double devolution:

the renewal of local government

Edited by Geoff Mulgan and Fran Bury
of the Young Foundation

Deloitte.

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Preface

Wilf Stevenson, Director, Smith Institute

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

Over the past few years, the Institute has been publishing pamphlets and running seminars on the case for the devolution of greater powers to regions, localities and neighbourhoods in Britain. During this, it has become clear that if the benefits of local and very-local decision-making and accountability are to be maximised, not only will new and flexible institutions be required at these levels, but a cultural shift will also be necessary within Whitehall, under which all central departments see local and regional solutions as mainstream rather than marginal to their policy thinking. At a recent Smith Institute event Geoff Mulgan outlined an ambitious programme for the reorganisation of central, local and neighbourhood governance structures. The aim would be to deliver a slimmed-down, strategic, central government, a greater role for local government and a reinvigorated level of neighbourhood governance.

The Smith Institute, in partnership with the Young Foundation, is delighted to be publishing this collection in which our editors, Geoff Mulgan and Fran Bury, offer their arguments for a *Double Devolution* of powers – from central government to local, and from local government to very-local. Their discussion is accompanied by a series of short essays by key experts in the field, addressing the structural, professional and cultural changes that will be required to deliver a transformation of government in Britain.

The Smith Institute gratefully acknowledges the support of Deloitte towards this publication and the associated series of seminars.

Introduction: Local government and the case for double devolution

Geoff Mulgan, Director of the Young Foundation, and Fran Bury,
Young Foundation Researcher

A century ago the leaders of many of Britain's towns and cities were household names, ensconced in municipal palaces and responsible not just for housing and roads, but also for schools and utilities.

Today it is a rare citizen who can name the leader of their council or explain what it does. Powers have been sucked upwards, to Westminster and Whitehall. The average age of councillors has crept up (to 58), and local government has lost much of its standing and its confidence. As a result, for some time now, Britain – especially England – has faced a choice. In one direction lies a further nationalisation of local services and the end of independent local government, which would be replaced by centralised provision, funding and regulation. In the other direction lies a genuine revitalisation of local democracy.

In this collection we set out the case for the second course. But we do not simply advocate a transfer of powers from Whitehall to town halls. Instead we argue for a more far-reaching set of changes. We argue that the irony of British local government is that it is neither very local nor much like government. Our local authorities generally oversee large populations, much larger than in other countries, and therefore often feel distant and unaccountable. But despite their scale they generally lack the power to make much difference to people's lives, having been excluded from influence over key services such as health, and turned into transmission mechanisms for central government on others, such as education.

In response to this twin problem of overcentralisation we argue for a cross-party consensus on double devolution, with a 10-year programme to shift power downwards: from Whitehall and Westminster down to town halls, and from town halls to communities and citizens.

How did we get here?

By any measure, England is uniquely centralised when compared with other countries – and it is even more centralised than Scotland and Wales, which at least have community councils. But things were not always like this. Over many decades the powers of local government have been slowly stripped away – over care and planning, transport and education. In some cases services were simply nationalised wholesale (like welfare); in

other cases Whitehall became involved as a setter of targets, and as a regulator and funder (as with schools).

In many fields the driving force for centralisation has been taxation. Because local government raises so little of its own spending, and because its tax base is so narrow (uniquely narrow in that it depends solely on a property tax, whereas other countries usually have a mix of taxes), central government has, not surprisingly, demanded a say over the services it funds. At the same time, local government's room for manoeuvre has been severely constrained by the draconian capping policies of successive governments, and by high gearing ratios that mean a 1% rise in spending requires a 4% rise in tax (and will still mean 2.5% even if schools funding is removed).

While one set of reforms centralised power upwards, another set of reforms increased the typical scale of local government. The average size of the lowest tier of executive authority covers a population of 118,500 people – roughly 10 times the norm in other countries – while Birmingham, a city of almost a million people, is governed by a single metropolitan council. This means that the scale at which English local government operates is far larger than the scale of other institutions around which communities form, such as post offices (one for every 3,340 people) and primary schools (one for every 3,300 people), and very distant from the day-to-day issues that often most concern communities.

Figure 1: Institutional scales

Institution	One for every ...
Nation	60 million (UK) 50 million (England)
County council	500,000-1,500,000
Metropolitan borough	120,000-1,100,000 (England average = 309,400)
Unitary authority	12,000-600,000 (England average = 180,800)
Electoral ward	5,590
Post office	3,340
Primary school	3,300
Pub	990

Source: Transforming Neighbourhoods project, Young Foundation

So, we have a double problem. England is doubly centralised, with central government involved in the minutiae of delivering local services, and local government working at a scale that makes it hard to be flexible or accountable to varied local needs.

The history of centralisation in England

Why has this happened? And why has centralisation proceeded so aggressively in England compared with other countries?

One of the main rationales for centralisation was the claim that there are economies of scale in service delivery. This is at least plausible (and has been given new life by the recent Gershon review of public-sector efficiency). There are undoubtedly many economies waiting to be reaped in back-office functions like IT, purchasing, payroll and the like. Surprisingly, however, there is no evidence for economies of scale in the main services that have been centralised, and the only detailed analyses that have been done show very few, if any, economies of scale above the very smallest district councils. Previous restructurings that increased the scale of local authorities (and present plans to consolidate the fire and police services) were based on faith and assumption, not analysis.

Another rationale ascribes centralisation to public expectations for equity and common standards. This argument has more to support it, and certainly does justify significant centralisation in services like the NHS. However, it has little relevance to things like local parks, community policing or play areas; and, perversely, in the past centralisation has often been combined with highly unequal service standards – in hospitals, schools and police forces.

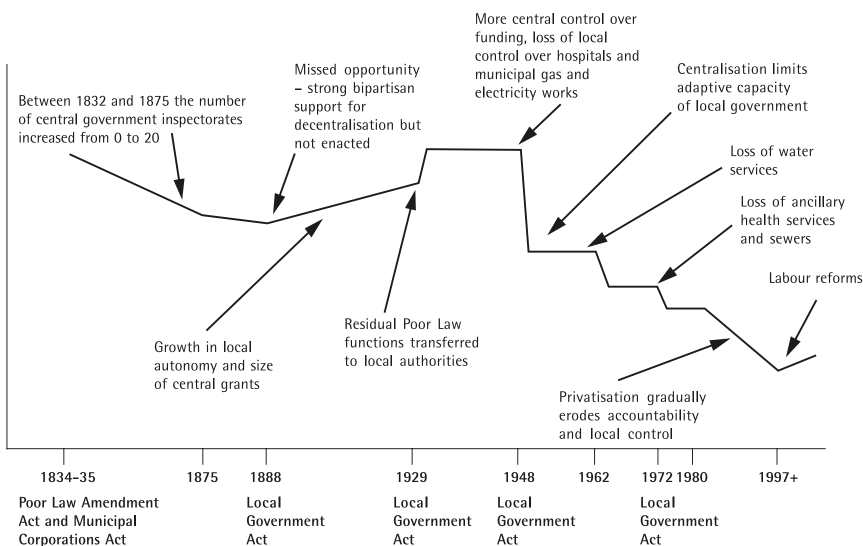
A third explanation is that the public no longer cares. Television, the internet, sports and other leisure activities have proved more attractive ways to spend free time than attending meetings, and they have pulled people's attention away from their local streets to a world of celebrities and global events. This argument has some grounds for it; but it doesn't explain why in so many similar countries, from the USA to France, local engagement remains as strong as ever.

Others give more cynical reasons for Britain's peculiar predisposition towards top-down diktat. One factor is undoubtedly the unique degree to which our media are nationalised, and so sensitive to "postcode lottery" issues, and there is also the degree to which political parties are also highly centralised. Some ascribe centralisation to the after-effects of empire: the loss of Whitehall's imperial role prompted it to take on mundane issues –

like waste – that previous generations of civil servants would have seen as far beneath their dignity.

But the more basic reason is a perception on the part of civil servants and politicians that local government is incompetent and parochial, mediocre and stagnant. Even if the cause of this is that the failings of the worst councils crowd out the successes, its result is real enough: Whitehall has concluded that any prospects for reform or improvement depend on it strengthening its grip.

Figure 2: The decline of local government autonomy



Source: Clarke, JJ *A History of the Local Government of the United Kingdom* (Herbert Jenkins, 1955); Davis, J "Central Government and the Towns" in Daunton, M (ed) *The Cambridge Urban History of Britain: Volume III 1840-1950* (Cambridge University Press, 2000); Keith-Lucas, B *English Local Government in the Nineteenth & Twentieth Centuries* (Historical Association, 1977); Waller, PJ *Town, City & Nation: England 1850-1914* (Oxford University Press, 1983); Young, K "Bright Hopes and Dark Fears: The Origins and Expectations of County Councils" in Young, K (ed) *New Directions for County Government* (Association of County Councils, 1989)

Staffing catch-22

The result is a catch-22 situation. Despite decentralising rhetoric, central government refuses to devolve powers because of its perception (sometimes justified) that local government is incompetent and not fully accountable. Meanwhile, shorn of powers, much of local government is unable to attract the best leaders or staff, who might prove its ability to do more.

Caught in this catch-22, Britain's public services have suffered. There never were any serious theoretical, empirical or popular arguments in favour of centralisation. But we can now say with certainty that a generation of centralisation has not improved the relative standing of Britain's public services. Cross-national comparisons suggest that overcentralisation tends to be associated with poorer performance, and decentralisation with better performance. These comparisons include measures of participation in local democracy – which is particularly low in England – as well as measures of competitiveness, which generally favour highly decentralised countries like Switzerland and the USA. Switzerland also ranks top in the World Bank's league table of government effectiveness.

Further evidence is that the 10 countries identified by the Polity IV project[1] as having effective subnational veto players (an indication of significant decentralisation) have an average competitiveness score of 5 (out of 6), compared with 4.1 for all countries.[2]

England's unique degree of centralisation should not lead us to think that there is no hope for change. As journalist and author Sir Simon Jenkins and senior lecturer and head of the Centre for Local Policy Studies at the University of Gloucestershire Laurie Howes both explain in their chapters in this volume, France, once an archetypal centralist state, underwent radical reforms in the early 1980s, and further reforms in 2003, which left it significantly decentralised. All layers of subnational government were strengthened, and granted increases in budgets, powers and staff. In addition, powers were transferred from the appointed *préfets* to elected heads of local *départements* and *communes*, who have presided over significant increases in public investment and improvements in public services.[3]

1 www.cidcm.umd.edu/inscr/polity/
2 www.weforum.org/pdf/Gcr/Growth_Competitiveness_Index_2003_Comparisons.
3 Cole, A "Decentralisation in France: Back to Grass Roots or Steering at a Distance?" presented to the Political Studies Association annual conference in April 2003.

Elsewhere around the world, the past two decades have brought an unprecedented wave of radical decentralisation. This trend has seen the phenomenon of mini-mayors spread across the USA, alongside growth in the powers of the states, while India has attempted to create real grass-roots local democracy by forming new governance structures with panchayats (elected councils) at village, block and district level, and village meetings (*grama sabha*) five times a year when voters can question the *panchayat* members. China has moved away from its highly centralised tax and spending system of *tongshou tongzhi* (unified collection and budget appropriation), in which central government allocated budgets to local administrations, to a system with much more local discretion.

Within countries, individual cities have also experimented with new powers. Lille in France has developed community councils to link the principal authority with neighbourhood bodies, while Porto Alegre in Brazil has pioneered participatory budgeting at the local level. Against this backdrop of change, England stands out very much as the exception.

The principles for reform

What principles should determine the powers held at any level? Different theoreticians have reached very different views about the proper role of each tier. John Stuart Mill, for example, believed that the responsibilities of local authorities should be limited to street cleaning and lighting (because they couldn't be trusted with other duties, which might have national implications),[4] while more recent theorists, including Wallace Oates and Joseph Stigler, have argued the opposite, championing the principle of subsidiarity: that the provision of public services should be located at the lowest level of government consistent with the "spatial pattern" of benefits and costs.[5]

At one extreme, national public goods such as defence are clearly best managed by the centre. At the other extreme, some services, such as parks, are only locally important and impose no externalities on neighbouring localities, and ought therefore to be controlled at the very local level. However, these are necessarily extreme examples. In between, there is a stronger case for local discretion where:

- there are few or no economies of scale involved in service delivery, commissioning or planning;
- public accountability is likely to be felt more strongly at a local level;

4 Mill, JS *Considerations on Representative Government* (Harper & Brothers, 1862).
5 Oates, W "Introduction" and Stigler, GJ "The Tenable Range of Functions of Local Government", both in Oates, W (ed) *The Economics of Fiscal Federalism & Local Finance* (Edward Elgar Publishing, 1998).

- public preferences are varied (as in the case of local policing);
- the service is clearly spatial in nature (as in the case of planning or transport); or
- there are synergies between different services that can best be realised at a local level (as in the case of services for children or the elderly, or at the neighbourhood level the management of public space).

However, there are very few services that can be unequivocally allocated to central or local administrations. A final factor is therefore public mood, which at some times favours common standards and central control, or political efforts to fix perceived problems, and in others favours diversity and devolution.

These different criteria often point in contradictory directions – one reason why British governance has passed through successive cycles of agglomeration and unbundling. However, at the start of the 21st century all seem to be pointing strongly towards greater decentralisation. In what follows we draw on these principles to set out the basis for a changed relationship at every level of government – from the heart of Whitehall to neighbourhoods.

Reshaping Whitehall to be strategic and lean

Prescriptions for local government reform generally ignore Whitehall and Westminster. We believe that how Whitehall is organised has a substantial impact on what happens locally, and that some of the problems of local service delivery are inseparable from the problems facing Whitehall. These problems are, at root, ones of overload.

For some 40 years, wiser observers have noticed that central government is simply trying to do too much. The symptoms include a rising burden of legislation, with a doubling of the number of statutory instruments registered – from around 2,000 in 1985 to more than 4,000 in 2005[6] – longer acts of parliament, more regulations and directives, and a massively increased regulatory burden on the rest of the public sector. This overload has many consequences, including stressed ministers and rushed legislation, but its most obvious symptom is that Whitehall is attempting detailed management of very large services without the capacity or skills to do this well.

6 Cracknell, R *Acts & Statutory Instruments: Volume of UK Legislation 1950-2005* (House of Commons Library, 2006) (www.parliament.uk/commons/lib/research/notes/snsg-02911.pdf).

The first priority must therefore be to reshape Whitehall: to make it more strategic, better focused on the things that matter most at a national level, and less inclined to micro-manage. That has to start at the very centre of government, where the Prime Minister's office, the Cabinet Office and the Treasury should be clearly focused on the central issues of strategy: political management, finance, performance management, human resources, communications, information technology, crisis management and co-ordination. The job of the centre should be to exercise its influence on departments through a mix of command, co-ordination, challenge and support, agreeing clear directions but so far as possible resisting the temptation to interfere, or to launch partial initiatives.

Departments too need to change their approach to the systems they oversee. Already some are slimming down and, at the level of rhetoric at least, they are trying to cut red tape and interference by moving to a more strategic stance: setting broad directions and a limited number of targets, tying funding more closely to outcomes and slimming down the often bloated apparatus of regulation and inspection.

Some departments will undoubtedly need to remain as vertical silos responsible for functions such as schools or defence. But Whitehall also needs to catch up with other governments (like Finland) that have moved beyond traditional departmentalism, by creating strategic policy groups in command of budgets and legislation clout on issues like old age, public health or social exclusion, which do not fit traditional boundaries.

One of these needs to be a revamped ODPM to handle geographical co-ordination, ensuring that departments are consistent in the way they organise local services and that they are tied into agreed strategies at the level of cities and counties, for example on cutting unemployment or crime. As Lord Smith of Leigh, leader of Wigan Council, suggests in his chapter, local area agreements provide a useful transitional device towards a more comprehensive set of rolling funding deals (over five- to 10-year periods) that would allow some local authorities to take over more national services and to join them up with pooled budgets.

For services that are still the primary responsibility of Whitehall, the principle of "constrained discretion" should enable local authorities to pool and adjust national policies where they can achieve better outcomes – while Whitehall should for its part commit to the principle that no system should experience basic restructuring more frequently than once every parliament.

Such a slimming down of central government would not leave Whitehall impotent. It would still have very substantial powers to set directions and to initiate policy. As we have indicated, there are also many functions that do need a degree of centralisation. They include IT protocols, guarantees of transparency and accountability, guarantees of fair distribution of resources, audit and performance monitoring, a limited number of floor standards and some shared ways of determining priorities – for example, along the lines of the National Institute of Clinical Excellence. As John Stuart Mill wrote, "power may be localised, but knowledge, to be most useful, must be centralised".

But Whitehall would become more like many other central governments – less involved in the minutiae of what happens in individual schools, prisons and hospitals and more focused on the areas where it really can add value.

Reshaping local government

The second priority is to remake local government so that it is truly able to govern. For that to happen a series of reforms need to be carried out in tandem, addressing functions, finance and accountability. As we have suggested, local government should control functions that: have a strong spatial element relating to the area covered by the unit of local government; require significant integration in order to be successfully delivered; have an impact on a large section of the population; and provide a focus of general democratic oversight.[7]

In his chapter, Professor Gerry Stoker, director of the Institute for Political & Economic Governance at the University of Manchester, uses these principles to argue that the key service areas that should be under local control include: transport and mobility; creating the conditions for employability (education and training); ensuring safety; management of the environment; caring for the community; and maintaining the cohesiveness of the community.

In these areas local government's role should not be to act solely as provider. It also needs to be able to act as government in a wider sense: leading and co-ordinating the various activities of the public sector to maximise opportunities for people in an area. This more strategic leadership role could be built out of adapted parts of the local strategic partnership model, with a more clearly defined role for local authorities, simpler oversight, and more risk-based regulation.

7 Stoker, G *What is Local Government For? Refocusing Local Governance to Meet the Challenges of the 21st Century* (New Local Government Network, 2005).

In some cases boundaries may need to be reformed. In principle some simplification is desirable, including more unitary authorities both in counties and cities. Dermot Finch, director of the Centre for Cities at the Institute of Public Policy Research, argues in his chapter that there is also a case for giving cities in clearly defined city-regions wider roles on planning and transport, including some powers to tax. However, structural reform should not become a diversion from the other reforms suggested here – and past experience shows that it can absorb huge amounts of energy to relatively little effect.

