insecure employment. There are 1.4m people in the UK in part-time jobs who want full-time jobs. The creation of better paid, higher skilled jobs using levers such as promotion of local supply chains and public procurement could help. As would more businesses further up the value chain, who improve the quality of their goods, develop more sophisticated products and services – which in turn would raise productivity, raise earnings, raise profits and provide better jobs. In short, as in many cities, we need more businesses to raise their game to the standards of the best.

The need for devolution

As stated earlier, some progress has been made in the devolution of funding and associated powers in some of our cities, however England remains centralised. Funding structures too often reflect generic national priorities, rather than being flexible enough to respond to local needs, opportunities and priorities. Although Leeds and our partners in the wider city-region are at the forefront of the localism agenda, with progress made in establishing a combined authority to underpin a new approach to transport investment and the development of the Aire Valley Enterprise Zone. This progress is only partial, as we lack the complete set of tools to make the most of this new infrastructure from a jobs and skills perspective.

Employment and skills interventions need to reflect the needs of functional economic areas – real labour markets. Employment and skills programmes that are responsive to local labour markets are required. The existing approach is very national in nature and lacks the required flexibility. A more localised approach would enable tailored responses to employer demands (working closely with local businesses), more efficient job matching, the flexibility to address shocks and long-term change and the ability to address the needs of local communities, especially young people.

Chapter 8

Planning reforms

Roberta Blackman-Woods MP, Shadow Planning Minister

Planning reforms

Localism was a key buzzword of the 2010 election but despite the introduction of the Localism Act the Coalition in Government seem to have fallen out with the concept in practice much in the way they have done with the 'big society' and 'compassionate conservatism'. This however creates a huge opportunity for Labour in 2015. John Tizard, the independent advisor, was absolutely right to argue recently that Labour must see valuing local government and localism as being essential to a national growth strategy and building a fairer society. But really embracing localism has to go beyond devolving more powers to local government, important though that is, to really giving communities a say in important decisions that affect them.

The arguments for giving local councils and communities more power resonate now more than ever. Across the country there are examples of how local leadership can make a difference to people's lives. As stated in One Nation Localism "Despite the inaction from Government, Labour councils are finding new ways of meeting local housing needs. Many are delivering on ambitious housing targets and new investment models are being pioneered."¹ These successes hint at what could be achieved through localism and have been echoed and rightly lauded across this paper. But what about the role of localism in planning?

At its best the planning system helps to ensure there are enough school places, protects our green spaces, creates employment and stops our roads, water and energy networks from being overburdened. Most of all planning is central in mediating between competing interests and ensuring that all sides benefit as much as possible from development whether it is two neighbours warring over a conservatory or delivering homes people can afford and infrastructure investment for a whole community.

It is this important function that makes planning such an important local issue and goes some way towards explaining why the Conservative's pre-election interest in localism was perhaps at its most fervent with respect to planning. The Conservative, pre-election Green Paper Open Source Planning stated:

Without a transformed planning system, our chances of getting the investment and growth we need will be hampered and possibly crippled, because today's centralised, bureaucratic planning system gives local communities little option but to rebel against Whitehall.²

1 http://www.local.gov.uk/c/document_library/get_file?uuid=c5259eaf-757c-466c-acc3-d69c9d0ae697&groupId=12197

2 <http://www.conservatives.com/~media/Files/Green%20Papers/planning-green-paper.ashx>

But in Government the Conservatives have proceeded to rip up some of the most basic planning protections and have abandoned any pretence of localism in planning. This seems to be the result of a persistent belief within Whitehall that top-down planning is the only way we can deliver the uplift in house building that is needed, and the accompanying sentiment that localism can only assist anti-development forces. I disagree.

We are in the midst of a housing crisis. The gap between housing supply and housing demand is estimated to stand at 1 million homes and is set to get bigger. We are building less than half of the homes we need to keep up with demand. This housing shortage is central to the cost of living crisis, leaving millions of working people unable to afford the homes they want. Back in 1997 it took an average family just three years to save for a proper deposit on a home – today it takes 22 years.