The most vital necessary condition for reform is for local authorities to be able to control spending and tax raising. This is the focus of the chapter by Richard Brooks, research director of the Fabian Society and lead councillor for resources at the London Borough of Tower Hamlets. There is no prospect of significant political autonomy without fiscal autonomy. That will require reforms that go well beyond the modest measures now under discussion, such as tax improvement funds, planning gain supplement and the like. At some point serious consideration will need to be given to allowing local government a slice of one of the major tax revenue streams, probably income. None of this is likely to be achieved in one go. Instead, an alternative may be to commit to allocating a majority share of growth in the national tax base to local government.

All changes of this kind have to be based on democratic accountability, with elected politicians clearly in the driving seat. Local political leaders need to do far more to reach out to civil society and business than has often been the case in the past. But the idea that local democracy can be successfully bypassed with elaborate quangos and partnerships – fashionable in the 1980s and 1990s – has now been discredited.

Within local authorities, however, political roles need to be reformed if a new generation of leaders is to be attracted – and if we are, as Phil Swann, director of the Tavistock Institute, advocates in his chapter, to become more like other countries where politicians combine careers in local and national government. We favour more directly elected mayors, but also a change in the roles of councillors, distinguishing between a relatively small number of city and county councillors to provide members of the executive and scrutiny, and a larger number of front-line or neighbourhood councillors there to provide leadership at a very local level.

At present many back-bench councillors are in an uneasy limbo, excluded from council decisions but unable to directly serve their community. A dual structure of this kind could provide a sensible solution, and attract a different mix of candidates at both levels.

Finally, there is a case for giving local government stronger constitutional protection. Without a written constitution, the UK cannot confer anything equivalent to the regional and state rights enshrined in Germany or the USA. But the recently established models of government in Scotland and Northern Ireland show how substantial devolution can be embedded in a clear division of powers and a semi-judicial procedure for ruling on any moves that appear to threaten it.

Reshaping neighbourhood governance

The third priority follows from this. It is to enable neighbourhoods to take control over their own destiny. We favour the creation of neighbourhood bodies with significant powers over the issues that matter most locally, especially crime, grime, young people, noise and public spaces. These should be directly elected, and led by the new category of "neighbourhood councillor" mentioned above.

Their powers should fall into four main areas. The first is the power to act – particularly on very local issues, such as crime and grime, which have few externalities. The second is the power to raise money through precepts and, potentially, other charges. These would remain a very small proportion of public spending in any ward, but they would enable neighbourhoods to solve quickly the sorts of problem that often anger people most. The third is the power to influence decisions being taken at a higher level by councils and strategic partnerships, through devices like neighbourhood inquiries and the right to petition that an issue should be discussed by a higher-tier body. The fourth is the power to call to account – particularly services like the police and waste.

In our vision, these neighbourhood bodies would not be separate fiefdoms. In most cases they would work closely with the local authority and their staff would be seconded from the local authority, and required to maintain standards of probity and fair treatment. With that mix of roles, some of the risks associated with neighbourhood bodies – including risks of capture and fraud – would be greatly reduced.

The other key point is that any new structures should be as light and lean as possible, and flexible enough to be made suitable to the different needs of different areas. Importantly, they should also be conditional on levels of enthusiasm, with local coalitions having the right to bring neighbourhood structures into existence if they are wanted, and able to dissolve them if they fail to provide any benefit.

Shaped in this way, much of the good practice already under way in local authorities and

in housing associations could become more general, and over time a significant new body of local leadership would arise. Paul Hilder and Saffron James of Transforming Neighbourhoods and Nicola Bacon of the Young Foundation provide in their chapter some examples of good practice and go on to outline their vision of how genuinely empowered neighbourhoods might evolve.

Counter arguments

We have briefly set out some of the main elements of a possible strategy for double devolution. We are aware that there are many complexities involved, and that there are also serious counter arguments to be addressed. Some of these concern equity and the claim that devolution would have to mean widening inequality. This is undoubtedly a risk. But at a national level, so long as there is some central control over the key drivers of opportunities – such as a free health service or welfare payments – these risks can be contained, while within local areas, so long as neighbourhood bodies are primarily responsible for issues such as public space and low-level policing, we see the risks as far less important than would be the case for services like schools and housing allocations.

Another set of arguments claims that any decentralisation will fail, because of an inadequate supply of politicians, talented officials or energetic citizens. This supply, so it is claimed, is limited and fixed. Spreading it more thinly will only lead to disappointment, or to an even greater burden on the handful of councillors or activists who keep the show on the road.

These arguments are analogous to the "lump of labour" arguments that used to be common in discussions of unemployment: the claim that there is a fixed amount of work to be done in any society. These arguments were used to justify policies that would make it possible for work to be more evenly shared between the employed and the unemployed, or the old and the young.

Sadly, this apparently commonsense viewpoint turned out to be wholly flawed. In labour markets supply and demand interact; sharing work may diminish the total. Conversely, other policies – such as active labour market policies – made it possible for employment levels to rise substantially.

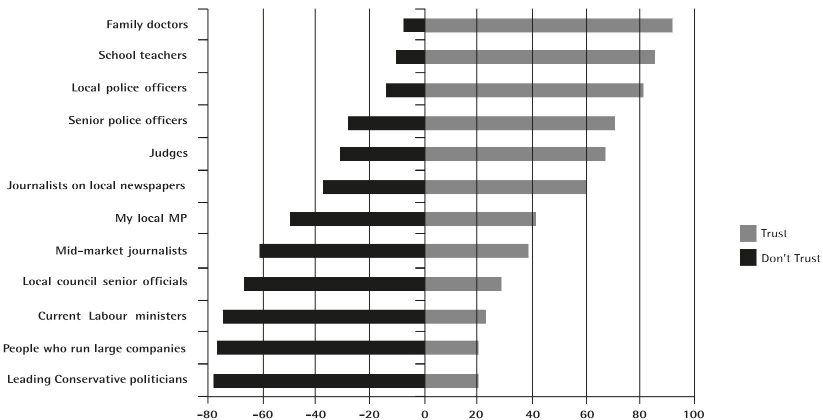
Similar arguments in politics and governance are equally flawed. Here too supply and demand interact. Changing the roles, recognition and powers of local councils will change the kind of people who are attracted into local government; likewise, new powers at neighbourhood level would be likely to attract many people who are now disengaged. This

is the experience of other countries, and it has been the UK's recent experience with experiments such as the New Deal for Communities, which attracted a far higher turnout than local government elections.

In other fields, including the private sector, the claim that there is a fixed pool of talent or energy is not taken seriously. In markets demand tends to create supply, and experience of leadership (or enterprise) tends to make people better at being leaders (or entrepreneurs). It is striking that small nations like Luxemburg or Iceland, with populations equivalent to many English local authorities, are able to generate strong leadership pools not just to oversee services but also to fill embassies, armed forces and trade missions.

The third set of arguments against decentralisation justifies the status quo on the grounds that the public don't trust local councils. Here the evidence is unambiguous. Whether for good reasons or bad, the British public generally trust local institutions more than national ones.

Figure 3: Public trust in institutional and public figures



Source: Strategy Unit *Strategic Audit* (2003), p101. Based on data from YouGov/*Daily Telegraph* poll in February/March 2003

A cross-party consensus?

We described earlier the catch-22 that has impeded reform in the past. National politicians have baulked at reform because of their scepticism about the competence and accountability of local government; but restoring the competence and accountability of local government has been blocked by the absence of reform.

This blockage has been amplified by party politics. No ruling party, or prospective ruling party, feels that it can promise to pass significant tax-raising powers to local government, for fear of being portrayed as irresponsible. It follows that the only plausible answer is a cross-party commitment to long-run devolution, including biting the bullet on taxation. This will never be attractive for an opposition that does not expect to bear the responsibilities of government in the near future. But in a more competitive political environment, paradoxically, it may become easier.

Timing also has to be part of the answer. Incremental changes are inherently difficult. Each individual step appears to bring significant risks, without any guarantees of success. The only alternative is a common commitment across the parties to the endpoint of reform, a new settlement that might not arrive for another decade but that can provide the context for more incremental reforms. That end point might include:

- full tax-raising freedom (following a transitional reform package after the Lyons review of local government finance and structures);
- a formal definition of the powers of each tier of government in the new settlement, and clear accountability between them;
- constitutional protection of the powers of local government (with Scotland and Northern Ireland as examples of how this can be done within the flexible context of British constitutional tradition);
- an agreement between the centre and local authorities on the correct balance of the collection and distribution of tax revenues;
- "constrained discretion" on a few nationally funded services, tied into local services through regularly negotiated plans;
- new rights at the neighbourhood level; and
- tying it all together, a unified public service allowing more movement and interchange between levels of government.

Such a commitment would give both local and central government the time and framework to equip themselves to respond effectively to double devolution.

At root, double devolution offers a vision for a different governing philosophy, and a significant change in the relationships between the tiers of government. We envisage both central and local government becoming leaner and more strategic, with the centre providing support, challenge and co-ordination rather than control, interference, micro-management and red tape. This will, we believe, produce more effective governance, and bring power closer to where it belongs – with the public.

Its results will not be achieved overnight. But within a decade or two, it is entirely plausible that our cities and counties could be buzzing with the energy and self-confidence that so often comes with self-government, and that as a result our public services and quality of life will be improving beyond anything that central diktat could achieve.

Part I: Diagnosis

Chapter 1

Devolution from a local politician's perspective

Lord Smith of Leigh, Leader of Wigan Council

Devolution from a local politician's perspective

Lord Smith of Leigh

At the beginning of the 21st century, public services are facing a range of demanding and contradictory challenges. We are expected to deliver quality services that meet people's needs, but to do so more cost-effectively; we must protect the most vulnerable, while allowing everyone greater personal choice; and while meeting the challenges of today, we must be mindful of what is around the corner. Services have to be responsive to people and to places, not just reflecting a crude national common denominator.

We are all devolutionists now! From David Miliband to David Cameron, there is an overwhelming consensus that we need to bring out the local element to improve and personalise public services. From a local perspective, the only problem is that it does not appear to be happening to the degree that is required to empower local people.

My father's favourite book was *A Pilgrim's Progress*. I am reminded of John Bunyan's description of that difficult journey when I think of the progress that local government has made towards devolution. We seem to have arrived at many of the same places – the Slough of Despond, the Valley of Humiliation and Doubting Castle – without yet reaching our journey's end. Like Christian, we face barriers along our road, we have no clear map of the way, and we are uncertain of our destination. I will look at each of these problems in turn, to help reach a successful conclusion to our endeavours, but before that I will examine what I think is required to complete a successful journey: belief, capacity and resources.

Localities need to believe in themselves and to have a sense of place – not just a sense of their history, what they have been, and what they are now, but what they might become. They need to move forward in partnership with local authorities that exercise their role as community leaders, but also work effectively with other local sector bodies and their local communities.

Localities are not all capable of undertaking the arduous journey towards devolution at the same pace. Sometimes it is the local authority that has neither the vision nor the strength in its own services to lead; sometimes it is the other agencies that lack local leadership. In the latter situation, it is possible for strong local authorities to compensate for their companions' weaknesses, but if the local authorities lack capacity it will not yet be possible for them to undertake the whole devolution journey.

Lastly, they need resources. While Sir Michael Lyons has the unenviable task of "solving" local authority funding, it is vital to disentangle the even more complex funding of health. Performance rewards paid on progress as well as on completion have a part to play, as do "invest to save" incentives, which encourage innovation.

Barriers to devolution

Why does devolution appear to be so difficult to deliver? I believe that there are three main barriers on the route. These are the culture of Whitehall, the influence of the media, and the desire for equity.

The British civil service has a deep-seated culture, based on the credo that its members are uniquely endowed with the gifts to govern based on their education, training and ethos. Whether these are reflective of their 19th-century origins rather than 21st-century needs is beyond the scope of this chapter, but their natural response is to develop a top-down approach to delivering performance.

The classic example of a command-and-control organisation is the health service. Its local delivery units are subject to instructions from the centre on financial matters, pay formulae, and constantly changing targets on everything they deliver. Its inadequacy has been revealed by the poor response to the unprecedented injection of funding since 1997, recently exposed in a series of financial crises. The organisation's reaction is not to rethink how it works, but to regroup and reorganise, and set even more stringent targets. Local enterprise and initiative are stifled.

In part, the civil service culture is based upon a lack of trust of other organisations. To retain its influence, a complex system of performance targets and measurements is established. When inspections show, for example, that most local authorities are performing well and the main direction of travel is towards further improvement, they cannot believe it. Instead of concentrating upon those poorer authorities that need support, they devise the "harder test".

Ministers are part of this Whitehall nexus. After climbing up the greasy pole to be able to make a difference (and enhance their reputations), they are easily persuaded that it is not the best career move to give up to local authorities the power they have fought so hard to obtain.

Such ministerial attitudes are reinforced by media pressure. When problems are identified

and instant action demanded by the media, it is always personalised, and directed at ministers. "Why doesn't Tony Blair get the number 17 bus in Wigan to run on time?" It does not seem to matter whether or not they have the responsibility for, or influence over the issue; there is a knee-jerk reaction to respond and attempt to control the agenda set by the media; thus we get initiatives, tsars, or tighter targets – sometimes all three! We need to get to a situation where a failure in, say, Wigan social services is my responsibility, not Patricia Hewitt's.

Trying to ensure fair and equal provision of public services is superficially a compelling argument for centralised control. Governments are anxious to avoid the accusations of postcode lotteries and seek to retain powers of direction. However, the results of such intervention expose the fallacy of the argument. Sixty years of the overcentralised health service has manifestly failed to provide equity in terms of basic funding levels, resources or treatments – hence the wide differences in health outcomes, notably life expectancies, between disadvantaged and affluent communities.

The way forward: local area agreements

I believe that there is a route map that can be developed to make our journey to devolution successful – local area agreements. In the original guidance these had the potential to encourage new thinking by local areas to reflect their own needs, as well as those of national government, and to produce stretched performance. As a pilot authority, we were able to imbue local partners with enthusiasm for this new way of working, encouraged by our local government office.

However, the dead hand of Whitehall was nervous about this radical approach, and it took a new minister to lift it enough to cut through the bureaucracy. If this more mature relationship between central government and localities is to flourish under full devolution, such narrow thinking cannot be allowed to reduce our ambitions.

Two other issues need to be addressed. First, local area agreements will not work unless there is engagement with the process across all Whitehall departments. We know that ministers at the ODPM are enthusiastic about LAAs, but there is no certainty that all departments feel the same. Without the support of, in particular, the Department of Health and the Home Office it will not be possible to tackle fully those matters that are of most concern to local citizens.

Second, we will need to get the balance between local and national priorities right. Localities need to recognise that central government has a legitimate interest in the outcomes and performance of local areas. However, as the burden of the inspection regime is lightened, government departments may try to compensate by imposing a new control mechanism through standards and targets. With an open and genuine approach from both sides, this can be settled to the satisfaction of both parties.

Outcomes from devolution

When we finally reach this glorious destination of full devolution, what should we expect from localities? Localities have the advantages of being closer to the needs of their own communities, while being strategic enough to be able to do something about their problems. In some aspects this means the need to engage beyond borough boundaries. In Wigan we are willing and active participants in developing links across the Manchester city-region, vital to our economic prosperity, and with the North West region to influence its roles in planning and regional funding allocations.

Developing a real sense of place should be the product of community leadership. Local authorities are the natural leaders of their areas as they have a serious interest in the whole local agenda, but for localities to be successful they need a genuine spirit of partnership with both other public-sector bodies and the local communities.

A local public service board can engage all stakeholders, being answerable to a more representative local strategic partnership. This sense of place would enable participants both to understand existing needs in health and community protection, and to envision how the area can change and develop to meet future needs. We should not expect public service provision in Wigan and Westminster to be similar, as their needs and direction of future travel should reflect two widely differing places.

More opportunity to think about and plan for an area's needs should result in greater innovation in service delivery. The work of the Innovation Forum has shown that the relatively limited freedoms of even excellent councils have not prevented localities developing new approaches. One of the pilots has been to support the elderly in the community, reducing the burden on acute health provision. Pilot authorities have responded with a range of locally based solutions and have enjoyed the opportunity to learn from each other.

The incentive for innovation would be the ability to reflect local needs, rather than having a top-down solution. I also believe that, through devolution, authorities could develop a more personalised approach to service delivery that would enable clients to become real consumers.

Devolved services should also be more cost-effective. Closer partnership working between local agencies should result in efficiencies both in back-office functions, and through procurement. A recent exercise we carried out with local health partners found that, overall, the local authority was the more effective procurer, even where national purchasing was meant to produce cost savings. Compared with the health service, we were purchasing personal computers at half the cost, and on the back of this evidence they were able to negotiate considerable savings.

Innovation should also be a source of greater cost efficiencies. As not all the savings achieved would accrue to the locality, a sensible approach from central government would be to offer incentives to areas by sharing savings. The pilot in dealing with the elderly referred to above would achieve the majority of its savings to the NHS.

Localities have a duty of care to all their citizens. Sometimes this public purpose inevitably cuts across what individuals may want for themselves, and may even exceed their expectations. The education white paper states: "Parents have high aspirations for their children and understandably place high demands on schools." Sadly, this is frequently not the case. If it were, there might be less argument over the provisions of the white paper. Local authorities should intervene to encourage parents, pupils and schools to raise their aspirations, to try to ensure the best education for all children. This would not always be welcomed by parents, children or schools, but not to do so would be simply storing up future problems both for individuals, and for local communities.

As an optimist I hope we are approaching the final leg of our journey to the Celestial City. But it will require more than wise words from David Miliband to get us there successfully. It will require a clear shift in attitudes and values across Whitehall. Most other approaches to public-sector service improvement have met with partial success at best. We may as well give genuine devolution to localities a chance.

Chapter 2

Governing in democratic societies

Professor Sir Robert Worcester, Founder of MORI and Visiting Professor of Government at the London School of Economics & Political Science

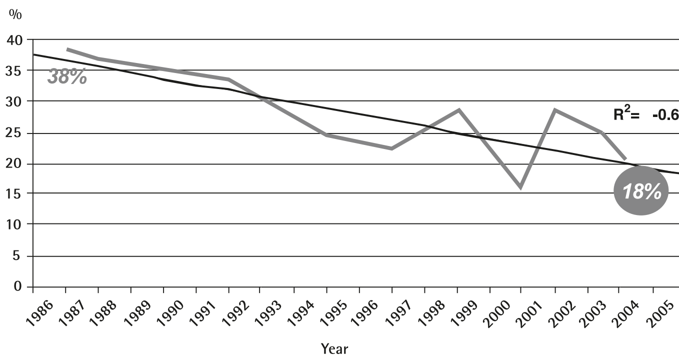
Governing in democratic societies
Professor Sir Robert Worcester

It isn't easy, governing in a democratic society. Here in Great Britain, mother of parliaments, confidence in British political institutions has generally declined over the past two decades, and is now extremely low. Only one person in six say they feel they can trust the government to put the interests of the country before the interests of the party (see figure 1).

Only one in five of us say we trust our government's ministers to tell the truth, according to the latest MORI data (2005) for the British Medical Association.[8] Trust ratings of MPs are some of the lowest for any population group, at -7 (7% fewer people trust MPs than don't trust them). In contrast, local councillors do extremely well, on +20, and senior council officials even better on +27.[9]

Figure 1: Trust in the British government of the day

Percentage of people who "trust the government to put interests of country before interests of party, most/all of the time"



Source: MORI/BSA

8 MORI/British Medical Association, 17-21 February 2005.
9 MORI/Standards Board for England, May-July 2005.

People are far more interested in local than national issues

People are mostly interested in outcome, not process; service delivery, not constitutions. People are, however, interested in local issues and local governance. The closer you get to home, the more trust in the institution. This is true for local newspapers as well as local government.

While a third of the public (32%) say they are "very interested" in local issues, a quarter (25%) say they are very interested in national issues and just one in five (21%) say international issues are things in which they are very interested.[10] And more people feel they know at least "a fair amount" about their local council (38%) than will say that about the Westminster parliament (33%), and many more than about the European Union (24%).[11]

Asked to pick two or three institutions or organisations from a list that they "believe have the most impact on people's everyday lives", 47% picked local councils, 30% the Westminster parliament and 25% the Prime Minister.[12] However, in a 2003 survey 62% felt that they themselves were not able to influence decisions affecting their community.[13] While local government is seen as influential, it is also seen as remote.

One of the longest relevant measures of British public attitudes to the governance of the country comes from a question originally asked in 1973 for the Crowther-Hunt commission, when the country was evenly divided as to whether its system of governance was in good shape or needed overhaul. Since then, however, there has been a sharp decline in the British public's confidence in their governance.

By 1991, 45% of the population believed the system of governance in Britain was out of date, with only 34% disagreeing; by 1995 the margin had widened, with half the electorate believing the system was out of date, while only just over a quarter (28%) thought it was not. This belief was even stronger among younger people, with more than half of those under 35 in agreement that the system was out of date, and only 12% of 18- to 24-year-olds defending the system.

10 MORI/Electoral Commission, December 2004.
11 MORI/Electoral Commission December 2003.
12 Ibid.
13 MORI/HOCS 2003.

A majority (57%) of the British public in 1995 felt that the people did not have enough say over what those in power were doing. By two to one, the public thought that holding elections every four or five years did not give them enough power over those who held power over their lives.

Another clue to the British public's disenchantment with parliament and its members is the disparity between the public's perception of the actual priorities of MPs and what people think they should be. There is a significant discrepancy between what the public perceives motivates MPs – namely their own interests and that of their parties – and what the public believes should motivate them, namely their constituents and/or the country.

Figure 2: Perceptions of local councils

	Definitely agree %	Tend to agree %	Tend to disagree %	Definitely disagree %
To what extent do you agree or disagree that *local councillors* represent your views?	8	39	33	20
To what extent do you agree or disagree that *local MPs* represent your views?	8	35	32	26

Source: MORI/HOCS, Local Areas Boost

Figure 2 suggests that at present neither MPs nor local councillors are effective representatives of the views of their electorate. This may in part be because even local councillors are seen as remote from most people's lives. This is supported by the *Survey of English Housing* (1999-2000), which found that 12% more people agreed that their local council was too remote and impersonal than disagreed.

Reform requires a change in the balance of power

Professor Vernon Bogdanor's *Power & the People*[14] concludes that the constitutional reform agenda is probably insufficient to satisfy popular aspirations fully, and is unlikely of itself to overcome the considerable popular disenchantment with politics. I can but agree with this, and with his conclusion that, nonetheless, electoral reform, use of the referendum, citizen's charters and juries, and, yes, more and better use of opinion polling

14 Bogdanor, V *Power & the People: A Guide to Constitutional Reform* (Victor Gollancz, 1997).

will aid the "aim of constitutional reformers [which] must be to replace government by the political professionals with government by the people. Only then will there have been a real transfer of power from government to the governed, a transfer from the rulers to the people."

However, I would go further than Professor Bogdanor, and suggest that such sticking-plaster reforms are not sufficient. If we wish to improve the quality of local government, and public satisfaction in it, a change in the balance of power in our democratic system to give more power (back) to more local levels of government should be considered.

Three out of four people in England told us, in the *Survey of Local Housing* (1999-2000), that their council should try harder to find out what local people want. This is not surprising, when 42% also say they believe that the local council is not interested in their views.[15] This government and most local authorities have taken on board the need to listen to what citizens say.

Many government departments and local councils now conduct regular attitude surveys of their residents, their ratepayers and citizens. This move began in the late 1970s, expanded in the 1980s, exploded in the 1990s, and in the past decade overlapped with "consultations". These consultations – sometimes vastly expensive, and unfortunately often unrepresentative, means of assessing public opinion – were too often yet another forum for those who are already democratically engaged: the squeaky wheels of society, the people who seek out their representatives in their surgeries, who attend council meetings, who often represent pressure groups to present their views to the exclusion of "ordinary people".

These self-appointed spokesmen and -women are among the 10-12% who tell us they have spoken or written to their MP or local councillor to express their view in the past two or three years, leaving nearly nine people in 10 of the citizens of this country out of sight and out of the minds of the people whom they have elected to represent them.

Participative democracy is essential in modern democratic society. This is especially true when local or national bodies remain in the hands of a single party for many years. Certainly, sometimes re-election is the result of conviction and appreciation that the majority party has done an excellent job of running the council/government, but too

15 MORI/Audit Commission, 2003.

often, so people tell us, they vote for the majority party out of frustration that "this lot are not so bad as t'others".

There is the strong feeling in Britain that the system of government, and the attention given by members of parliament to their duties and obligations to their constituents, has not always been satisfactory. The Blair government is conscious of this feeling of helplessness on the part of the public, but people still think ministers are spending more time and effort talking about it than doing something about it.

Governments in Britain and other countries are coming to terms with the fact that if citizen disengagement and cynicism are to be overcome, a programme of two-way communication has to be put in place, and acted upon. If they do not, things will get worse, not better. In the age of voter participation, pressure groups and media attacks, governments know they must listen to the people, and be seen to be listening to and acting on the wishes of their voters; otherwise retribution is levelled at the ballot box. Some think that the outcome of the next general election will be determined not by vote-switching so much as by selective abstention.

Surveys offer an essential view of the people's thoughts

As with much attitude research, these findings are cause for worry and watchfulness, not alarm; for trends are what are important, and these surveys – now allowed in most countries – can inform the media and policy makers of the standing of their organisations and the confidence they enjoy with voters.

Objective and systematic, freely published, cross-national comparative surveys conducted by recognised and independent researchers are the best means by which elites – such as those who gather at the Guildhall lectures, at ancient cathedral towns and in Lincoln, where I delivered the Magna Carta 790th-year lecture last year[16] – can tap into the minds of the vox populi, and know with confidence what the people are thinking. These findings should then inform and guide the thinking of elected officials and civil servants alike, and those influencing them, if democracy is to gain the confidence of the people in the 21st century.

16 Worcester, R *The Principles of Magna Carta: Under Threat after 790 years of Evolution?* (Lincoln Cathedral, 15 June 2005)

People think that local councils are important to their lives, and only a scant few (1%) admit to being disinterested in what their council does or whether it does its job. More (one in six) say they are not interested as long as the council does its job. Most (58%) say they like to know what their council is doing, but are happy to let them get on with their job. One in five say they would like more say in what the council does.

What they would like is for the council to work harder to find out what people want, and not be so "remote and impersonal". There is a clearly expressed desire for more public involvement, more real consultation, and a belief on the part of many that many more people put their trust in governance when it is local.

Part II: History and international experience

Chapter 3

International localism

Sir Simon Jenkins, Journalist and Author

International localism
Sir Simon Jenkins

In January 2006 the Spanish defence minister, José Bono, ordered the house arrest of the head of Spain's land forces, Lieutenant-General José Mena Aguado. His offence was to summon his fellow officers to defend the integrity of the nation against a constitutional law granting extensive autonomy to Catalonia. The law offered a programme of legislative independence and the retention of half the national income tax paid by Catalans. The incident illustrates the tension in most European countries between centralism and locality.

European centralism in the 20th century
Europe's history is that of tribes. Only the smallest countries are ethnically, culturally and historically homogeneous. Even as Europe's leaders struggled to establish another pan-European imperium at the start of the 21st century, nation states found provincialism and subsidiarity continuing to assert themselves. Constitutions are not just about the legitimacy of a central power, but also about its relations with its component communities. Nor is any constitution fixed for all time. That of the European Union has been in perpetual negotiation for half a century. Just as government power is centripetal, so subsidiary democracy forces it to be centrifugal.

The ending of the Second World War saw a strange evolution in the structure of Europe's states. The Allies sought to break up the old dictatorships to forestall a return to central power. In West Germany, 16 *Länder* governments were established and the capital moved from Berlin to modest Bonn. Under the 1949 constitution the *Länder* were given autonomies akin to those of the old pre-Bismarck principalities, whose names they also took. The federal government was saddled with a constitution fraught with checks so as to negate any re-emergence of the *Fuhrerprinzip.* Localism was thought a democratic virtue.

While war proved a centraliser, peace was not necessarily the opposite. Britain felt no need to dismantle the mechanisms established to propagate the war; instead they were converted to meet the demands of a modern welfare state. Military command over planning, transportation, housing, health and welfare was made civilian (often under the same, demobbed soldiers). Administrative swords were turned into ploughshares. As across Europe the ideals of democratic socialism took root, so did the concept of minimum services as a responsibility of national government. The avoidance not just of war but of any return to the Great Depression were powerful incentives to centralism.

This was always contentious. France saw separatist eruptions in Corsica and Brittany. In Italy, antagonism between north and south was reflected in the growth of strong regional autonomy. Belgium saw violence between Flemings and Walloons. The collapse of the Franco regime in Spain led successive governments to cede ever more independence to Basques, Catalans, Galicians and others. Even Denmark and Sweden had troubles with minorities.

By the 1980s, centre/local relations were a running theme of European reform, to be heightened by the breakdown of the Soviet empire. Eastern Europe fragmented into its Baltic, Slavic, Caucasian and Balkan components. The attempt to hold together Czechoslovakia failed, as did Yugoslavia. In one state after another, devolution was seen as a necessary component of democratic change. The Council of Europe's European Charter for Local Self-government ordained that public administration be as close to the citizen as possible. It stipulated local fiscal discretion, with a range of available taxes, no ring-fencing of central grants and, under Article 4, local democracy "not undermined or limited by a national or regional authority". Britain refused to sign the charter, knowing it would not comply. In fact, Blair did sign in 1997 but has ignored the charter's provisions.

Governments were pressured to honour such devolution largely because they were accountable to electorates and assemblies, which entrenched provincial loyalty. Britain had no such entrenchment. The dirigisme of French government had long been the butt of British smugness. But though *départements* and *préfets* had been in place since the revolution, a tradition of communal leadership remained. The French mayor was always a significant figure. A civic base was, and still is, vital for high political office.

In 1982 a coalition of French socialist mayors and local elites resentful of prefectorial power brought about a minor revolution. The left-wing Mitterrand government introduced the *loi Deferre*, stripping the *préfets* of much of their power and devolving most central administration to elected regions. Health, education, local police and planning were delegated. It is said that when some *préfets* heard of the passage of the 1982 Act they broke down and wept.[17]

The *commune* underpins French localism. Some are as large as Paris, but 80% have fewer than 1,000 inhabitants. Mayors are locally powerful, with ownership of state property and

17 Nardeau, J-B and Barlow, J *Sixty Million Frenchmen Can't Be Wrong: What Makes the French so French* (Robson Books, 2004).

effective control over planning, the environment and civic ceremony. Mayoral elections are often bitterly fought and turnouts high. The result is a civic pride noted by British visitors to every French municipality. Public administration in France is often bureaucratic, corrupt and expensive, and tension exists between locality, region and centre. But France's local democracy retains a vitality often lacking at the national tier.

A similar shift has occurred in Italy. After the fall of Mussolini power was devolved by the Allies to provinces based on ancient dukedoms and kingdoms, to break the back of fascism. This produced weak government in Rome, but the emergence of strong politics not only in the provinces but in the cities. Autonomous status was granted to Sardinia, Sicily and Val d'Aosta in the north.[18]

In the early 1990s a series of drastic political reforms swept aside many of the old structures and empowered both regions and provinces. The latter took over from central government the control of health and education services, the former, planning and economic development. Corruption remains endemic, but reformers saw salvation not in greater central control but in the opposite. In 1993 the percentage of regional spending covered by local taxes rose from virtually nothing to 47%, and of municipal spending from 15% to 45%.[19] In his study of modern democracy, Robert Putnam described how the Italian state "found itself strengthened not weakened when it faced a vigorous civic society".[20]

The Scandinavian model

Scandinavia is regarded by localists as a paradigm. Sweden, Norway and Denmark long enjoyed a similar pattern of administration to that in England. Local government was through not capitals and regions but counties and municipalities. Where government was left-wing the result was often expensive. In Sweden, both counties and communes could raise income taxes to finance local health, education and other services. Sweden had by the 1980s become one of the highest taxed states in Europe.

In 1991 this cracked. Conservative tax reforms relieved all but the top 15% of payers of central income tax, but left the local tax in place, with the centre administering a redistributive grant system from rich to poor areas. There developed a marked diversity in service levels between areas, but a 2004 parliamentary commission recommended no

18 See Weisse, L in Crouch, C and Marquand, D "The New Localism" in *Political Quarterly* 1989 vol2
19 Delcamp, A and Loughlin, J, balance of funding papers (ODPM, 2004)
20 Putnam, R *Making Democracy Work* (Princeton, 1993).

change in the local tax regime "since it has clearly encouraged a high interest and participation in local politics by the Swedish electorate". The British government's 2004 balance of funding review discerned in Sweden "at least five different policy models, from traditional social democracy to Thatcherite neo-liberalism".[21]

More radical was Sweden's institution in 1984 of the free commune. It stipulated that towns could opt to supply a range of services on their own if they were prepared to finance them. David Marquand wrote that "this followed growing evidence during the 1970s of public disillusionment with the public sector, which was seen as unresponsive and overbureaucratic. Service was not close to the public and failed to involve the public as citizens."[22] Initially, nine municipalities and three counties were awarded almost total autonomy to run their schools, health services, welfare payments and housing, subject to audit and grant redistribution. Within five years 284 "freedoms" had been delegated, a quarter for education and the rest for local inspection, housing, planning and primary healthcare. Many of these powers were demanded by lower-tier councils from superior counties.

The free commune idea swept Scandinavia, being adopted by Denmark in 1985 and Norway in 1986. In Denmark this followed a comprehensive restructuring of the state in 1970. Public services were devolved to 14 counties, roughly the size of England's, and 275 municipalities. Half the latter were of no more than 10,000 people, and some no bigger than British parishes. The principle of the 1970 devolution was to honour the European charter and bring public service administration "as near as possible to the point of delivery". Counties ran hospitals and secondary schools, municipalities ran primary schools, care of the elderly, roads, culture and social security administration. The centre was charged only with fiscal redistribution and inspecting for minimum standards. Localism gives Danish municipalities a sense of ownership.

The bugbear of all discussion of local government reform in Britain is financial redistribution and the problem of cross-border services. Curiously, these are not seen as a problem elsewhere. The British government's 2004 balance of funding review admitted as much. The localised Danish health service, with 5% of patients opting for out-of-county care, was considered the most efficient in Europe, consuming just 6% of the national income. It also registered a high level of satisfaction and performance.[23] Two-thirds of all public

21 Loughlin, J and Martin, S, balance of funding review papers (Cardiff University, 2003)
22 Crouch, C and Marquand, D (eds) *The New Centralism: Britain Out of Step in Europe?* (Basil Blackwell, 1989).
23 Study by Elias Mossialos (Ashgate, 1999).

spending in Denmark is local. It is financed 70% by a local income tax, 22% by central grant and the rest from a local property tax.

Tension continues

The central/local balance in these countries is rarely stable. In Sweden and Denmark, as in France and Italy, each decade sees some devolutionist struggle. In Sweden and Norway attempts have been made to cap local income tax and ring-fence central grants. In Germany localism has become a brake on national economic reform. The local/central battle is never over. But debate is open and centralism mostly in retreat.

This debate has been fiercest in Spain. The death of Franco and a new constitution in 1978 raised the same problem faced in post-war Germany and Italy: how to appease regional sensibilities previously checked by dictatorship. The result was a "state of autonomies" in which each province enjoyed what amounted to negotiated devolution from the centre. In 1992 a constitutional reform offered local autonomy to all provinces similar to that previously granted to Catalonia, Galicia and the Basque country. Delegated functions embraced health, education, the police and even law-making. Big cities are largely independent of their provinces. The mayor of Barcelona travels the world as head of a virtual city-state.

In Spain an extraordinary range of taxes can be levied locally, including property and business taxes and imposts on wealth, gambling, construction and vehicles, and a negotiated portion of national income tax. The Madrid government must fight to withhold money to redistribute to poor provinces. Yet local autonomy is crucial to holding together the state. As in Germany after the war, devolution has granted cities and provinces a confidence and economic vitality denied their British counterparts.

Various attempts have been made to classify local democracy in Europe.[24] Northern states tend to deploy localism as a means to the more efficient delivery of public services. Those in the south see it as appeasing separatism and cohering the state. Both honour the thesis that, in matters of administration, big and centralised is not necessarily best. Management theorists have long argued that, while command hierarchies suit armies and mass production, most organisations are more effective in small units. They are more susceptible to self-motivation, innovation and personal leadership. Only in Britain's Whitehall is this thesis still abhorrent.

24 See Crouch and Marquand, op cit.

The question of how to define subnational democracy has perplexed constitutional reformers since the founding of America. There it was supposedly resolved by entrenching states' rights. Today a sort of sanctity hovers not just over the American constitution but over its geographical components. Nobody would dare try to alter the boundaries of Texas, California or Rhode Island, as London regularly alters the boundaries of British local authorities.