If home ownership is to be a realistic aspiration for working people, and rents are to be affordable, then we will need a step change in the scale of house building in this country. The Tory-led Government has made no headway in tackling this crisis. David Cameron has presided over the lowest level of homes built of any prime minister in peacetime since the 1920s. This is why housing must and will be at the top of Labour's agenda for 2015. Recently the Labour leader Ed Miliband established a Housing Commission chaired by Sir Michael Lyons to develop a road map to enable the delivery of at least 200,000 homes a year by the end of the next parliament.

It will consider how councils can be supported to become 'homebuilders'. The next Labour Government will help by giving them a 'right to grow'. Local authorities that want to expand and build the homes their communities need will have access to a fast-track planning process to resolve any disputes with neighbouring authorities that are blocking development.

Labour will also tackle the growing practice of land hoarding – whereby private developers hold onto land as it grows in value instead of actually building homes on it. Councils will be given powers to charge developers fees when they are sitting on land with planning permission and holding back development, and in the worst cases use compulsory purchase order powers to sell on the land to developers who will build.

The Lyons Commission will set out detailed plans to establish New Towns and Garden Cities. To do this it will consider how a future Labour Government could work with groups of local authorities who will identify with their local communities locations capable of sustaining suitable large scale sites for New Towns and Garden Cities. The

Commission will also look at the reform of the Housing Revenue Account system and ways in which communities could receive a greater share of the benefits of development. The Lyons' Commission will therefore inform the policies we need to put in place to deliver more homes, better infrastructure and sustainable places.

The need for improved infrastructure is increasingly urgent and environmental pressures are becoming ever greater. All of which makes this an extremely tough time for planning. Centralisation, though, cannot address the challenges facing planning in the long run. Across the country large scale new developments are being planned and built with majority community buy in, like Northstowe in Cambridge, Poundbury in Dorset and Alconbury in Huntingdonshire.

At the same time the potential for neighbourhood planning is starting to become clear. For example local people in the small town of Thame in Oxfordshire have approved plans for 775 new homes; for a town of fewer than 12,000 residents this is a significant agreement. Planners and planning leads across the country have said that neighbourhood planning can be a useful tool in hashing out a compromise in favour of locally supported new development.

These examples show the impact that locally-led development can have in delivering the jobs, growth and homes we need but these experiences are all too rare. Too often the talk of new garden cities and new towns is avoided in part because it is thought that local opposition will be insurmountable. That is why in his 2013 conference speech Ed Miliband announced that Labour would incentivise local authorities either individually or in collaboration with others to bring forward plans for the next generation of New Towns, Garden Cities and Urban extensions. Likewise, many in central government believe that communities will not identify land for development or proactively engage in delivering more homes. But Thame and Alconbury offer a glimmer of hope that other, more inclusive approaches to planning may deliver the uplift in housing numbers and support for the development of new communities that are much needed.

Adopting a drive towards a more community based planning system of the type long argued for by the Town Country Planning Association is something Labour now needs to do especially if people's faith in the planning system is to be restored. And key to this is building confidence in communities that they have other ways of inputting to the planning system beyond submitting objections to development. At present more than 80% of people recognise the need for more housing, but nearly half the population have said that they would oppose any of this development in their neighbourhood. This local opposition to planning applications creates a hurdle to development in many

of places that need new housing most. This delays projects, draws out consultation periods and can even deter developers from applying for permission at all.

We will not get the homes and businesses we need without tackling this issue and ensuring that development benefits, and is seen to benefit the communities in which it happens. If we do not do this, development will continue to be met with opposition and delay, the antagonistic dynamic we have today will be maintained, and the housing crisis will only deepen.

The best way of ensuring that communities benefit from development is to ask them what they need. Many people have become increasingly frustrated by one bedroom flats being built in places that need family housing or executive housing being built in places that need affordable homes. Local people should have a say in the kind of housing that is needed, where development is best placed and the infrastructure required to make their lives easier and their area more productive.

One size fits all approaches cannot adequately take into account the various needs and differences between rural, urban and suburban communities or the best way for these areas to work together in each region. Nor can top-down approaches provide communities with the tools they need to make their area stand out.

We have already sent out a clear message that Labour sees local communities as a key ingredient in sustainable growth and development. In May 2013 Ed Miliband announced Labour's commitment to give communities more power over their high streets by giving them and their elected representatives the tools they need to help make their town centres more diverse, unique and vibrant. This pledge includes powers to help communities crack down on the proliferation of payday lenders, betting shops, fast food outlets and other shops which have been taking over many high streets in recent years. This move followed calls from the Local Government Association whose research showed that 76% of people want to see central government hand down powers to local government to tackle these issues.

This is the opposite of the approach taken by the Tory-led Government which is to deregulate many permitted development rights. This means local communities will often have little say in shaping their high streets and town centres. So rather than getting the greater diversity of premises use that many communities want, they will instead be powerless to prevent an over saturation of payday loan companies or betting shops.

At the same time Ed Miliband has been very clear about a future Labour Government's intention to ensure that developers do as much as possible to deliver for the communities in which they build. He said that new measures may need to be looked at to ensure that developers could not win planning permission then leave a site empty or half built while property prices rose. This is why Labour's 'Use it or Lose it' policy to encourage developers to bring forward development on sites that have planning permission is a central feature of the Lyons' Commission.

There are currently just over 500,000 homes on sites which have planning permission but which have not yet been completed. This stalling behaviour, demonstrated by some developers, undermines people's trust in the planning process and reinforces the perception that house building is only to the benefit of big developers.

These pledges show the direction a future Labour government will take but we can go further to ensure that we have the tools in place to deliver homes, infrastructure and growth in a bottom-up and sustainable way. This is why we want to extend and streamline neighbourhood planning, improve community engagement, make proper use of land and its value and bring together thinking on town, country and regenerative planning.

Inclusivity will be key to this approach, with safeguards to guarantee that it isn't just the loudest voices that are heard but that as many people as possible participate in shaping their local area. There is now a whole generation living with parents well into their 20s and 30s, unable to afford rent close to their work and with homeownership a distant dream. The voices of these people must be heard and the houses they need planned for.

Neighbourhood planning must be incorporated into the plan making process at an earlier stage. Currently this community engagement is seen as a separate process. The result has been Local and Neighbourhood plans at odds with one another and communities left disheartened when their input is disregarded in favour of the legally superior local plan.

Developing a neighbourhood plan led system will, of course, not be easy. It will require new means of encouraging community buy in, supporting community groups and re-establishing the governance structures that link communities, local government and central government. But as the think tank Localis has reminded us it is not really about structures.

We will also need to redress the balance and improve the relationship between communities and developers so that local people can fully appreciate the economic and social benefits that new housing and infrastructure can generate. At the same

time we have an important role in ensuring that investors have the confidence to work with developers and providing a financial framework which encourages investment in infrastructure, community facilities and high quality design. We are looking at the range of incentives to help this happen.

This will not happen without a change in attitude toward planning and planners. Planning is an essential tool in place shaping. Earlier this year I met with a leading planner, David Evans, in Dorset who is leading several large development projects across his area. He told the The Royal Town Planning Institute what it takes to be a good planner. He said:

“They must be visionary; have the intellectual capacity to grasp difficult issues; have an attitude and an ability to work with the public, individually and collectively; seize opportunities to change places and demonstrate powers of persuasion and influence to co-ordinate all the various parties. Mediation skills are a pre-requisite of a good planner.”

The Government has taken the opposite approach; the Growth & Infrastructure Act 2013 allows Eric Pickles to designate local authority planning departments as failing and strip them of their planning determination functions thereby bypassing the role local communities play in deciding major applications. In October 2013 the first such failing authority was announced. Not only will this authority, and any others that will be designated as failing in the future, still be asked to carry out all the functions linked to any planning application but they will not receive any of the fee. This can only be a route to slower decisions and less community engagement.

Rather than stripping communities of their planning powers we should be tasking them with producing a vision of how they want their area to grow and develop. This could involve setting out a strategic plan, with clear priorities for community ownership.

Finally, we also need to look at how community-led planning can help to combat the challenges seen in some areas where planning has become politicised, and bordering areas have struggled to work together to deliver the growth that both areas would benefit from. At its worst this constrains the cities that have the potential to lead the country into recovery and high growth.

As each city is different and the area around it unique we need to tackle this issue by asking areas to work together across boundaries to produce plans which work for them, will encourage the growth they want to see and the housing and infrastructure they will need to support it. City Deals, Combined Authorities and Core Cities are already demonstrating ways of doing this, and we need to learn from these approaches and

ensure that the needs of rural areas are considered too.

It is these differences between places and the innate desire of people to preserve and yet enhance them that means the potential of planning cannot be realised without localism.