Britain's unique centralism

Britain stands out from this decentralist drift. At the start of the 20th century British public services were administered locally. In 1905 almost half of all public expenditure was by local councils, embracing schools, clinics, poor relief, asylums and hostels. The newly democratic local authorities ran police forces and prisons, technical colleges, roads, water, gas and electricity. But the post-war Labour victory in 1945 was a great nationalising force. Even public housing, long a duty of local authorities, was treated as a national responsibility, financed centrally. When fashioning the NHS, Nye Bevan resisted the attempt of his enemy Herbert Morrison to keep hospitals local institutions, as almost everywhere abroad. He demanded that every hospital be "an agent of my department", as they remain to this day.

Yet even after 1945, local democracy still supplied a substantive tier of government. Elected county and county borough councils provided schools, colleges, police, planning and transport. They were free to levy property taxes, descended from tithes on land, and received an annual subvention from Whitehall to cover special needs. In 1958 this was cohered into a block grant based on needs and resources. This survived into the 1980s, when it was hit by price inflation and the left-wing antics of some city councils and became associated with destructive urban renewal and profligate waste.

The 1980s saw the opening of a continuous war between the centre and localities in Britain, with power ever moving from the latter to the former. This culminated in Margaret Thatcher's abolition of the Greater London Council and subsequent introduction of a poll tax. The effect of this war was gradually to strip local democracy of responsibility and legitimacy. Local government was never secure or at peace. Changes in boundaries, tiers and functions initiated by Peter Walker in the mid-1970s were followed by more under Thatcher, Major and Blair. A local government reform act was being passed virtually every year. Identity was systematically crushed. At one point great cities were renamed after rivers, as during the French Revolution: Humberside, Tyneside, Merseyside and Avon. The people of ancient Totnes in Devon were told by John Prescott to regard themselves

as citizens of the district of South Hams in the South West region of England.

Whitehall would assert as a fact that below certain levels of population, communities could not govern themselves and services could not be delivered. This flatly contradicts evidence across Europe of tiny states enjoying full sovereignty and of municipalities running services with complete local satisfaction. Scandinavia showed that communes as small as British parishes could tax and administer themselves, and that governments could maintain standards and redistribute resources. The truth was rather that British government, unconstrained by any constitution, could not bear to divest itself of power. It would deploy any argument, however shallow, to that effect.

Democracy is embedded in geographical identity, and that identity is, in most countries, reflected in tiers. Even in homogeneous England identity is often plural. Asked where they are from, people give a variety of answers. London or Manchester or Leeds reflect a unitary focus, but more complex loyalties are reflected in smaller municipalities or more rural communities: hence "Cromer in Norfolk" or "Howden in Yorkshire". In Scotland or Wales three names might be cited: "Scotland – Oban in Argyll" or "Wales – Towyn in Merioneth". Such responses have meaning for people. They have reference. That is why, everywhere in Europe, local government comprises two and often three tiers of representative government.

These tiers of identity remain reflected in British counties, cities, boroughs and municipal councils, awaiting reinvigoration by some new localism. Despite decades of disempowerment they retain some statutory responsibility for planning, schools, roads, social services, care homes, fire, police and ambulances. A full quarter of the public sector is still administered through local government. Only health, social benefits and justice fall fully outside its scope.

The telltale of centralism, the fiscal balance, now has local taxes raising just 4% of total public-sector revenue in Britain, an almost insignificant amount. The proportion is 50% in Sweden, 18% in Germany and 13% in France. Yet even this 4% causes a burst of annual controversy, as politicians promise to reduce it and old people volunteer to go to jail in protest. It is tempting to conclude that Britain is beyond reform, that the British people are reverting to a neo-monarchical deference to central authority and are willing to pay the price in dissatisfaction with what that authority offers them.

We must revive local taxation

For the new localism to have meaning, local taxes must increase their contribution to local

spending back towards their 1983 peak of 60% (against 20% today). This will hurt, and the hurt will be political. The annual fix of local council taxes is an agony for central rather than local government, so far has accountability drifted upwards. That is why the best approach would be to spread the relocalised tax load over a portfolio of taxes, again as abroad. Property taxes, 100% of local taxes in Britain, comprise just 17% of local revenue in Belgium, 14% in Italy and Spain and 10% in France.

Of all local taxes, income tax is now the most popular Europe-wide. It comprises a third of local and provincial revenue in most of Scandinavia and 100% in Denmark. The allocation in England and Wales of a 2% income tax to local councils would not breach any constitutional principle, since it is already allowed in Scotland. A fiscal portfolio might thus embrace a reduced property tax, with business, sales and income taxes added, and a wider range of service charges. Such a proposal was set out in the Local Government Association's evidence to the balance of funding review in 2004. A similar plan was discussed by Tony Travers and Lorena Esposito in *Nothing to Lose but Your Chains*.[25] Douglas Carswell puts forward a vigorous case for a local sales tax in *Paying for Localism*.[26]

Ten years ago I met a man walking his dog in a small township in Connecticut, New England. He was a Wall Street banker and elected comptroller of the town council. Though a second homer, he held the local job with pride and took it seriously. One reason was that his local taxes were running at $20,000. He was paying roughly the same in New York. He told me he was about to face a town meeting to persuade his fellow residents to pay for a new fire station. They would be furious at the expense, but it was his duty to find a fair way of imposing the burden.

The decision would be on a show of hands, a tradition of local democracy that stretched back to the English vestry, imported at the time of the Pilgrim Fathers. It was always a controversial forum. But any idea that such local services as fire, school, local planning or the public library be removed from these people's control would have provoked a new American revolution. Citizens expected to be involved in the life of their communities. It was in their interest to be so.

Any move from Britain's inert centralism to such dynamic localism would be traumatic. Local fiscal choice has been so debased as to be ridiculed as a postcode lottery. The cry

25 Policy Exchange, 2004.
26 Adam Smith Institute, 2004.

goes up that local politicians are no good, that local institutions cannot take the strain. Any devolution would surely be expensive. It would suck in consultants and lead to disasters requiring central government to intervene. There would be highly publicised failures, and people would seek reversion to the comfort zone of central government.

Yet I do not believe that British people are inherently less democratic than other Westerners. All I know is that they are inherently less satisfied with the way their services are run. Whenever pollsters ask Britons directly if they want more electoral accountability, they say yes.[27] The lie is given to the thesis that Britons will not participate in government by the number who respond when invited by the state to do so. Alongside 23,000 elected local councillors in Britain are now some 60,000 people appointed by ministers to unelected office. It is not self-government that the British fear, it is election of officials by their peers. The aristocratic principle dies hard. Yet it reigned for most of the 20th century.

Most citizens in the democratic free world live in regimes similar to that of my Connecticut banker. They know by name those who are in charge of their local services. They expect to determine how their community evolves and is planned and run. They accept some variation in taxation to reflect this. They devote a portion of their time to some form of community service.

Self-government is not, and never can be, government entirely by someone else. It cannot be delegated to the distant accountability of a national ballot once every five years. Democracy, as the saying goes, is a matter of blood, sweat and tiers. The tiers need keeping in constant repair.

27 See Campaign for Local Democracy, 1995.

Chapter 4

The French commune – lessons in local government reform

Laurie Howes, Senior Lecturer and Head of the Centre for Local Policy Studies at the University of Gloucestershire

The French commune – lessons in local government reform

Laurie Howes

One important difference between the two countries [Britain and France] lies in the role, responsibilities and power of local government structures… particularly that of the French commune [working] increasingly today through the agency of intercommunal groupings.[28]

Is Britain coming to the beginning of the end in a long search for a form of local government that is fit for purpose? The past 50 years have been marked by a lack of national agreement on the appropriate structure, functions, powers and finances that should shape local authorities. During this time all of these elements have been subject to almost continuous review and so-called reform at the behest of a series of increasingly centralising national governments; a process that continues to this day. And in that process the extent to which Britain is out of step with its EU partners in matters of local democracy and local governance has been exposed. Compared with other EU member states, British local government appears weak and undemocratic.

While there are vital questions concerning the form and roles of regional and principal-tier authorities in Britain (dealt with elsewhere in this publication) this chapter focuses on the future shape of neighbourhood and local area government in Britain. It addresses the task set out by the Young Foundation in *Transforming Neighbourhoods*, namely the need to design:

… a framework for neighbourhood provision and governance which is accountable, responsive and capable of tackling problems. If we want to help achieve this we need to start at the beginning, not the end of the design process: to consider how citizens can find out who to raise an issue with, how funds can be made available to solve problems in a responsive fashion, how citizens can influence public service priorities through charters, contracts or participatory processes, and finally what to do when things go wrong.[29]

I suggest that the French *commune* is both a good example of neighbourhood governance and a useful model, due to the widespread respect it commands as a result of its role, powers and responsibilities within French government. The way French *communes* work in partnership, through intercommunal structures, makes this an especially relevant model

28 James, M-E *The Practice of Local Partnership in Rural Development*, unpublished PhD thesis (University of Gloucestershire, 2001)
29 Young Foundation *Transforming Neighbourhoods* (Young Foundation, 2005).

for anyone reflecting on how a smaller and more local first tier of government in Britain might work.

I am *not* suggesting that Britain simply copy France. Local political practice is clearly indivisible from political culture and tradition, and attempts to parachute political institutions and ideas from one country into another can be a futile, sometimes dangerous game. The French *commune* as such would probably not work in Britain, for myriad reasons. However, this does not mean that we cannot usefully learn lessons from others' experience.

There are lessons to be learned from France: that communal leadership exercised through democratically elected local councils at the local neighbourhood level delivers both empowered citizens and high-quality local services. What we can take from the French experience is that local government at the neighbourhood level of village, small town or ward of a larger town or city can work – if that first tier of local government enjoys real powers (including freedoms to raise and spend money), strong local leadership and structures that encourage partnership working between neighbourhoods.

It is salutary to be reminded that Britain once enjoyed an envied reputation for its long tradition of local self-government (which was often favourably compared with more centralist traditions in continental Europe). Today, by contrast, British local authorities have far more limited powers than their European counterparts and operate within what is increasingly seen as one of the most centralised systems of government in the developed world.

Of course, such issues are not unique to Britain. And I am not claiming that everything is perfect in France, which it is not. However, innovations in France over the past 30 years, aimed at addressing issues of power, size and structure in the first tier of government, must be of considerable interest to those with a concern for neighbourhood government in Britain.

How France dealt with the size problem

Interestingly, the French problem has been the opposite of that in Britain. If units of local government are too big in Britain, in France they were (and, some would claim, still are) too small. The challenge was to devise a system of local government that somehow made sense of so many micro units of local government.

Following France's radical reforms in 1983 (which devolved extensive powers down to the first tier of French local government), *communes* had become by the 1990s "the central actors of local government due to the legitimacy of their mayor and the size of their budgets, staffing and responsibilities".[30] In France today all local public services are primarily the responsibility of the *commune*.

These responsibilities and associated powers are considerable. They include responsibilities for water and gas supply, disposal of waste, maintenance of local highways, provision of nursery schools, running of primary schools, social security payments, employment of local police officers, drawing up of local land use and development plans, issuing planning permissions, environmental protection, (some) social services, training provision for the unemployed and the civil registry of births, marriages and deaths.

In addition, many responsibilities of the region (for economic, social and health matters and cultural development) and of the *département* (for housing, transport, roads and hospitals) are frequently provided at neighbourhood level by the three tiers working together.[31] This list of powers and responsibilities appears even more remarkable given the small size of the average French *commune*.

Figure 1: The first (lowest) tier of government[32]

Country	Name of tier	Number of units	Average population per unit
UK	District	523	110,000
France	Commune	36,500	1,600
Germany	Municipality	8,500	7,500
Spain	Municipality	8,050	4,800
Sweden	Municipality	286	30,000
USA	Municipality/township	35,958	7,000

Source: Joseph Rowntree Foundation

30 Hirsch, D (ed) *A Positive Role for Local Government: Lessons for Britain from Other Countries* (Joseph Rowntree Foundation, 1994).
31 Howes, L "Local Councils: What we Can Learn from France" in *Local Governance* vol 24 no 4 (University of Birmingham, 1998).
32 Hirsch, op cit.

The editor of a Joseph Rowntree Foundation seminar report in 1994, from which figure 1 is taken, noted that "unlike Britain's parish and community councils [excluded from the analysis of this table] municipalities tend to be the key point for delivery of local services, as well as being the most visible unit of local government for ordinary citizens".[33]

The lesson that has slowly been learned is that the search for administrative efficiency and the desire for national standards of service delivery do not, of themselves, necessarily deliver at the local neighbourhood level where people live their lives. Increasingly, it appears that local democracy and citizenship require some form of "human-scale" first tier unit of government that is democratically controlled and exercises real power.

The paradox is that, all too often, the search for the administratively efficient and universal appears to be at the cost of the disengagement and disempowerment of the citizen, combined with local dissatisfaction with local services.

But although French *communes* are small, the *mairie* (town hall), however tiny, is the administrative and political centre of the community – exercising many of the powers listed above. How is this done? How is it possible for such small units of government to deliver such a range of local services?

The answer to the French local government problem of units being too small could be, paradoxically, the answer to the British problem of units being too large. That answer is intercommunal working.

Tailored intercommunal structures

Attempts by numerous French governments to merge its 36,000 *communes* into "super-communes" (as in Belgium) failed. The power of localism and the *communes* proved too great even for the might of the French state. Following reforms in 1959, *communes* were encouraged to form syndicates (as part of an attempt to reduce the total number) to jointly provide services. But it has been the impact of the more recent *loi Chevènement* (1999) that has most radically and very successfully transformed the structure of French local government – but *without* undermining the local power of individual *communes*, or abolishing or forcibly amalgamating them. Indeed it could be argued that the law has made individual *communes* even stronger.

33 Ibid.

The 1999 law encouraged (with the offer of considerable financial carrots) the creation of three types of intercommunal or partnership working, each tailored to a different setting (for example, rural or city).

In order to benefit from the financial incentives offered by central government, all three types of *communauté* must not only manage some of the services previously delivered by individual *communes* or the older-style syndicates of *communes* (such as waste collection or transport), but must also manage economic planning and development, housing, and environmental protection. The law, using its considerable financial incentives, has been an undoubted success, with 88% of all *communes* participating in intercommunal structures by 1 January 2005.

Central to the whole programme is that *communes* themselves choose which type of *communauté* they wish to form or join. While encouraged to belong to only one *communauté*, individual communes are free to join different groupings for different activities (such as waste disposal and tourism development) if they so choose.

As major providers of local services, *communes* are not token players in strategic negotiations with *départements*, regions and central government itself. Mayors of larger and more powerful *communes* and presidents of *communautés* go to Paris to negotiate. *Communes* are a real and powerful part of government in France.

Good practice guide

French *communes* offer an example of good practice: first, as the democratically elected and accountable voice of their communities and, second, in terms of the collaborative working between *communes*. They also represent good practice in terms of working with other tiers of government, including the European Union, and with the private and voluntary sectors.

The result of this good practice is a highly bespoke system of local government, which, while complex and often confusing, contributes to a robust network of local governance that is almost always unique to its particular locality.

But are not these groupings of *communes* into *communautés* simply the next tier of local government? If transferred to shire England, for example, would not a partnership of town and parish councils be the district council? The answer is no. First, the very shape and type of *communauté* are decided by its member *communes*. *Communes* are free to join – or

not. *Communes* can exercise their rights not to join neighbouring associations, as in Paris, Toulouse and Marseille, where suburban *communes* typically resist joining *communes* in the central core. This means that in some cities there are several *communautés*.

This appears to the British eye messy, confusing and administratively complex. But it is also vibrant and democratic, with local *communes* deciding where they want to be and with whom. Exercising local choice of course creates problems, but it also offers the democratic tools with which to deal with the problems. Local problems are not, as in some British situations, swept under the larger carpet of the principal authority to fester over time. They are the stuff of local politics.

A direct consequence of this is that local decision making and local politics are seen to be important. What happens in the *commune* and the *communauté* matter to the French citizen. The problems identified – of local feuds between *communes*, richer areas excluding poorer, suburbs resisting the power of the city centre and so on – become the agenda of local political debate.

The communes have power

It is no surprise that electoral turnout at the *commune* level is typically 70%: as the mayor of Hesdin, Pas de Calais, told me in 2000: "*Communes* have real powers and therefore elections are important." Power is the lifeblood of effective local government. In France, *communes* deliver local services to an agreed local agenda. Power allows local communities to act responsibly in their own best interest. The ability to raise and spend money underpins that power. Intercommunal structures allow individual *communes* to consider the interests of others.

As a consequence certain things happen. First, candidates stand for election; second, citizens turn out to vote; third, those elected have an identifiable platform of policies with which the citizen can agree or disagree, and can certainly hold those elected to account. It is known as local democracy.

Of course, there are no guarantees of wise, honest and responsive government, because there never can be. But there is every possibility, because communities have real power. And where there is a lack of wise, honest and responsive government, the electoral system in a mature local democracy offers a simple and effective answer, together with the regulatory power of other tiers and the state itself.

In most cases these reserve powers are not exercised. In many communities the new system appears to be working well, empowering local communities and engaging citizens in the process of local government and governance through partnership working.

Each time we (the communauté*) meet, and whether we want to or not, links are reinforced. Today I can confidently assert that partnership working has constructed the necessary bridges between people, territories and agencies. It has had the merit of bringing closer together local elected representatives, despite the political divides; to bring the public, private and voluntary sectors to interact despite their differences in views and objectives; to bring also the members of the local community despite the old quarrels. Finally it has consolidated our connections with the department and the region, and other funding organisations, despite our differences in development perspectives.*[34]

In thinking about future structures for neighbourhood government and governance in Britain, can we learn from others? Could a national framework of parish and town councils (to be called "neighbourhood councils"), enjoying considerably more powers (as envisaged in the government's Quality Parish Council scheme) and working in voluntary groupings on the lines of the intercommunal groupings in France, deliver the neighbourhood agenda?

For years parish and town councils have been accused of seeing themselves more as community-based voluntary organisations than as a first tier of local government. In a time when we search for some legitimate and accountable form of neighbourhood governance, this could be their hidden strength. Democratically elected and accountable organisations that also see themselves as being community-based and voluntary should be treasured – as they are in France.

34 Mayor of Sault, Provence, quoted in James, op cit.

Part III: Prescription

Chapter 5

How to develop high-quality leadership through a cross-sector career structure

Phil Swann, Director of the Tavistock Institute

How to develop high-quality leadership through a cross-sector career structure

Phil Swann

As I write this, there is widespread speculation that one of the candidates in 2007's French presidential elections will be Ségolène Royal. The French media is much exercised by the fact that she is a woman with four children. The fact that her partner, the Socialist Party leader François Hollande, is another potential candidate has inevitably generated a frisson of excitement.