Chapter 9

Education and children's services

Councillor John Merry CBE, Assistant Mayor of Salford City Council

Education and children's services

Let's start by dispelling a few myths. There was never a "golden age" of local authority control of schools, nor do councils want to turn the clock back. The straw man argument of "no return to local authority control" needs to be put aside for a constructive conversation about the challenges facing parents and children when it comes to their education.

Local authorities have a strategic lead responsibility for the education of children and young people. They have a legal duty to ensure that every child fulfils his or her educational potential. They must be a champion for the best interests of the pupil and listen to the concerns and interests of parents and carers. They must monitor the performance of maintained schools in their area and ensure that where improvements are necessary, these are carried out effectively and expeditiously.

These responsibilities however, are becoming harder to fulfil in the increasingly fractured educational terrain brought about under the Coalition Government. With a growth in free schools and funding incentives for maintained schools to convert to academy status, the complex range of provision is creating an increasingly baffling landscape of provision and a lack of clarity about accountability. Unless we resolve the democratic deficit in respect of our schools there is a likelihood of breakdown both in the sense of financial probity and the normal transparency we would expect in institutions funded with public money. To date, many councils have been proving themselves adept at carrying on regardless and making the current system work. But the scale of the increase in the numbers of academies means we are reaching a point where 'carrying on regardless' is becoming harder and is less effectively promoting the interests of children and their parents.

At a time when parents are increasingly concerned about the quality of education provided to their children it is becoming more untenable to argue that they should simply rely on the Ofsted inspection or hope that the governing body/or Academy Trust reflects any concerns they may have. Relying on the national inspection system alone will unlikely pick up emerging issues or respond to a drop in standards within a timeframe that a concerned parent would want.

Every Secretary of State for the last twenty years has said that raising school standards was their key priority. While most have said that the structure of education was not the key issue, when it has come down to it structural reform has been the hallmark of central government's approach.

As a party we should not be ashamed of our attempts to raise standards. The movement for comprehensive education was not based on dumbing down but on raising all schools up to the benchmark of the best. As a government we refused to accept the tacit assumption of the previous administration that mediocre schools were good enough in inner city areas. The Academy programme devised by the Labour Government was designed to tackle the problem of poor performance which was identified as the priority at the time. Many new academies have been successful but with the extension of the programme under the current Government to all schools we are now seeing evidence of a different problem, that of effective scrutiny of schools with little or no accountability. Many of the schools that converted to become academies under the Coalition Government were good or outstanding. We are now just seeing the start of some of them beginning to decline and it is becoming clear that the Department for Education has limited capacity to deal with the problems. The same goes for failing sponsors and failing free schools.

The current system is not sustainable and the role of the local education authority should be honestly, and clearly stated. Within the current array of schools in a given area, parents need to be sure that their needs are met and their children are able to access the school that best suits their needs. Local authorities, as democratically elected and directly locally accountable institutions, are already working to ensure they represent local needs as part of a structure that respects the range of school provision but ensures that they are locally accountable to the people who use them.

Starting from recognition of the diversity of schools within an area, local authorities already accept the reality of a series of different day-to-day relationships with different types of schools. What becomes important is not the structure of education per se, but rather whether the community has the ability to do something about schools which are not meeting expectations.

Supporters of the national academisation programme and free schools argue that parents still have the means of holding schools to account, though they are normally vague about how this would be achieved effectively in practice – whether it is down to parents directly, or each case would fall on the desk of the secretary of state in Whitehall. By addressing this accountability gap, the hope would be to sidetrack debates on school structures so that everyone involved in children's education can get on with building the infrastructure for continual school improvement.

There are four key areas which are currently of concern for many local authorities – admissions and fair access; school improvement; place planning and funding. Within each there is a clear role for local authorities in addressing the challenges currently faced.

Admissions

The complexity in some areas of a bewildering array of admission policies is driving parents to distraction. There is currently a situation whereby free schools and academies are responsible for their own admission policies and this can lead to a complex minefield for parents to navigate and uncertain goalposts. It is possible for parents to be left without any viable choice at a local level and in some cases there is a suspicion that selection is reappearing through the back door.

There needs to be established a system of fair admission policies that all schools within an area are expected to adhere to. Such policies can take account of the need for faith-based criteria or aptitude for specialist schools, but would do so in an open and transparent way. Councils have been doing this for years with local schools - there is no reason why they cannot act as honest brokers to ensure that all parents have the information they need about provision, how to access it and to ensure that the system is fair to everyone.