But what has passed largely unremarked is the fact that her political power base is on the regional rather than the national stage. Royal has held a number of ministerial jobs (most recently as minister for family and childhood), but she is now president of the Poitou-Charentes region, while still serving as a deputy for the Deux-Sevres department. Her combination of national and regional political roles has not been remarked on for the simple reason that in France it is not remarkable.

Another Socialist politician, Pierre Mauroy, was mayor of Lille for almost 30 years. For part of that time, in the 1980s, he was also the French prime minister. His successor as mayor of Lille was Martine Aubry. Aubry, whose father is Jacques Delors – the former president of the European Commission – actually gave up her cabinet post, as Labour minister under Lionel Jospin, to stand for election in Lille. Her name is also being bandied around in speculation about the forthcoming presidential race.

English careers progress in one direction

If France's approach to the relationship between top-flight political roles in national, regional and local politics can be encapsulated as a revolving door, the English equivalent is the escalator.

In the UK aspiring political leaders often begin their careers on the ground floor in local government. They generally go up a floor to play a local leadership role, and then rise a further floor and become an MP. Then, if they are lucky (and/or able), a ministerial or front-bench role beckons. And then … oblivion, or the House of Lords.

Hardly an eye is blinked at David Blunkett's transition from Cabinet Minister to *Sun* columnist. Yet the notion that after almost a decade at the top in Westminster he would be better equipped to be leader of Sheffield than he was first time around would be

laughed out of court.

Oxford East MP Andrew Smith resigned as Secretary of State for Work and Pensions in September 2004. He was an Oxford councillor before becoming an MP, and at 53 still has a potentially significant contribution to make to the politics and governance of his city and country. Yet the idea that he could use his experience and expertise to drive the revitalisation of the city council is seemingly inconceivable.

Looked at from a local government perspective, the procession of able council leaders from all parties who jump on to the escalator of Westminster politics is a depressing sight. Occasionally they pop up for brief spells as ministerial bag-carriers, or in the most junior ministerial or front-bench posts. But many are never seen again; and the loss to local government – and to the governance of the country – is enormous.

Take just one example. The leader of one London borough was elected to parliament in 1997. He had provided high-quality leadership to the borough, which had become a pace-setting authority. His bid to retain both national and local roles was stamped on by his party. He briefly rose to the dizzy heights of parliamentary private secretary to a junior Northern Ireland minister, and lost his seat in the last election.

The borough, meanwhile, has had too many leaders and chief executives to count. It has spent almost a decade bouncing along the low levels of council performance and is only just regaining its confidence and direction.

Suspicion and subordination

These differences between political careers in the UK and in France (and, to varying degrees, many other European countries) go to the heart of the nature of central-local relations in this country. As one former council leader recently elected to Westminster put it: "It is difficult to translate my experience of local government into something relevant to my parliamentary colleagues. If you are 'of' local government, you are not to be trusted in your judgment about its performance."

He went on: "The key issue is the nature of the relationship between the centre and localities. If localities are constitutionally subordinate, what chance is there for the relationship to be one of equals? To what extent might this relationship change unless there is greater exchange of experience in both directions?"

The issue of subordination has been articulated even more bluntly by Northern Ireland Secretary Peter Hain. He is planning to legislate to curb dual membership of the Northern Ireland Assembly and local councils, because the assembly will have a role in overseeing the performance and financing of local government.

Peter Hain argues that the same people sitting in both the assembly and councils results in "an unacceptable conflict of interest". The counter-view is that having some assembly members who continue to see serving on a local council as a key strand in their political lives is likely to result in more genuine devolution and decentralisation within Northern Ireland.

Indeed, I would argue that effective relations between the centre and localities hinge on having a high degree of trust and understanding. This is more likely to be fostered in a context in which the careers of leading politicians span the national and the local. Trust is doomed to be a fragile flower if every ambitious politician seeks "promotion" out of the Vauxhall league of local government.

There are of course some exceptions to the picture I have painted. Ken Livingstone has vividly demonstrated how much more impact a directly elected mayor can have, compared with that of a back-bench MP. And there are welcome signs of increasingly porous boundaries between the civil service and local government. Two of the recently appointed permanent secretaries have local government pedigrees: Peter Housden at the ODPM, and David Bell at the Department of Education & Skills. And there is a clutch of former civil servants in top council jobs, including Richard Shaw at Surrey and Cheryl Miller at East Sussex. But the fact remains that exchange between the sectors is still too rare, and in the case of politicians essentially one-way.

Some moves are freeing up the system – most notably the expressed commitment of the new Cabinet Secretary, Sir Gus O'Donnell, to interchange between sectors. But on other fronts the silos are being reinforced. The plethora of leadership centres, for example, barely even nods in the direction of an integrated public service or political careers.

At heart this is down to politics: from the rules of the parties on multiple electoral mandates to the different routes (and roots) through which political ambition and commitment can be nurtured and expressed.

The former council leader turned MP quoted earlier in this chapter is almost certainly

accurate when he concludes that senior national politicians will never see a return to local politics as a positive career move until the relationship between the centre and localities changes, until the local ceases to be subordinate to the centre.

On the other hand, think what the impact would be if a handful of politicians could be persuaded to make such a move. It could just be what is needed both to change the political culture of the country and to seize, once and for all, the potential for change offered by the present interest in localism and devolution. Is anyone willing to risk abandoning the escalator for the revolving door?

Chapter 6

New roles and structures for local government

Professor Gerry Stoker, Professor of Political Science and Director of the Institute for Political & Economic Governance at the University of Manchester

New roles and structures for local government

Professor Gerry Stoker

Many people believe in their hearts that local government is essentially worthy but dull. The public and the media share much of this judgment: local government is not overwhelmingly corrupt or bad, many of its services are appreciated, but basically it is a bit boring. Only council tax levels cause an intermittent political stir.

Turnout rates for local elections in England have been low for most of the past 50 years. Despite various initiatives – mayors, postal voting – only modest increases in interest or turnout have been achieved. The truth is that for most voters, most of the time, there is not much to care about when it comes to local government.

The proudest boast of local government now is that it is better run than it was when Labour took over in 1997. The comprehensive performance assessment scores show that most of local government is managed by able and competent politicians and officials. Moreover, local government has had significant real investment, although much of that has gone on education and social services. Overall, by 2008 there will have been a 30% real increase in local government spending.

This is not enough

Some might conclude in the light of the above that the best option is to leave local government alone and let the steady progress that has been made continue. But to my mind the progress is on too narrow a front, based around creating a local government that is a better partner to central government in delivering national programmes. We need a local government that is a better partner to the communities it serves.

These two aims are not necessarily in contradiction to one another, but the key issue is one of emphasis. We need reforms that make the local community sit up and take notice, not central government. We need a stronger commitment to a new localism, and as part of that package we have to contemplate a major reorganisation. Why?

My overarching purpose is twofold. The first goal is to create a local government capable of carrying the torch for devolution in England. What is required is a strategic local government, to give back the capacity for collective decision making at a local level. The second goal is to create local governance institutions that can give expression to the desire of citizens to have more of a say over their immediate environment.

Neighbourhood devolution is the institutional framework in which that second ambition could be achieved. By creating more effective strategic local government, and by creating new opportunities to directly engage at the local level, we will create a local government that attracts the attention of the public and delivers more opportunities for an empowered society.

Strategic local government would have powerful new functions and purposes. Six roles are central to my vision of the future of local government. The first would be transport and mobility. Local government would be in a position to ensure effective public and private transport management.

Second, local government would be there to help create the conditions for employability through providing childcare, training programmes and economic regeneration. Third, local government would be there to protect your safety, defend you from crime, protect you from disasters and in times of emergency, and help to see that justice was done in your community.

Local government's fourth job would extend to the management of your environment: its everyday maintenance, physical development and long-term ecological health. Fifth, local government would be there to push a public health agenda and create the conditions for you to maintain a healthy lifestyle for yourself and your family. And finally, local government's job would be to help maintain the cohesiveness of your community.

The functions outlined above provide an indicative rather than a definitive list, but they are key functions appropriate to the particular challenges facing territorial government at the beginning of the 21st century. These responsibilities would create institutions capable of demanding considerable public attention and interest.

To deliver these six functions, the powers and capacities of strategic local government would have be enhanced, and a substantial shift in power from Whitehall and Westminster would be required. Oversight and influence over other public bodies and utility providers, operating in localities to provide services and programmes, would have to be increased, perhaps through a formal requirement on these agencies to work in co-operation with elected local government.

Strategic local government would also operate in a different way, working extensively in partnership with others, exercising influence and steering the system. A central role for

strategic local authorities would be as a fulcrum through which present and future local needs would be assessed and the effective response of government, the voluntary sector and business to those needs effectively encouraged and facilitated.

Financial freedoms would also be crucial, because money provides a great bargaining counter when trying to steer others. And an open form of politics that has visible and accountable leadership would be vital to give legitimacy to the role of the strategic authority and also ensure that what is done is done in the name of the community, not central government. Elected mayors provide one form of such leadership, but other options may work as well.

Furthermore, new structures would also be required. To deliver the local government roles appropriate to a new century we need a system that is both more strategic and more local. The problem with our present system of local government is that it is neither local nor government. Some institutions of local government in other Western democracies have more legitimacy because they are very *local* – very close to people's felt sense of community – although they may lack the effective capacity to do much. And many systems elsewhere offer more genuine *government*, because the focus is on creating a collective decision-making capacity that reflects local agendas and needs. These systems are multi-tiered and at their best offer both an opportunity for local engagement and a capacity for strategic local decision making. We have a system that delivers neither.

Local has been sacrificed for large

In the 1960s and 1970s local government was reorganised in a way that gave priority to the alleged efficiency gains of operating on a larger scale. Strategic local government did not emerge but rather larger units, more susceptible to control by managers and professionals, were created. Moreover, in the creation of the larger units, local government lost touch with people's felt sense of community.

Compared with other local government systems in other Western democracies, the size of local government at its lowest level in relation to the population it covers is very large. Moreover, we hand over far more strategic decisions about localities to appointed boards and quangos of various sorts, unlike in other Western democracies where the preference is for elected institutions.

On the strategic front, in the short run additional joint bodies could be established at a city-region or other strategic level, composed of elected representatives. In the long run

a full-scale reorganisation could be attempted, built around super-sizing cities and counties and abolishing district councils.

The best way to get there might not be through a comprehensive reorganisation, but instead an evolving programme of granting charter status to localities that have prepared their own plans to deliver both strategic capacity and local accountability. The idea would be to give strategic and electorally accountable local government control over decisions affecting a locality that are now in the hands of central government or appointed agencies.

The basic principles behind the idea of charter authorities builds on what, in part, made local government great in the 19th century. Local government status and functions allocated to local decision makers reflected the capacity of local decision making. When there was a capacity to take local control, a request was presented for city or borough status, along with the powers associated with that status. What I propose would be a modernised version of that procedure.

The creation of strategic local governance would run alongside genuine community-level neighbourhood governance. If there were a move to a strategic local government system, then the institutional space would be opened up for a move to neighbourhood governance on a scale, and with a level of substantive decision making, not previously seen.

The best way is to build on what exists and try to make it more comprehensive, coherent and extensive. The organisation of parish councils that operate in rural areas could be updated and similar organisations established in urban areas. The neighbourhood councils and management schemes sponsored by local and central government could be developed in order to give them a more permanent and effective institutional life.

A number of councils are exploring ways in which non-executive councillors can again become engaged in making decisions for and with their local communities, in area or neighbourhood committees of various sorts. But in this area institutional diversity and experimentation will be the key.

Please don't groan at this: what I propose involves a major reorganisation. You may argue that reorganisation diverts time and energy from delivery, and often does not achieve its stated objectives. My reply is: yes, sometimes reorganisation is a waste of time, but not always. The 1990s saw a fairly mindless example. My goal is local government

reorganisation for a purpose. And that purpose is not to create a system for the professionals and managers who run services, or a system better attuned to the fulfilling nationally defined programmes. It is to create a system that local citizens could find a reason to care about.

Chapter 7

Overcoming the practical obstacles to local government reform

Sue Charteris, Public Policy Consultant and a Founding Director of Shared Intelligence

Overcoming the practical obstacles to successful local government reform
Sue Charteris

The sign above the door of a town hall I visited recently paid tribute to a past mayor as founding father of the United Sanitary Corporation in 1892. The purpose and role of that organisation was very clear, and likewise the mayor would have been clear about what the next steps of his reform programme were going to be: "We've done the drains, now let's do the lighting." But now, nearly 120 years later, leaders are addressing a much more complex world, where community leadership is highly contested. Any reform programme needs to reflect that reality.

Other contributors have described the nature of the case for double devolution. In this chapter I will examine some of the important elements that must be part of any reform package, and that will ultimately determine if the reform is successful or not. This means paying equal attention to the "what", the "why" and the "how" of change. This chapter concentrates primarily on the "how".

Not everyone will share the same intention
In setting out the case for double devolution, the government will need to state as clearly as possible what is expected from councils, in the form of a framework of intent. However, it is worth acknowledging that the case for change will not be accepted by all those who have to implement it. Reforms often come unstuck because of the assumption either that their purposes and intents are universally held, or that everyone will seek to oppose them. Neither is a safe supposition.

Consequently, a first step to embarking on change is for the proponents of reform to recognise both how many of the old certainties about the role of local government have disappeared, and that many communities value continuity as a public good in its own right. Both national and local champions need to find creative and imaginative ways of making a case for change that will ring true with local people, politicians and council staff. To quote Sir Michael Lyons, leaders need "to paint a beckoning picture of the future". Government, for its part, needs to ensure that its statement of the case for change includes a vision of how success will be recognised and rewarded.

While the culture change will have to happen at local level, it is vitally important for the government to set out what it is looking for, which could include:

- good prospects for improving public services;
- local governance arrangements that are sensitive to the needs of local communities;
- coherent structures for accountability without duplication;
- consideration of value for money.

In deciding which levers to deploy for change, it must be recognised that neither voluntarism nor prescription will work. The option of instruction is discounted here, because that approach brought the poll tax to its knees. Local government – indeed all government – is good at complying with carefully drafted instructions, but this rarely results in the reform that the policy makers had in mind. Government needs to find the balance between guidance that expresses wishes and intentions on the one hand, and that which specifies every last detail on the other.

Change in local government works best when central government makes its intentions very clear. Central government should also accompany the announcement of those intentions with a clear expression of the rationale, requirements, accountability checks and timescales, with a careful blend of incentives and disincentives that support the enactment of change.

Successful motivation

Some incentives have been tried and tested, and each is effective in the right context. These include:

Piloting the changes

This approach yields recognition to those leading lights in local government who are motivated by being ahead of the game. These are the champions who invariably take the initiative, embrace change and seek to influence and shape the next stage. This government has responded positively to direct approaches from council leaders and chief executives who propose new ways of working, a tactic that has led to the invention of local area agreements. However, status and recognition are the result – rather than the driver – in this scenario.

Change agents are not motivated by how to interpret the last drop of government guidance, but rather by ensuring that their local partners, politicians and managers are capable of translating new and conceptually demanding ways of working into reality. The challenge for government is that this incentive does not apply more widely across the local government community. By definition, you cannot design a structural reform

programme on the basis of a pilot programme.

Moreover, the strategy can backfire with local managers who lack the capacity or confidence to change, and are put off by examples of successful councils being quoted at them. It also fails to motivate those councils that are of a different political persuasion to the government of the day, which will therefore resist government proposals on principle. Managers and political proponents of change in those councils sometimes have no other strategy than to wait to be told.

Disincentives associated with this approach include fear of failure, embarrassment or retribution. The first phase of the Audit Commission's programme of comprehensive performance assessments was based on a model of grading councils into four categories. This approach was brilliant at motivating those who wanted to demonstrate excellence. It was pivotal in building trust and confidence in those councils that did well. However, very consciously, the fear of being deemed poor or weak was also a driver for performance improvement, and some heads rolled.

Arguably, however, a culture of conformity resulted, rather than the innovation and the experimentation necessary for real reform. Furthermore, few would wish to be associated with a reform package that had such punitive disincentives as its prime levers for change. The comprehensive performance assessment package has evolved, and now sensibly includes the concept of "direction of travel", which is more all-embracing and motivating for a wider group of managers.

Financial incentives and disincentives

These also need to be part of the dream formula that I envisage. Local public service agreements contained two innovative financial drivers that are transferable elements in this reform package: up-front payments to get change moving – called a pump-priming grant – and a performance reward grant, or payment by results for enhanced performance. It is essential that any reform package includes resources to oil the wheels of change. Those councils that lack the human and financial capacity to meet reform deadlines will at the very least experience delay, and certainly divert energy into avoidable debates about the cost of change.

The payments need to be pitched at the right level to make going for the reform irresistible. The reform that got this right (whatever you think of the politics) was the Conservative government's scheme, introduced in the mid-1980s, to move social care for

the elderly into the private sector. It achieved this by creating a harsh payment differential for councils that placed older people in council care homes – with the result that it quickly became prohibitive for councils to keep the bulk of their care places in the public sector.

This government's policy for housing stock transfer to registered social landlords, as a means of injecting much-needed capital into the social housing stock, also works on a framework of incentives and disincentives. If tenants choose not to vote "yes" for the change of tenure that the policy demands, they may be told that they are giving up their chance of a refurbished home.

The lesson to government from both these examples, especially that of housing reform, is that the public, or service users, must be convinced that a better service will result from the proposed changes. Despite their criticism or low satisfaction ratings, the public can confound and vote against change in favour of the service provider it knows. This has led to serious delays on housing transfer, and also affects proposed governance changes – as proved so successfully by the 77.9% of voters who said no to change in the referendum for regional government in the North East of England.

On the other hand, the public invariably votes in favour of good value for money. The Gershon reform programme has developed a sophisticated approach using finance as a lever, but is constrained by working on a council-by-council basis, and in reality comes close to using voluntarism as a lever. It would satisfy the criteria of my magic formula if it *required* councils within a prescribed voluntary radius to draw up plans to provide common services – and to have them up and running by a specified date – with a taper of funds applying for any delay.

Clear timescales and deadlines

These can be important levers in their own right. My dream package would include a series of submission deadlines, which might need to seem absurdly tight in the first instance to generate momentum, followed by a response period where government compares submissions against aspirations. A phase of refinement, adaptation and consolidation would ensue. A climate has been generated in the debate on unitary local government where the affected parties on both sides of the fence are saying, "Just do it." My nightmare scenario is one of stasis and uncertainty with resultant stagnation.