A greater role for local authorities is not about giving them "control", it would be on the basis of partnership and discussion with schools that admission arrangements should be agreed and could be set locally as factors may vary. The Secretary of State could and should reserve the right to intervene if the council is being unfair or disadvantaging certain parents, but only after clear evidence of malpractice.

School Improvement

School improvement ought to be at the heart of what local authorities do to safeguard the interests of children and young people. It is fair to say that in this area some local authorities in the past may not have been proactive enough about. Sometimes it was made too easy for schools to make excuses and underperforming head teachers were not challenged robustly enough. This situation has changed with many local authorities playing a key role in school improvements, but being hampered by the absence of clarity about their relationship with schools outside local authority remit.

In my own area of Salford it has been very noticeable that those schools which have worked with the local authority have seen impressive improvements in examination results compared with those who have become disconnected academies or who preferred to plough their own furrows.

Other local authorities have reported similar outcomes not by interfering, but by support and intervention when things go wrong. In Salford, we have been prepared on a number of occasions to replace the governing bodies with an intervention board and to issue warning letters when progress is not satisfactory. There is a clear role to both

robustly challenge and provide support for governing bodies and head teachers.

Like all authorities, however, in Salford we are aware that taking action can now set schools down the road to academy status under other sponsors. The credibility of an effective improvement framework would be much increased if the schools' status change did not mean accountability was lost.

In Salford we have sought to overcome the challenges by creating the Salford Academy Trust where schools can be an academy but still part of a local family of schools. Created together with the University of Salford and Salford City College, the Trust not only offers support and challenge, but also contributes toward the city's aim of getting young people to continue longer in education and encouraging more from Salford to go to university, training, higher education and most importantly being equipped to be lifelong learners.

As long as a school is going in the right direction why would a local authority want to intervene? Underperforming schools on the other hand can be found in all categories of schools and underperforming academies are far more difficult to deal with.

While Ofsted inspection provides a final judgement, this comes too late for many children who have suffered from an inadequate school. Accountability demands that steps to intervene are made earlier: local authorities as publically accountable institutions can reflect parental concern and be prepared in the case of a weak academy to intervene.

In the first instance this might take the form of a warning letter or in more serious cases asking Ofsted to inspect the school. It could culminate in creating an intervention board to oversee the affairs of the school. All this could, as in other cases of other schools, be subject to being overruled by the Secretary of State. The important point is that academy schools would no longer simply be able to ignore either the local authority or their fellow schools. They would be part of the overall family of schools, even though their relationship might be more a distant cousin than a fully integrated member.

Of course there would be nothing to stop them having, if they wanted, a closer relationship, but those who tried to cut themselves off from the local community would at least have to abide by a formal minimum relationship.

With new rights for local authorities, come new responsibilities. At the moment local authorities are operating in a strange shadow world of having limited powers to intervene in schools, while being inspected by Ofsted to see if they are doing the job well. Responsibility without power is not conducive to a properly functioning system.

No local authority would be averse to being inspected to ensure they are performing well, provided they have the ability to fulfil the functions expected of them. Equally, if there are individual cases where a local authority is failing in its responsibilities, the Secretary of State has reserve powers to intervene.

Planning places

There is currently increasing pressure for school places. As the LGA found there are as many as two in three councils in England which could see more children looking to start primary school in their area than there are currently places available for by 2016. Rising demand due to population growth is combining with a system that is not responsive to changes in demand as academies and free schools are not required to have regard for local need, so new schools are not necessarily opening up where they are needed.

There now exists something of a lottery when it comes to planning for places and while in some areas there are surpluses, in others there is a shortage of places. New schools that open up (which must be either an academy or a free school) must compete for pupils with existing schools rather than be part of a family of schools.

There urgently needs to be a system whereby the supply of new schools meets the emerging demand for places and public money is directed where it is needed most. The local authority has a wider understanding of and responsibility for local populations so this cannot be effectively achieved by simply bypassing them. Moreover the structures of new schools should not be dictated by the centre but should be chosen locally to fill identified needs which will vary from place to place.

Councils should not be forced into a position in which they must expand provision within local maintained schools which may not necessarily be ideally placed to cope with this, but which are the only available option since they are unable to expand provision in other types of school to meet demand for places.

Funding

Councils' ability to plan for school places is being negatively affected by the uncertainty over future funding for extra places. Over recent years four different methods to allocate funding for school places have been used which leads to a piecemeal approach to planning and councils remain in the dark about how funding will be allocated in the future.

As things stand all schools are supposedly paid at the same rate, but the reality is that academies get additional payments calculated by the education funding agency (EFA) as a top up to what they are entitled to locally. This means for example that the education

services grant is paid to councils at the rate of £116 per pupil compared to the rate academies get paid which is £140 per pupil. This is money councils could spend on school improvement and important services for schools.

As things stand all schools are supposedly paid at the same rate, but the reality is that academies get additional payments calculated by the education funding agency (EFA) as a top up to what they are entitled to locally. This means for example that the education services grant is paid to councils at the rate of £116 per pupil compared to the rate academies get paid which is £140 per pupil. This is money councils could spend on school improvement and important services for schools.

Incentivising academy status via the funding system involves redirecting it away from schools which do not wish to convert and penalises children unfairly. A far more effective way of allocating scarce resources would be a transparent funding formula which did not favour certain structures and could be allocated to all schools within an area via the local authority. The authority's role would simply be to passport on that funding, following discussion with schools in the local Schools Forum. Schools could also be given the option across an area to pool budgets and realise efficiencies by sharing services between them, something they are currently prevented from doing by central Government.

Conclusion

Local authorities have a legal duty to ensure there is a school place for every child in their area, but they are being hampered by uncertainty and unnecessary restrictions. Labour will need to heal a fractured system in which there is an increasing role for parents to have a clear voice, representation and redress on behalf of their children. Ensuring local authorities have a clear role, will enable an appropriate "middle tier" between schools and central government which is responsive to needs and assures ongoing improvement.

Within a system in which everyone is aware of and respects their duties and responsibilities, all involved in educating our children can move away from a debate focussed on structures towards one which focuses on what is really going on in our schools, and that is the quality of education each child receives in order to fulfil their potential in life.

The Smith Institute

The Smith Institute is an independent think tank which provides a high-level forum for thought leadership and debate on public policy and politics. It seeks to engage politicians, senior decision makers, practitioners, academia, opinion formers and commentators on promoting policies for a fairer society.

If you would like to know more about the Smith Institute please write to:

The Smith Institute
Somerset House
South Wing
Strand
London
WC2R 1LA

Telephone +44 (0)20 7845 5845
Email info@smith-institute.org.uk
Website www.smith-institute.org.uk

Chapter 10

Troubled families in troubling times

Lyn Brown MP, Shadow Fire and Communities Minister

Troubled families in troubling times

The last Labour government broke new ground in its determination to tackle the challenges posed by poverty and deprivation. The Social Exclusion Unit, and the Cabinet Office thereafter, developed policies that recognised the economic and general social benefits to be gained from focusing in a persistent way, "To improve government action to reduce social exclusion by producing 'joined-up solutions to joined-up problems.'"

The SEU (and its successor the 'Social Exclusion Task Force') pioneered an evidence-based approach. Their work spurred significant investment in the development of family policy, including the target to eradicate child poverty, evolution of Sure Start and Think Family and led to a radical rethink of how to render decisive support to families. The family intervention programmes were forerunners of the current government's flagship Troubled Families Programme.

Interestingly, although the Troubled Families Programme was launched by David Cameron as a direct response to the riots of 2011, it was briefly mentioned in the coalition agreement and, so, as a concept, it preceded the Government's response to the immediate situation. Albeit a tenet of the Coalition Agreement, it apparently saw little action, and even less commitment, until the riots occurred. It languished in the Department for Education with no cross-government commitment, traction or momentum and an uninterested Secretary of State.

The Troubled Families Programme was, therefore, formulated in the seven months following the riots and placed under the aegis of the Department for Communities and Local Government. The Programme was unveiled in January 2012 and its brief was to achieve the 'turning round' of the 120,000 families Government defined as the most problematic in the country.