But government will not and cannot have the answers to all these questions itself. Finally and fundamentally, any reform proposals must be "reality checked" with community and

local partners, especially other public service providers.

Clearly, such questions could generate prolonged and indecisive consultation. I propose a pragmatic way forward on seeking the views of communities and partners. The ODPM should formally expect commentary to be submitted from the relevant local strategic partnership. The partnership would use its existing framework for consultation and involvement, engaging community empowerment networks or their equivalents and involving the regional government offices to ask: Do these proposals ring true? Are they believable? Do they have good prospects for making a difference to the quality of people's lives? If the answers are affirmative, and provided the government's original framework of requirements is met, then that would be the green light for change.

In conclusion, it is very important that the reform programme addresses a clear set of requirements. Government should not be tempted to invite proposals from the interested few; either there is a powerful case for change or there is not. Furthermore, a voluntary approach could result in competing proposals without a mechanism for deciding between them. There should be a change fund for councils to draw on, to create incentives and give pace to the changes, and a deadline for when the new arrangements should be in place. The innovation and shaping of the new systems would then take place to meet local needs, at local level.

Chapter 8

How changes in finance can help develop a more effective local government tier

Richard Brooks, Research Director of the Fabian Society and Lead Councillor for Resources at the London Borough of Tower Hamlets

How changes in finance can help develop a more effective local government tier

Richard Brooks

The unquiet ghost of Layfield

Local government finance reform is an issue shot through with contradictions. On the one hand it is a relatively technical, inaccessible subject, rarely thought of as being a political hot button, and often the preserve of specialists and enthusiasts. On the other hand, botched reform such as the poll tax fiasco has the capacity to bring down prime ministers.

Few people who had thought through the implications of council tax revaluation were surprised when central government delayed the evil day and rolled this question into the longer grass of the Lyons review of local government finance and structures. Had the revaluation proceeded according to the 2007 timetable, lower tax burdens in Northern authorities would have been accompanied by fury from voters facing soaring bills in more marginal Southern constituencies.

Perhaps the most profound contradiction is that between the need for national government to be able to implement national priorities, and our desire for local authorities to be capable of addressing distinctive local priorities and circumstances. The idea of variations in public service provision as a postcode lottery is widely resonant and constantly reflected in our news media. Yet it is a commonplace of debates about local government that it must not be reduced to simple administration of national policies, primarily because local needs vary and there is a legitimate role for local political choice.

The Layfield commission's final report of 1976 set out the logic of this argument in a way that has resonated powerfully to the present day. The goal of the commission was to align political responsibilities with the necessary powers to achieve them and the public accountability for doing so. In an ideal world, the same level of government that set a particular policy would also raise the necessary revenue through the taxes it controlled, and would be held accountable at the ballot box for doing so in a transparent way.

The commissioners believed this implied a basic choice between a powerful local government tier with serious revenue-raising powers (they favoured a combination of property taxes and local income taxes), and a weak local government tier funded by central government and essentially implementing national decisions. The situation they considered least desirable was one where local voters were unclear about whom to hold accountable for

their taxes and services. This, of course, is exactly the situation that has persisted over the 30 years since the commission reported.

There are some good reasons for this, and this chapter will certainly not resolve the fundamental problem of aligning governmental responsibility, power, and accountability. Indeed, this is a far bigger problem than can be solved by changes to the local government finance system alone, being just as much about issues such as central target setting and the division of non-financial powers between different tiers of government. The extension of the Lyons review is thus not just politically useful, but a valuable opportunity to think again about some of these issues in the round.

Another reason the Layfield project has not been achieved is that governmental functions do not slot easily into the categories of national or local, and perhaps not even into the categories of UK, national, regional, subregional, local or neighbourhood. For example, there are plenty of arguments in favour of running the NHS or employment services on a much more localised basis, or for administering planning functions regionally and housing benefit nationally.

With all of these caveats in mind, what follows are five brief suggestions for how to make the local finance system support a more effective local government tier in the medium term, without having to resolve all of the bigger questions first.

First, do no harm

Some important and positive changes have happened since 1997. The power granted to councils in the Local Government Act 2000 allowing broad scope in furthering the general well-being of their locality[35] now allows councils to be more imaginative in the application of their resources. The new prudential borrowing arrangements give councils significantly more power over their capital investment decisions. Two-year grant settlements should remove some of the year-to-year volatility in council finances and allow better forward planning. The new powers to charge and trade remain little used in many boroughs, but are also an important development.

35 "Every local authority are [sic] to have the power to do anything which they consider is likely to achieve any one or more of the following objects: a) the promotion or improvement of the economic well-being of their area, b) the promotion or improvement of the social well-being of their area, and c) the promotion or improvement of the environmental well-being of their area." (Section 2 of the Local Government Act 2000).

It is important that none of these changes are rolled back, and especially that the commitment to greater financial certainty through firm multi-year grant settlements is fulfilled.

Abandon crude and universal capping

One of Labour's early promises on local government finance was to abandon the Conservative practice described in the 2000 local government white paper as "crude and universal capping". However, large council tax rises across the country in 2003 (at a time when significant additional duties were being imposed on local authorities by central government) severely frightened ministers and prompted a U-turn. The next year, the ODPM announced that all council tax rises should be in "low single figures" and that excessive rises would be capped.

Most authorities fell into line, recognising a 5% effective limit. Those that did not were duly capped. The same thing has happened for each of the subsequent years. Local authorities have thus had most of their discretion over their single significant revenue source removed. There are circumstances where central government has a legitimate interest in local tax rates – for example, where one party has entrenched political control that reduces its accountability – but the return of widespread capping is entirely counter to any idea of local democratic renewal.

Stick with the broad principle of equalisation, but accept simplification and reduce grant floors

One of the most important objectives of the local government finance system is to provide grants, so that every local authority should be able to deliver similar services at the same level of council tax, regardless of their local needs and local tax base. Equalisation addresses a fundamental need for fairness: people should not receive poor public services or be faced with higher taxes just because they or the other people who live near them have greater needs or lower income. Yet the present system is enormously complex, and in a tight financial environment does not even achieve its basic objective.

The grant system has been made almost impossible to understand, with essential assumptions hidden in the depths of complex ODPM models and thus safe from public scrutiny. Because of the decision to provide relatively generous minimum grant increases to all authorities to avoid local political fallout (for example, minimum 3% increases for shire districts), increases to higher-need authorities receiving more than the floor were drastically scaled back in the financial year 2006/07.

In some cases, higher-need authorities had their grant increases scaled back very substantially to pay for minimum increases elsewhere. If we want to stick with progressive public spending then we need to scale back the grant floors. This is a broken system and it will have to be changed.

Allow local authorities to benefit financially from new development, both residential and non-residential

At present, local authorities do not significantly benefit financially from additional development within their boundaries. Instead, additional needs generated by new residents are set off against the additional council tax base, theoretically cancelling each other out. This loads the incentives against new developments, which often generate local opposition from residents. An obvious incentive would be to let local authorities initially keep the gain in council tax, but then taper it away over a number of years, giving the local authority some transitional benefit.

Non-domestic rates are collected by local authorities on behalf of national government – a system that has obvious advantages but is widely misunderstood by local residents. The new Local Authority Business Growth Incentive scheme attempts to give local authorities some incentive to promote non-domestic development, but fails to provide effective incentives because of its opacity to local residents and decision makers. As in the case of residential development, the alternative might be to let local authorities retain some proportion of the increased tax base for a transitional period.

The other financial incentives for development come through section 106 agreements, by which developers contribute financially or in kind to projects that are supposed to mitigate the impact of new development. This system is thoroughly broken; a fact recognised by Kate Barker's review of housing supply and reflected in the Treasury's interest in supplementing section 106 with a new system of planning gain supplement. The three key issues here are to keep the resulting revenues local, to keep the rate low, and to simplify the residual section 106 system.

Realign domestic taxation with the domestic tax base in a fair way

The Northern councils were right to complain when council tax revaluation was put on hold. At present, council tax is calculated on 1991 residential property values. Since then, the value of property has increased much more in the South East of England than in the rest of the country. Those areas that have had less appreciation – in other words the less economically successful areas of the country – are thus paying more then they would do

if council tax were based on present property values.

This is clearly unfair. At the same time, any shift in the tax base that creates lots of losers in the politically marginal South East will be extremely difficult to introduce, which brings us back to the starting point of this chapter. Assuming such a shift can be made, the essential thing is to then regularly and frequently update the valuation of the tax base to avoid the problem recurring.

One way of making the initial shift easier is to reduce the total burden of council tax while shifting its incidence. Of course, this means finding replacement revenue from another source. Land tax, anyone?

Chapter 9

Neighbourhoods – the role and nature of the very local tier of governance

Paul Hilder, Policy Lead for Transforming Neighbourhoods, Saffron James, Research Fellow and Project Manager for Transforming Neighbourhoods, and Nicola Bacon, Head of Local Working at the Young Foundation

Neighbourhoods – the role and nature of the very local tier of governance

Paul Hilder, Saffron James and Nicola Bacon

What is commonly missing from the debate about devolving powers to local government, and beyond that to neighbourhoods, is the citizen perspective. So far at least, the debate is overwhelmingly a top-down one, which tends to focus on the structures that are needed to empower communities and improve services. But what does devolution mean to real people who are trying to improve their communities or to tackle problems that affect their everyday lives? How can they imagine and engage with community or neighbourhood governance? What will they be able to do, and how?

What really matters

To answer these questions it is helpful to think about what is important to people and communities. At the top of the list is practical action. What matters most to people is being able to get things done to improve their quality of life, whether that means tackling antisocial behaviour, better street lighting, making sure that there is more for young people to do, more local nursery school places, or less rubbish on the street corner. The connections between politics, policy and public services are played out at the very local level where gaps and problems become pressing issues that affect people's sense of safety, security and belonging. And, it is at street level that practical action can have the most impact.

This suggests that structures are less important than practice in neighbourhoods. For frustrated mothers, disaffected teenagers or lonely pensioners, it doesn't matter whether the vehicle for change is a neighbourhood council, a parish councillor, a community trust or a neighbourhood management partnership, so long as their opinion is counted, their voice is heard at the right level and they see tangible results or, if not, get a reasonable explanation. While structures set the frame for action – enabling communities to engage with public authorities and service providers – they should be seen as a means to an end. The long-term vision of a new, localised future should not be imagined as a proliferation of new governance structures, but as a new relationship between citizens and the state, built on widespread participation, partnership and collaboration, and supported by an enabling and legitimate framework.

For citizens, this means new powers for people to make practical things happen in their neighbourhood – powers that are clearly communicated, easy to access and delivered in

a way that makes sense for the unique social, cultural, ethnic, religious and spatial configurations of different communities. Put simply: opportunities for people to influence decisions about the services they receive through participatory neighbourhood, community or parish planning; powers to tackle problems at a local level through partnerships between police, primary care trusts, schools and other bodies who can make things happen; rights to suggest improvements, ideas and initiatives where there are gaps or unsatisfactory services; and ways to shape local spending through delegated budgets.

In practice this means that people should be able to play a part in imagining and constructing a future for their communities – changing the way they react to the challenges, frustrations and possibilities of their everyday environment, as these visions of a new, localised future suggest.

What if…? Paths to a new, localised future

Irritated citizen: *I think my local park could be much better. There's nothing for my eight-year-old, just a little playground for small children. I think there should be an area where dogs can't go and I don't understand why they keep planting all these boring flowers – some parks just look much better.*

In the new, localised future: you send an email to your neighbourhood council. The neighbourhood council support team pass it on to the parks department and to your local community councillor. The parks department emails you back and sends you its plan for your park, asking whether you have any comments. The councillor replies and asks if you would like to be involved in the steering group. You say no (much too busy!) but you would like to be kept up to date. The park plan picks up on some things you want, but nothing about better planting. You have another thought about setting up a community garden in an overgrown corner where local people could get involved in gardening. It would be a great thing for the kids with learning disabilities who go to the centre down the road. A couple of months later, Groundwork contacts you to say it has been given a contract to develop community gardens throughout the area, would you like to talk to them about your ideas? You have become so enthused by the work you've done that you say yes.

Irritated citizen: *There's nothing for older people in this area. I am really worried about my neighbour, who seems so lonely and depressed. I've got so worried I talked to the local pensioners' group, who say they are looking to see what could be done. They seemed great, but will anyone listen to them?*

In the new, localised future: the pensioners' group, which is made up of local residents and has a strong tradition of advocating for people's entitlements, organises a petition of residents to ask their neighbourhood representatives to look at the issue. The petition of 1,000 signatures is easy to organise; the pensioners' group uses its local contacts. People in the area know this is a problem since the Age Concern day centre closed last year. The neighbourhood council responds by launching a local inquiry. This results in an action plan binding the primary care trust, local authority social services and the neighbourhood council together to take steps to resolve the issue. The local primary school becomes an important part of the solution – a spare Portakabin can be re-equipped as an older person's resource centre. Its users can tap into the school's IT, and many become volunteers at the nursery and helping older children with reading.

Evolution, not revolution

Is this vision unrealistic? At the moment, many people are disengaged from local democratic institutions, electoral turnout is low, and when services consult the public the response is far from overwhelming. A frequent response to debates about local accountability and new governance institutions is that apathy, disengagement and cynicism will make any new localism unworkable.

While there is profound disengagement from political processes and from local governance institutions, many small-scale examples do exist of people getting involved in running their neighbourhood. Some of these have been prompted by regeneration investment; others have emerged more organically, without state support. In most areas there is a small core of local activists who will step up to take part in new activities. Behind them stand many more people who want, in small ways, to become more involved in what happens in their neighbourhood and who could, if inspired and nurtured, contribute significantly to its governance. In 2005 half of the population volunteered at least once a month – equivalent to over 20 million people, a significant increase from 2001.[36]

Many of the building blocks of this future can already be found in communities around the UK. Experiments in neighbourhood management in 250 different areas have shown how services and citizens can work better together, and from Wolverhampton to Lewisham, the process of reinvigorating the role of democratically elected representatives in leading such processes is under way.

36 Early results from the Home Office citizenship survey, 2005.

In Milton Keynes, neighbourhood councils work closely with their citizens, helping to tackle local problems and to shape the priorities of strategic councils, the police and other authorities, as do parish, town and village councils in rural areas. In Wiltshire, a lively community planning process is bringing local partnerships and elected representatives together to shape common visions and action plans (as well as organising events involving thousands of people at a time), and it has begun to influence service planning across the board.

We are starting to see how civil society can work collaboratively with the state, but equally can challenge it where necessary, operating through a combination of voluntary action and democratic representation. Significant value can be added by this kind of working, in limiting the costs of crime, poor environments and limited aspirations, but also in the more intangible dimensions of social cohesion, happiness and quality of life.

Over the past three decades, it is true that we have seen some failures, as well as the more successful devolution experiments. Baronial tactics, central government obstruction, failures to retain a centre or to mainstream neighbourhood activity, or over-large budgets have often been to blame. There are lessons to be learned here. Councils and local strategic partnerships should play a key role in creating minimum standards and a governance safety net for neighbourhoods to manage some of these risks.

In different neighbourhoods, the frameworks that evolve will combine elected councillors, local budgets, some influence over mainstream spending and services, officer support and partnership working. Neighbourhood charters could help establish ground rules, alongside better public information. Greater powers for community initiatives to be instigated through councillors or by petition will add a dynamic element of bottom-up proposal and challenge. However, citizens and local authorities should also have the opportunity to build stronger neighbourhood governance structures, ranging from recognised community forums or partnerships to more autonomous neighbourhood councils (next-generation parishes) that could be integrated with new model authorities and provide local community advocacy and engagement.

Representation of the interests of the whole community will always be best supported through participatory engagement, as in the best parish councils or neighbourhood management initiatives. Connecting shared space through neighbourhood hubs, civic media and the local public realm could help to underpin these developments. Finally, strengthening local strategic powers is crucial to neighbourhood empowerment: local decisions have to matter more for local engagement to grow.

Remember the citizen's perspective:

- The challenge is to bring local experience into larger processes of governance, not simply to replicate local government structures in neighbourhoods. Neighbourhood governance needs to be seen not as an arm of the state, but as a locally owned channel for influencing public priorities and a gathering point for collective voice, responsibility and action.
- A more flexible and less prescriptive approach to neighbourhood empowerment will create opportunities for very local governance arrangements to evolve over time, in line with communities' changing circumstances and developing capacities.
- Ultimately arrangements for neighbourhood governance will vary from place to place, reflecting the diversity and varying circumstances of communities. While we must recognise that not all neighbourhoods will need, or want, formal structures for community governance, there should be opportunities for all neighbourhoods with the appetite, need and capacity to take on new participatory and decision-making roles.

Chapter 10

Giving cities more power over their economic destinies

Dermot Finch, Director of the Centre for Cities at the
Institute of Public Policy Research

Giving cities more power over their economic destinies

Dermot Finch

Leadership and power go hand in hand. But England is one of the most centralised countries in the developed world – and its cities lack financial power. With the exception of London, major economic development decisions are taken for our cities by Whitehall and by unelected regional quangos. This situation cannot continue. It is holding back our cities.

Over the next decade, we have two choices. We can either stick to the piecemeal and generic approach to devolution, with the same modest initiatives for all areas. Or we can take a series of bold steps towards differential financial devolution, with more powers for our biggest city-regions.

I am convinced we should do the latter. Here's why.

City-regions are functioning economic units

England's largest city-regions contain the highest concentrations of economic activity in the country, and are drivers of the national economy. To grow further, they need more powers. Greater devolution to city-regions over economic development would improve their performance, and their leadership.

Up until now, government interventions in cities have occurred at many different spatial levels – national, regional, subregional, local, neighbourhood. This has just confused the situation, with far too many funding programmes and initiatives. Every time they want something done, our cities have to grapple with a bewildering array of agencies at every level of government. This dispersal of functions and funding up and down the governance ladder is inefficient. It hampers the effective design and delivery of strategic policies.

Government needs to work out what functions are best delivered at what level. Economic development – including regeneration, transport and skills – would best be delivered at the city-regional level. That is because city-regions are the closest match to real, functioning economic areas. Regions are too big, and many local authority districts are too small, for economic development purposes.

Financial devolution should be selective. It will require different models for different places. A one-size-fits-all approach will not work. Ministers talk about "variable geometry",

but what does it mean in practice? In my view, it means that different places should have different degrees of financial autonomy, proportionate to the size of their economies.

The government should put our biggest city-regions at the front of the devolution queue, because they are the drivers of regional and national economic growth, and they are at the right scale for economic development.