As a party we should not be ashamed of our attempts to raise standards. The movement for comprehensive education was not based on dumbing down but on raising all schools up to the benchmark of the best. As a government we refused to accept the tacit assumption of the previous administration that mediocre schools were good enough in inner city areas. The Academy programme devised by the Labour Government was designed to tackle the problem of poor performance which was identified as the priority at the time. Many new academies have been successful but with the extension of the programme under the current Government to all schools we are now seeing evidence of a different problem, that of effective scrutiny of schools with little or no accountability. Many of the schools that converted to become academies under the Coalition Government were good or outstanding. We are now just seeing the start of some of them beginning to decline and it is becoming clear that the Department for Education has limited capacity to deal with the problems. The same goes for failing sponsors and failing free schools.

The current system is not sustainable and the role of the local education authority should be honestly, and clearly stated. Within the current array of schools in a given area, parents need to be sure that their needs are met and their children are able to access the school that best suits their needs. Local authorities, as democratically elected and directly locally accountable institutions, are already working to ensure they represent local needs as part of a structure that respects the range of school provision but ensures that they are locally accountable to the people who use them.

Starting from recognition of the diversity of schools within an area, local authorities already accept the reality of a series of different day-to-day relationships with different types of schools. What becomes important is not the structure of education per se, but rather whether the community has the ability to do something about schools which are not meeting expectations.

Supporters of the national academisation programme and free schools argue that parents still have the means of holding schools to account, though they are normally vague about how this would be achieved effectively in practice – whether it is down to parents directly, or each case would fall on the desk of the secretary of state in Whitehall. By addressing this accountability gap, the hope would be to sidetrack debates on school structures so that everyone involved in children's education can get on with building the infrastructure for continual school improvement.

There are four key areas which are currently of concern for many local authorities – admissions and fair access; school improvement; place planning and funding. Within each there is a clear role for local authorities in addressing the challenges currently faced.

Admissions

The complexity in some areas of a bewildering array of admission policies is driving parents to distraction. There is currently a situation whereby free schools and academies are responsible for their own admission policies and this can lead to a complex minefield for parents to navigate and uncertain goalposts. It is possible for parents to be left without any viable choice at a local level and in some cases there is a suspicion that selection is reappearing through the back door.

There needs to be established a system of fair admission policies that all schools within an area are expected to adhere to. Such policies can take account of the need for faith-based criteria or aptitude for specialist schools, but would do so in an open and transparent way. Councils have been doing this for years with local schools - there is no reason why they cannot act as honest brokers to ensure that all parents have the information they need about provision, how to access it and to ensure that the system is fair to everyone.

A greater role for local authorities is not about giving them "control", it would be on the basis of partnership and discussion with schools that admission arrangements should be agreed and could be set locally as factors may vary. The Secretary of State could and should reserve the right to intervene if the council is being unfair or disadvantaging certain parents, but only after clear evidence of malpractice.

School Improvement

School improvement ought to be at the heart of what local authorities do to safeguard the interests of children and young people. It is fair to say that in this area some local authorities in the past may not have been proactive enough about. Sometimes it was made too easy for schools to make excuses and underperforming head teachers were not challenged robustly enough. This situation has changed with many local authorities playing a key role in school improvements, but being hampered by the absence of clarity about their relationship with schools outside local authority remit.

In my own area of Salford it has been very noticeable that those schools which have worked with the local authority have seen impressive improvements in examination results compared with those who have become disconnected academies or who preferred to plough their own furrows.

Other local authorities have reported similar outcomes not by interfering, but by support and intervention when things go wrong. In Salford, we have been prepared on a number of occasions to replace the governing bodies with an intervention board and to issue warning letters when progress is not satisfactory. There is a clear role to both

robustly challenge and provide support for governing bodies and head teachers.

Like all authorities, however, in Salford we are aware that taking action can now set schools down the road to academy status under other sponsors. The credibility of an effective improvement framework would be much increased if the schools' status change did not mean accountability was lost.

In Salford we have sought to overcome the challenges by creating the Salford Academy Trust where schools can be an academy but still part of a local family of schools. Created together with the University of Salford and Salford City College, the Trust not only offers support and challenge, but also contributes toward the city's aim of getting young people to continue longer in education and encouraging more from Salford to go to university, training, higher education and most importantly being equipped to be lifelong learners.

As long as a school is going in the right direction why would a local authority want to intervene? Underperforming schools on the other hand can be found in all categories of schools and underperforming academies are far more difficult to deal with.

While Ofsted inspection provides a final judgement, this comes too late for many children who have suffered from an inadequate school. Accountability demands that steps to intervene are made earlier: local authorities as publically accountable institutions can reflect parental concern and be prepared in the case of a weak academy to intervene.

In the first instance this might take the form of a warning letter or in more serious cases asking Ofsted to inspect the school. It could culminate in creating an intervention board to oversee the affairs of the school. All this could, as in other cases of other schools, be subject to being overruled by the Secretary of State. The important point is that academy schools would no longer simply be able to ignore either the local authority or their fellow schools. They would be part of the overall family of schools, even though their relationship might be more a distant cousin than a fully integrated member.

Of course there would be nothing to stop them having, if they wanted, a closer relationship, but those who tried to cut themselves off from the local community would at least have to abide by a formal minimum relationship.

With new rights for local authorities, come new responsibilities. At the moment local authorities are operating in a strange shadow world of having limited powers to intervene in schools, while being inspected by Ofsted to see if they are doing the job well. Responsibility without power is not conducive to a properly functioning system.

No local authority would be averse to being inspected to ensure they are performing well, provided they have the ability to fulfil the functions expected of them. Equally, if there are individual cases where a local authority is failing in its responsibilities, the Secretary of State has reserve powers to intervene.

Planning places

There is currently increasing pressure for school places. As the LGA found there are as many as two in three councils in England which could see more children looking to start primary school in their area than there are currently places available for by 2016. Rising demand due to population growth is combining with a system that is not responsive to changes in demand as academies and free schools are not required to have regard for local need, so new schools are not necessarily opening up where they are needed.

There now exists something of a lottery when it comes to planning for places and while in some areas there are surpluses, in others there is a shortage of places. New schools that open up (which must be either an academy or a free school) must compete for pupils with existing schools rather than be part of a family of schools.

There urgently needs to be a system whereby the supply of new schools meets the emerging demand for places and public money is directed where it is needed most. The local authority has a wider understanding of and responsibility for local populations so this cannot be effectively achieved by simply bypassing them. Moreover the structures of new schools should not be dictated by the centre but should be chosen locally to fill identified needs which will vary from place to place.

Councils should not be forced into a position in which they must expand provision within local maintained schools which may not necessarily be ideally placed to cope with this, but which are the only available option since they are unable to expand provision in other types of school to meet demand for places.

Funding

Councils' ability to plan for school places is being negatively affected by the uncertainty over future funding for extra places. Over recent years four different methods to allocate funding for school places have been used which leads to a piecemeal approach to planning and councils remain in the dark about how funding will be allocated in the future.

As things stand all schools are supposedly paid at the same rate, but the reality is that academies get additional payments calculated by the education funding agency (EFA) as a top up to what they are entitled to locally. This means for example that the education

services grant is paid to councils at the rate of £116 per pupil compared to the rate academies get paid which is £140 per pupil. This is money councils could spend on school improvement and important services for schools.

As things stand all schools are supposedly paid at the same rate, but the reality is that academies get additional payments calculated by the education funding agency (EFA) as a top up to what they are entitled to locally. This means for example that the education services grant is paid to councils at the rate of £116 per pupil compared to the rate academies get paid which is £140 per pupil. This is money councils could spend on school improvement and important services for schools.

Incentivising academy status via the funding system involves redirecting it away from schools which do not wish to convert and penalises children unfairly. A far more effective way of allocating scarce resources would be a transparent funding formula which did not favour certain structures and could be allocated to all schools within an area via the local authority. The authority's role would simply be to passport on that funding, following discussion with schools in the local Schools Forum. Schools could also be given the option across an area to pool budgets and realise efficiencies by sharing services between them, something they are currently prevented from doing by central Government.

Conclusion

Local authorities have a legal duty to ensure there is a school place for every child in their area, but they are being hampered by uncertainty and unnecessary restrictions. Labour will need to heal a fractured system in which there is an increasing role for parents to have a clear voice, representation and redress on behalf of their children. Ensuring local authorities have a clear role, will enable an appropriate "middle tier" between schools and central government which is responsive to needs and assures ongoing improvement.

Within a system in which everyone is aware of and respects their duties and responsibilities, all involved in educating our children can move away from a debate focussed on structures towards one which focuses on what is really going on in our schools, and that is the quality of education each child receives in order to fulfil their potential in life.