Our recent *City Leadership* report proposes significant new financial devolution to our biggest city-regions, starting with Greater Birmingham and Greater Manchester. At present, only they have the scale, tax base, maturity of joint working and business buy-in to take on radical financial devolution.

The report recommends city-region contracts for Greater Birmingham and Greater Manchester, negotiated with central government. These would give them control over their budgets for regeneration, transport and skills – over £600 million a year, for each city-region.

These city-regions should also have some modest revenue-raising powers, for example through a 5% supplementary levy on business rates, ring-fenced for specific transport projects. This would raise around £35 million a year in Greater Birmingham. Not earth-shattering, but enough to kick-start essential infrastructure investment in New Street Station, for example.

Such radical financial autonomy would require a step change in accountability. We have recently seen moves in Greater Birmingham and Greater Manchester to set up executive boards, made up of existing local authority leaders. These would be a step in the right direction, and an improvement on current governance arrangements. They could also be put in place with relative speed. But they do not go far enough. They do not have the legitimacy of a direct city-regional mandate, and are less likely to provide the clear leadership required by financial devolution.

We must have mayors

Greater Birmingham and Greater Manchester need directly elected mayors. Not just mayors for the cities of Birmingham and Manchester, but city-regional mayors. They would be scrutinised by boards of existing local authority leaders, businesses and community representatives.

Mayors have democratic legitimacy and visibility, and are best placed to develop strategic plans and take tough delivery decisions. But they are politically difficult and controversial. Incumbent city leaders are inevitably going to oppose the idea; no surprise there. But will Whitehall devolve significant powers to an executive board? And could an executive board take really tough decisions on competing investment priorities? I doubt it.

City-regional mayors would be a hard sell. But they are the best governance model for city-regional devolution. London's mayor has shown that Whitehall engages in serious city-level devolution only when a single individual is in charge, with a direct mandate. Our other big cities should watch and learn. To get the powers they want, our leaders will have to bite the bullet: city-regions and city-regional accountability are required. Ministers cannot force the city-regional mayoral model on them. But if Greater Manchester went for it, and asked for more powers, Whitehall could hardly say no.

So far, I have argued for three things. First, city-regions should deliver economic development. Second, our two biggest city-regions should have modest tax and substantial spending powers to promote economic growth. And third, they should be run by directly elected mayors.

This could happen over the next five years. Over a longer period, five other city-regions could follow – Liverpool, Newcastle, Leeds, Sheffield and Bristol. In the meantime, all cities and towns should be given greater freedoms and flexibilities over economic development. The evolving local area agreements provide an opportunity to make this happen.

Failure of the RDA model

But what about the regional development authorities? The fact is that the regional government experiment has failed. The "no" vote in the North East devolution referendum in November 2004 put an end to the prospect of accountable regional government in England, and blocked the scope for further significant devolution to the regional level. Not only are RDAs at the wrong level for economic development, but they are also undemocratic. Further devolution to them would therefore be unwise. Whitehall needs to accept this, and move on.

Instead, each RDA needs to start adapting to its own regional economy. The North West Development Agency, for example, should accept that Greater Manchester needs more control over economic development – and focus more on the rest of the region. By contrast, the East Midlands Development Agency will remain largely intact, given the lack

of a major city-region there. In other words, each RDA will start to look unique. This is what variable geometry means in practice: different governance arrangements for different areas based on their different needs. Uniform devolution needs to be replaced by differential devolution.

What about smaller cities and towns? Up until recently, the focus on core cities has tended to exclude smaller cities and towns. Bradford, Barnsley and Oldham have felt shut out by Leeds, Sheffield and Manchester. City-regions offer them a clearer sense of their future economic role, and should help promote closer working between them and the core cities. And under our proposals, they would all get more flexibilities and freedoms, whether or not they fall within our major city-regions.

However, smaller cities and towns need to accept that they will not get the same powers as Greater Manchester, for example. Devolution cannot be the same for all areas. We still need to prioritise devolution around our biggest city-regions, as only they can make the major contribution to regional and national growth.

This is an ambitious agenda. Financial devolution is a huge economic challenge, with downside as well as upside risks. And directly elected mayors will not go down well with everyone.

But 2006 is a real opportunity for reform. The Lyons inquiry into local government is underway, the Greater London Authority review is about to give more powers to the London mayor, Minister for Communities David Miliband is keen to make his mark at the ODPM, and the local government white paper is due this summer. Now is the time to focus on empowering our city-regions.

So, what needs to happen?

First, Whitehall must get a grip of city-regions. RDAs must embrace them more proactively and positively, as some are already doing. Local authorities must recognise that economic development is best done not in isolation but across political boundaries. And smaller cities and towns should resist the temptation to call themselves city-regions. City-regions are not everywhere. They are selective. Greater Manchester is a city-region, but Central Lancashire is not. David Miliband and others should spell out these points very clearly during 2006.

Second, Greater Birmingham and Greater Manchester should move forward with their

executive board arrangements. Not as an end in themselves, but as a transition towards directly elected mayors. Closer partnership working now will help deeper, more formal city-regional arrangements later. Meanwhile, RDAs and other quangos should explore how to devolve certain functions to their biggest city-regions.

Third, we will need primary legislation to enable city-regional mayors. This will take a while, but we could realistically expect mayoral elections early in the next parliament. And with the promise of significant financial powers, we can also expect some strong candidates to emerge. Not just incumbent city leaders, but business leaders and others. This is an opportunity, not a threat.

Finally, the voters in and around Birmingham and Manchester will need to be convinced of the need for an elected mayor. I believe the case can be made, if mayors are given the power to make a real difference – to fund major transport projects, to grow the business base and to foster job creation.

Chapter 11

Alternative policy approaches to governing rural areas

Lord Chris Haskins, Farmer and Chair of the Council of the Open University

Alternative policy approaches to governing rural areas
Lord Chris Haskins

Rural policy in Britain is dominated by the European Union's severely flawed common agricultural policy, but reforms are now in place that could lead to the effective renationalisation of control. There is a danger that, because of the UK's overcentralised system of government, even more power will remain with Whitehall. This chapter explains why the devolution of power to local authorities is particularly appropriate when delivering rural policy.

The common agricultural policy's time is past
Rural policy across the EU is in a mess because most of it is determined from the centre, by the council of ministers. The confusion is exacerbated because there is no agreement as to what is meant by rural. Consequently it is not surprising that there is little understanding of the issues.

The well-organised rural lobby likes to give the impression of a countryside in great distress – a false premise that they exploited with great skill in Britain in the wake of the foot-and-mouth crisis. A picture was painted of poverty-stricken, traumatised farmers, of a society unable to access public services and of a declining population. Indeed, many small farmers *are* in difficulties, even though most of them receive subsidies from the state or the EU comprising 80% of their farm income, and have diversified into other economic activities.

Nevertheless, people in the countryside are better educated and healthier than their urban neighbours. Village shops are closing, but this is because country people prefer to shop in supermarkets, not a sign of rural decline. And while full-time farmers are struggling, they comprise a small proportion of the people living in the countryside. The rural population is rising in England for the first time in a century and a half, thanks to improved access, which has brought a substantial inflow of commuters and non-farming rural business people.

The severely flawed common agricultural policy has confused the picture with its market-distorting subsidies, which benefit the larger farmers but no one else. The main purpose of the policy – to maintain a farmer-dominated rural status quo – has failed, as smaller farmers have steadily sold up and either retired or found other work. As long as subsidies were paid through a complex manipulation of food markets – with import protectionist

barriers, guaranteed payments irrespective of market demand and export subsidies used to dump surpluses on the fragile markets of developing countries – agricultural policy had to be determined by the commission.

But the recent reforms, introduced by Commissioner Fischler in 2003, have changed all that. Support through market manipulation is being phased out, to be replaced by a direct single farm payment to all farmers, based on past benefits. Effectively this implies that payments to farmers in the future will amount to social security support, which is an area for which member states, rather than the EU, have responsibility. Logically, therefore, the common agricultural policy should be scrapped, with responsibility for all rural social and economic matters returning to the member states.

But in a large country such as England, attempts to deliver services from national institutions have also failed, and no more so than with the rural agenda. Centralised bureaucracies vainly try to deliver one-size-fits-all and top-down solutions to a diverse range of rural situations. But this approach satisfies neither the would-be beneficiaries, nor the taxpayer, rightly suspicious that money is being squandered.

Complexity of rural conditions

Rural society is notably diverse. Different soils, weather patterns, locations and infrastructures in the countryside all require different responses from the state, and local government is in a far better position to respond to local needs than is Whitehall. Rural diversity should be reflected in most public service provisions – transport, health, housing, education, planning, economic and social development, and the protection of the rural environment.

People living in less attractive rural areas might be happy to allow businesses to expand, because the environmental harm would not be significant; whereas those in the Lake District rightly resist the pressures from businesses to overexploit the tourist opportunities. Similarly, there is little justification for expensive provision of rural services where a large city is easily accessible, whereas in remote areas, however expensive, special steps are essential to protect the health and welfare of people living there.

In most areas of public service it is desirable to have consistent standards of delivery across the country – health and education being prime examples. But Nye Bevan's successors have created a vast, unaccountable central bureaucracy in a vain effort to fulfil his wish to be interested in every bedpan in the National Health Service.

Of course there must be national targets for health and education, but if these cannot be achieved because of the bureaucracy, devolution of delivery to local institutions must be the answer. Centralists will argue that devolution will result in inconsistency of delivery across the country and the evidence supports this. But ever since the days of RA Butler and Nye Bevan, successive governments have undermined the authority of local government by pulling power back to the centre.

What they should have done was to help local authorities who were underperforming to raise their game and learn from the many excellent authorities that deliver to a high standard – Kent and East Yorkshire are shining examples of outstanding delivery of rural services.

Rural people living in local authorities that are predominantly urban are concerned that their genuine needs will be neglected. In a first-past-the-post electoral system, they are right to be concerned. The case for proportional representation may have some flaws at national level, but at local level the system will produce a less partisan approach that respects the rights of minorities.

Loosen Whitehall's grip on the purse strings

In Britain, but especially in England, local government is heavily dependent on HM Treasury for its income, and the latter understandably but mistakenly insists that Whitehall departments keep tight control over the way money is spent. I recently reminded a reluctant Department for Environment, Food & Rural Affairs to give responsibility for spending EU and British funds aimed at rural, social and environmental development to the regional development authorities – themselves Whitehall-controlled, regional quangos. But the Treasury is reluctant to let go of powers, and DEFRA and Department of Trade & Industry civil servants still demand detailed justification of such expenditure from the RDAs.

While I believe there is a case for increasing the tax-raising powers of the local authorities, it remains essential that most tax raising should be carried out by the central government, which alone is able to redistribute from wealthier people and regions to the less wealthy. This is especially relevant to remote rural areas, where real poverty problems exist. But in England the allocation of funds appears to be arbitrary, secretive and highly political.

The Germans solve this problem by having an upper house, entirely comprised of elected regional representatives, who have to agree fair formulas of tax distribution among

themselves. Once the allocation has been made, the regional authorities, and beneath them the smaller local democratic structures, are given plenty of discretion as to how they allocate funds.

A couple of years ago, when I was asked to look at "rural delivery" in England, I also visited Scotland, Wales and Northern Ireland, and the quality of delivery in the devolved countries was far superior to that in England. One reason is their size. Scotland, the largest of the three, has a population equivalent to Yorkshire. Another is that, thanks to devolution, the Celtic administrators (before the Northern Ireland Assembly was suspended) had considerably more discretion about the allocation of rural funds, although they too were inhibited by the common agricultural policy.

A senior DEFRA official, in attempting to demonstrate to me his ability to deliver policy at local level, produced a map that identified the rural black spots of England, including, he said proudly, one on my doorstep, Bridlington. But apart from the fact that the people of East Yorkshire did not need to be told by DEFRA that Bridlington was a problem, the official looked blank when I asked him what he was going to do with this remarkable piece of intelligence.

Rural England is bedevilled with unco-ordinated top-down interventions from central government, which create confusion, squander taxpayers' money and are ineffective. The Department for Education & Skills and its quango, the Learning & Skills Council, constantly intervene at local level from on high, with little consideration of local opinion and local circumstances. The NHS is the most notorious practitioner of top-down targets, which can be particularly irrelevant in rural health provision, where costs are bound to be higher than average. The Department for Transport provides money for rural bus services that often seem to be underutilised.

Separate policy from delivery

It is a mistake to give policy makers responsibility for the delivery of their own policies. First, they do not have the competence needed for delivery, which lies with good local authorities. Second, if a policy is flawed, in that there are serious delivery difficulties, policy makers will not be made aware of problems until it is too late.

If there is a clear separation, as in France, policy makers are obliged to get agreement from their delivery agencies before legislation. Recently DEFRA introduced an interesting scheme to provide incentives for farmers to protect and enhance the environment. But in

testing their proposals for delivery, they had forgotten that the Fens, a large farming area, depended on a complex dyke system for its existence.

DEFRA had no relevant incentive for the maintenance of these dykes. If the design of the scheme had been left in the hands of the local authorities, the dykes would not have been missed (to be fair to DEFRA, they did add dykes to a truly impressive list of options that were made available to all the farmers in England). The unscrupulous have little difficulty in outwitting the bureaucrats, to the disadvantage of the taxpayer. The scrupulous are left bewildered.

Fortunately, the government is beginning to realise the shortcomings of centralised delivery. With the introduction of significant reforms of rural policy, notably the common agricultural policy, there is an excellent opportunity for DEFRA to convert best intentions into practice by allowing the local authorities, co-ordinated by the RDAs, to take over responsibility for the delivery of the rural agenda.

The government is beginning to make the right noises about devolution. The recent reforms of the common agricultural policy should be an opportunity to make RDAs and local authorities more responsible for rural policy development and delivery. Some local authorities, such as Kent and East Yorkshire, are already demonstrating the benefits of efficient local delivery of rural policy. Whitehall and other local authorities should learn from these success stories.

Chapter 12

Joining it all up – how different tiers of government can be encouraged to work co-operatively

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

Joining it all up – how different tiers of government can be encouraged to work co-operatively

Lucy de Groot

Nearly a decade ago a government white paper proclaimed: "People should know who takes decisions, who to hold to account, and who to complain to when things go wrong."[37] It was an assertion made in the context of the introduction of directly elected mayors and other alternative models of local council leadership; but it also goes to the heart of the wider challenge, as we look ahead 10 years, of different parts of government working cohesively.

Much has changed since this statement was made but, arguably, we have not advanced too far in terms of the public really knowing who is responsible for what, who is accountable for it and who taxes them for it. This is the acid test of any public service, as well as the touchstone for judging how best to achieve synergies and cohesion between different tiers and parts of government. Without that clarity, responsibility and accountability, it is difficult to judge where and how to achieve synergy and co-operation.

In this chapter I examine the lessons from the most recent period of reform and seek to identify the essential foundations that will make the most difference to co-operation over the next 10 years.

Establishing clarity

Let us start with that acid test. Citizens most need and want to know where the buck stops for the particular thing they are concerned about. Often, this cannot be separated from questions of leadership. Both political and managerial leaders need to be able to successfully communicate the direction of travel they want to achieve for their communities and how and why they take the decisions they take along the way. The critical thing from the point of view of achieving synergy and co-operation is that, while it is helpful for the overall direction of travel to be the same, actual policy and service delivery responses can, and often need to, be different.

Different tiers of government are involved, for example, in examining planning, transport and environmental issues. It is apparent that truly effective and sustainable long-term solutions in these areas require imaginative and situation-specific policy responses. Yet how many leaders in these different tiers communicate clear and distinct approaches?

37 *Modern Local Government: In Touch with the People*, white paper for England and Wales (HMSO, 1998).

Few national or local leaders, for example, have been ready to step forward to introduce or even pilot economic instruments to tackle challenges such as congestion or household waste. The government has refrained from giving councils the power to charge for waste collection and excess, a measure that could have been purely voluntary and could be seen as a useful economic incentive to reduce waste. A key difficulty is that there are few incentives from national government for local leaders to make difficult and different decisions.

Yet, when local leaders step out of the mould and adopt imaginative solutions, they often both reinvigorate local democracy and accountability and pave the way for other parts of national and local government to learn from their moves. Whatever people's personal views on, for example, Liverpool City Council deciding that it would be a "no smoking city" by the time it became European Capital of Culture in 2008, or Transport for London's congestion charge, the ultimate test is whether such distinctive decisions are fit for the specific community, location and purpose they are serving.

So the first foundation stone for greater synergy and co-operation is, perhaps paradoxically, a realisation that its achievement does not require uniformity. It should be obvious, but the acceptance of difference is something that the financial, regulatory and political frameworks surrounding different parts of government do little to encourage, and sometimes actively discourage. As Sir Michael Lyons commented in his interim report on local government:

Local government is not just about the provision of local services. It has a major and unique role to play in helping to develop and deliver vision for its communities, making decisions and trade-offs on their behalf, and shaping a strategic view of the area and its future – a role which we might refer to as "place shaping".[38]

The need for a clear framework

If local government is to be truly successful in this "place shaping" role it needs the freedom to carry it out. This leads to my second and third foundation stones – those of clarity of roles and trust between different parts of government.

Central government has a duty to create a framework where responsibility for decision taking is absolutely clear and specific bodies can be held to account. This then has to

38 *Lyons Inquiry into Local Government: Consultation Paper & Interim Report* (HMSO, December 2005).

produce a much stronger framework of trust between central and local government than now exists. Central and local government must re-engage with citizens to rebuild the trust that has been undermined across the board.

Many aspects of the most recent period of reform have not helped deliver either of these foundation stones. Instead of greater central and local clarity about roles and responsibilities, and the mutual trust to deliver them, there has been a proliferation of service-specific, autonomous and semi-independent organisations outside local government. All have been promoted from within the existing public-sector expenditure envelope – health trusts, children's trusts, and now trust schools.

These newer autonomous organisations are joining the existing range of not-for-profit organisations and quangos, such as housing associations, regional development authorities, regeneration companies, local strategic partnerships, joint ventures and the rest. The "quango state" is very much alive, and citizens can be forgiven for becoming less certain of where true responsibility lies.

At the same time, central government has, at times, become highly prescriptive in laying down targets and requirements for how local communities should respond to local problems, even though local government is already establishing good practice. The Home Office, for example, sets out several mandatory outcomes around the Respect agenda and intensive family work, imposing a uniformity of priorities on all local areas irrespective of specific local conditions.

Similarly, many duties are imposed centrally on local authorities in connection with truants and excluded pupils, with a centrally agreed plan to be agreed with the Home Office. All this is difficult to square with real clarity about who is responsible for delivering the "place shaping" that Sir Michael Lyons refers to as local government's "major and unique role".

What about the money?

Roles and trust also come down to money and resources, so there needs to be clarity about who is responsible for finances and rationing decisions. The vast bulk of financial flows are still brokered nationally. Much more could be devolved, with the logic for such decisions made more visible and aligned with the specific regional and local context.

Local government should have a much more strategic role and responsibility to clarify that picture in conjunction with its partners, both from within government and in the wider

economic, social and voluntary spheres. This does not mean that local government has to be the main service provider, but it does need to have the responsibility and powers to ensure that clear commissioning and accountability mechanisms are in place to realise an agreed local community plan.

In turn, though, to discharge that role, local councils need to become much quicker on their feet, able to be leaner at the centre, less behoven to existing ways of working and faster at delivering fresh solutions and responding to local people.

All of this again reminds us of the overriding need to stand in the citizen's shoes and think about both the experience and the outcome for those for whom policies and services are designed and delivered. One of the areas where this is most important is that between health and social care. There has undoubtedly been significant progress in recognising and acting on the need for synergy between these sectors. The emergence of local public service agreements, local strategic partnerships and most recently the development of local area agreements is providing an impetus for greater integration and focus on jointly agreed outcomes.

Obstacles to joining up services

However, significant barriers to effective co-operation remain. At a strategic level, it may seem obvious that social, health and environmental well-being are interlinked and critical to the creation of sustainable communities. But despite the best endeavours of all concerned, this strategic vision does not easily translate into a reality in which professional boundaries, separate structures, accountabilities and budgets, together with organisational culture differences, continue to present major sticking points.

Often the strategic goals and concerns of partnerships remain softer concerns than the hard targets of simple cultural inertia or different change agendas, which players from the different bodies encounter when they return to their own organisations. On the health and social care front, for example, the restructuring of primary care trusts just three years after their establishment inevitably undermines the ability of local players to deliver joined-up strategies. The limited coterminosity between health and local government adds to the practical challenge. Tackling these structural, cultural and incentive barriers will be important if co-operation and cohesion are to be effective.

Regulatory mechanisms that recognise and reward the outcomes of effective partnerships will also have an important role to play, which, in turn, brings me to my last foundation

stone – the regulatory agenda. The regulatory agenda itself has to be joined up in ways that simplify while retaining focus. Inspection regimes remain top-heavy and cumbersome. One council found, in a recent joint review of children's services, that it had 33 inspectors in the council at a single time.

There needs to be a move away from blanket inspection regimes to inspection that is proportionate to risk. Ultimately, scrutiny and inspection of local government performance needs to be closer to local people and local government itself, with an improvement and performance framework that takes its cue directly from "place shaping" and is independently assured. The Improvement & Development Agency and the Local Government Association are working with councils to develop an alternative framework to achieve this shift in balance.

In conclusion, we still need to look towards a change in attitudes, financial and structural relationships if we are to fulfil a vision of greater and effective co-operation between different parts of government in the coming decade. Without these shifts we will not be successful in reaching a destination where local government can deal with the basic issues that matter to people, delivering a distinctive sense of place and providing true community leadership and accountability.

Being local does mean delivering a specific view of the world that is different from being central. Until central government fully embraces this in practice, in a new settlement with local government, we will continue to grapple with problems of co-ordination and cohesion.

Part IV: Practice

Chapter 13

Been there; done that

Nick Raynsford, MP for Greenwich and Woolwich

Been there; done that

Nick Raynsford MP

One of the paradoxes of modern society is the growing importance we are attaching to what happens in our immediate locality, despite the fact that our horizons have expanded exponentially in the past century. One hundred years ago attachment to our immediate surroundings would not have been surprising. Few people travelled any distance from their home, and localism was very much a part of the natural order of society. But today, in an increasingly globalised world, all is very different.

The economic and social shackles that tied most people to their locality have largely gone, at least in the developed world. An ever larger number of people travel extensively, and through a variety of media we are made instantly aware of events not just in different towns or cities in our country but in different countries and continents thousands of miles away. So why is it that localism is increasingly in vogue?

The after-effects of centralism

Partly, I believe, it is a reaction against the uncertainties of our globalised world. Involvement in our own immediate locality provides the assurance of an anchorage in a stormy sea. But it is more than just a search for certainty. There is also a reaction against centralisation. The 20th century saw the apogee of centralism, and not just in the command economies of Eastern Europe.

National tax regimes, national institutions and national laws were extensively used in the liberal democracies to reduce inequalities and ensure that certain standards – for example, of healthcare – were met everywhere. The emergence of the phrase "postcode lottery" is an eloquent reminder of the forces that drove centralism, above all a fear that people in different areas would otherwise suffer unacceptable variations in standards of living or standards of public service. This concern was particularly acute in Britain, a small island with a real sense that "we are all in it together", forged strongly in the crucible of two world wars.

But while that concern to minimise postcode lotteries remains strong, it has to some extent been offset by recognition of the limitations of centralisation. Our faith in the ability of the state to act benignly on our behalf has been weakened, and not just by the collapse of communism. Countless local campaigns against insensitive slum clearance or road-building schemes scarred the landscape of late 20th-century Britain, as local

communities flexed their muscles and rejected the notion that the man in Whitehall knows best.

Whitehall too got the message. As many of the monolithic council housing estates built in the heyday of centralisation were demolished, it was recognised that effective neighbourhood renewal depended on the active involvement of local residents. So local buy-in is now encouraged to deliver more sustainable outcomes.

It also became clear that large, centralised bodies tended to reinforce divisions between their respective silos, whereas the need was far better integration between agencies to deliver seamless and customer-focused services. This was best achieved within a framework allowing maximum flexibility at a local level.

Equally, the public sector came to recognise a truth that had revolutionised business – that small, fleet-footed organisations were generally much more innovative than large corporations. So devolution of power could not only help to gain local commitment and more joined-up services, it could also help stimulate managers to explore new and more effective ways to meet the needs of the communities they were serving.

Finally, it has become increasingly obvious that local democracy cannot thrive in a context where local councils are heavily dependent on central government for their funding and subject to a plethora of controls and targets imposed by the centre. Only where councils can take full responsibility for the well-being of their areas and be visibly accountable to their electors for their decisions, will there be a renaissance in local government. While the council remains in thrall to decisions from the centre it will be difficult if not impossible to attract the talented and energetic leaders that are needed.

The resurgence of localism

So the pendulum has begun to swing back in favour of localist solutions. There are two dimensions to this:

- First, recognition that local government must be able to operate with substantial devolved powers to provide effective leadership to its locality.
- Second, devolution does not stop at the town hall, but must also give scope for local communities to exercise greater influence and control of decisions affecting their own neighbourhood.

While the two might appear to be pulling in different directions (indeed, there are, sadly, many centralisers in local government resistant to devolving power to neighbourhoods!) they are actually complementary. To fulfill the community leadership role, which involves building strong partnerships with business and other public-sector agencies such as the police and the National Health Service, local authorities must have sufficient size and capability.

Small district councils with limited responsibilities are not well placed to do this. In any case, the separation of responsibility between county and district councils in two-tier areas is confusing to the public, and unsustainable in the era of Gershon cost-saving. So a smaller number of larger, more powerful unitary councils is essential if local government is to play an expanded and more strategic role in the future.

However, this would run the risk of alienating local communities, which might feel remote from the main authority. Hence the importance of more devolution to the neighbourhood, particularly in respect of services that have an immediate impact on people's local environment, such as how their streets are cleaned and lit and their parks and open spaces are managed and maintained.

This does not require the imposition of a single model. On the contrary, neighbourhoods should be able to exercise powers to the degree that they want within an overall framework that guarantees probity and guards against social exclusion. The more extensive the devolution of powers, the greater the need for appropriate safeguards, but we should guard against unnecessary bureaucracy. Nor should we impose arbitrary rules on the appropriate size of a neighbourhood. These will vary enormously.

In some cases people may want to operate through parish or town councils, which already exist in thousands of localities. In other areas local committees of the council with devolved powers may be appropriate; in others, neighbourhood forums, which may or may not have spending powers; in others, existing tenants' or residents' associations may provide the right framework for local agreement.

There are already many bodies and structures through which local communities can play a part in influencing the outcomes that affect their neighbourhood. They include some inspiring examples of transformational change bringing new life and vitality to areas previously suffering from crime, antisocial behaviour, prostitution, economic decline, social exclusion and inter-communal conflict. We need to build on their success and help others to learn from their examples.

One of the lessons of effective neighbourhood engagement is that adversity is often a powerful recruiting sergeant. People are more likely to come together in local neighbourhood groupings when there are specific problems that need addressing or are blighting their area. Conversely, when solutions have been secured the energy sometimes ebbs away, leaving formerly vibrant community groups hollowed out and unable to attract the involvement of their members. This is another argument for a flexible and permissive framework that accommodates the natural rhythm of community participation, rather than requires particular structures to remain in existence beyond their sell-by date.

So the future pattern of local government should involve a tier of powerful unitary authorities able to give effective leadership to their areas, supported by a network of diverse neighbourhood bodies through which people will be able to engage actively in local decision making. But how do we get from here to there?

The way forward

There are some important lessons to be learned from history, not least the botched reorganisation of local government in the 1990s – the era of the Banham review. That process expended a huge amount of time and energy to little effect, and diverted local government attention for several years away from the priority of efficient service delivery and local leadership. To avoid repeating these mistakes, it is essential that changes are implemented swiftly, following a relatively short period of consultation on the principles that should guide the reorganisation. At all costs, a long period of uncertainty and haggling about boundaries must be avoided.

The new authorities, when they come into existence, must have scope to operate as leaders of their areas. That means a good measure of financial freedom, both over how they raise revenue and over spending decisions, so that they are truly accountable to their local electorate. This does not require fundamental changes to local government finance.

A reformed council tax should remain the primary source of local revenue, with automatic deductions for low-income households in place of the existing complex benefit system, which suffers from very low take-up levels. This would go a long way to overcome the alleged unfairness of the council tax, which otherwise has considerable advantages in terms of ease of collection and predictability. However, council tax has been expected in recent years to carry too great a burden. It should be supplemented by other sources of revenue, including business rates, which have fallen substantially as a source of local government revenue since the introduction of council tax.

Some degree of central financial support will continue to be necessary to compensate for inequalities between areas in their own local resources, but this can be combined with a very substantial increase in the proportion of revenue raised locally, as the balance of funding review demonstrated.

In terms of spending, the greater flexibility introduced by local area agreements should be extended, allowing authorities to develop pooled budgets with other public-sector bodies, and where appropriate with private- and voluntary-sector partners. This will be essential if we are to promote innovative and cross-cutting approaches to service delivery at a local level, in which the full range of local partners are involved.

What controls should continue to be exercised by central government? Only those that are essential for the maintenance of national interests. So for example, it would not be acceptable for authorities to opt out of arrangements for civil resilience where co-ordination across the country is essential. But the raft of financial controls now in place – including the ring-fencing of myriad small spending programmes – must be removed, and authorities must be seen to be responsible to their electorate for their spending decisions.

This will require acceptance by all government departments, some of which have been very reluctant to let go, that detailed micromanagement from the centre is simply incompatible with effective local service delivery and initiative. Reassurance can be offered, through a local performance management system based on the comprehensive performance assessment model, that tools exist to identify weak or failing performance, so that remedial action can be taken locally or the consequences of failure made public.

No one should underestimate the difficulties involved in effecting such a profound shift, from a predominantly centralist 20th -century culture to a predominately localist 21st-century alternative. But the evidence of what has been achieved in recent years by high-performing local authorities and empowered local neighbourhoods is an encouraging beacon to guide this transformation.

The prize is an outcome that ensures both better, more joined-up and more customer-focused service delivery at a local level and more meaningful local engagement by the public. This is fundamental to a healthy local democracy.

Chapter 14

Leave them alone – a Lib Dem view

Sarah Teather MP, Liberal Democrat Shadow Secretary for Community and Local Government

Leave them alone – a Lib Dem view
Sarah Teather MP

This ought to be the last ever 10-year plan for local government.

Ten years would be long enough to dismantle the controlling, high-handed and authoritarian micromanagement of local government that Whitehall has indulged in for too long. In 10 years, we could stop central government from telling local government what to do. And then central government would stop needing to make 10-year plans about what is, if they would only admit it, an independently elected tier of government that has its own legitimacy.

The only 10-year plan for local government that would be worth its salt would be one that gave councils freedom to raise and spend their own money, to determine the provision of services according to local needs, and to throw off the yoke of Whitehall inspection regimes.

Why we need proportional representation

First and foremost, we need a decent voting system for local government. Liberal Democrats in Scotland have won a crucial victory in securing proportional representation for local elections. First past the post means there are still too many one-party states at council level, where a single group has dominated local politics for decades, with no hope of being ousted even when complacency leads to incompetence. A proportional system would encourage joint working, coalition and the political competition necessary for good governance, and, crucially, make it easier for voters to oust failing councillors.

With a voting system in place that ensures proper accountability, councils must then be given freedom. And I mean freedom – the real thing – not the watered-down New Labour version known as "freedoms and flexibilities". The cornerstone of that freedom is the power to raise and spend money according to local priorities.

The Labour government has stalled on this issue; promising to consider relocalising business rates in its 1997 manifesto, it has done nothing but invent the complex and trivial local authority business growth incentive. And Labour's unqualified support for council tax over the past eight years makes it tricky to believe the party's claims that it cares about social justice.

The Conservatives have done no better. They nationalised business rates, and imposed the inflation cap that has shrunk the contribution of businesses to local government finances. And they have made no sensible contribution to the balance of funding debate.

The Liberal Democrats made much ground in the last parliament with our popular proposals for abolishing council tax and replacing it with a fair local income tax. But this was, and remains, only one plank of our proposals for more financial independence for councils. We would relocalise business rates at the earliest opportunity, restoring the link between businesses and their communities.

Our on-going tax commission is drawing up more detailed plans for localising taxation, but a large element of this will be transferring a slice of income tax from national to local government. Local government cannot continue to depend on national government for 75% of its funding. In fact, councils ought to be able to raise on average 75% of their money locally, without compromising central government's power to equalise between areas.

Equalisation grants are the third and final component of our proposed financial reforms. Alarmists claim that, because we want councils to be responsible for raising more money locally, we must be opposed to equalisation. We are not. But the present system is possibly the most impenetrable, opaque and confusing grant mechanism in the world. It aims for an impossible target of perfect equalisation of both needs and resources, without recognising that needs, in particular, must be based on political rather than administrative assessment. Transfers from wealthy counties to areas of urban deprivation are disguised under the veil of a supposedly apolitical assessment of need.

We need a simpler, more transparent grant system. Its purpose must be solely equalisation, not revenue support – meaning that the few wealthiest councils will get nothing. And it must be comprehensible, so that ministers have to admit to their political priorities, be they to offer extra money to deprived inner cities or to the isolated rural elderly.

Give councils greater powers

With financial control and stronger accountability in place, councils need just one more thing to establish our vision of a pluralistic Britain, governed from the ground up. They need something to do.

Central government has been stripping powers from local government for generations. Public services like education, healthcare, policing and sanitation were pioneered by local

government, but the only control councils now have is as a stakeholder in decision making.

The accountability of our public services is dismal, as exemplified by new proposals to make policing responsive through something called “face the public” meetings. It is surely absurd to introduce this sort of sham accountability while with the other hand tearing policing out of local communities through the enforced regionalisation of our police force.

Has it not occurred to the Home Office that the police would be responsive to local wishes if they were accountable through, perhaps, a locally elected police authority, or perhaps directly accountable through locally elected local government? It is no use having “face the public” meetings to discover that people want their police to tackle street crime when Whitehall has issued a memorandum requiring something else.

While the government sees fit to introduce sham accountability to the police, it is also happy to perpetuate the anomaly that police and fire authorities are the only unelected bodies in Britain with the power to raise taxes. Surely, removing this anomaly should be the first task of any government serious about accountability of public services.

Education must not be taken out of the hands of local authorities: they are the best placed to take a strategic view of education provision across an area. They should be the direct commissioners of education, but not according to a standard handbook of commissioning issued by the Department for Education & Skills.

The Liberal Democrats would give councils the independence to commission an education system that best fits their area, instead of bribing them into accepting academies, or other models, to fit a Whitehall agenda. And the Liberal Democrats would tackle the monolithic National Health Service and give local people the power to influence decisions.

Month after month we hear tales of the postcode lottery whereby primary care trusts offer different levels of care from one another. But the real horror is not that different decisions are made, but that local people have no power to change those decisions if they disagree with them. It is perverse to have a locally delivered NHS – since primary care trusts are being reshaped to follow local authority boundaries – without it being locally accountable.

Radical proposals

Our vision is of local authorities with enough financial clout to make their own decisions

about local education, healthcare, policing and more. We would scale back the inspection regime in favour of a single inspectorate, designed along the independent model of the Audit Commission, and encourage accountability at the ballot box with a better voting system.

These are radical proposals, which would require a new constitutional settlement to enshrine the right of locally elected representatives to disagree with central government and to plough their own furrow. Neither of the other parties is ready to embrace the kind of reform we need, whatever they might pretend.

New Labour glories in promises to devolve power to "neighbourhoods" and makes grand claims for its "freedoms and flexibilities" agenda – which everybody knows is really about centralising praise and devolving blame. Meanwhile, it sees fit to retain a financial system that cripples councils by making them dependent on central government for most of the money they spend.

The truth is, new localism is a sham. It is basically about new local quangos – but just because they are local does not mean they are any good. And if they are not elected, there is nothing local people can do to improve them. In the end, localism without democracy is just tyranny on a local scale.

The Conservatives also claim they are in favour of localisation. With David Cameron's reinvention of the party, we have watched hopefully for a sign that they might finally mean it – that they might be ready to abandon the Thatcherite doctrine of command and control that so damaged local government in the 1980s.

But close observers of the few policies Cameron has managed to assemble for his "new" Tories will know that the party is no more locally minded than it used to be. In the face of the education white paper, this "localist" party has been quicker even than Labour to undermine the strategic importance of a strong local education authority.

And their only actual education policies are about micromanagement. "More streaming!" they cry. "More synthetic phonics!" And they want a centrally imposed moratorium on the closure of special schools, with total disregard for local circumstances or the opinions of locally elected councillors.

The fact is, there is a problem with devolution that causes the other parties to baulk at the brink. Real devolution means giving people the freedom to disagree with you. The

Conservatives will never really want local people to decide things because some of those local people vote Labour, and they might introduce high taxes and subsidised services. Labour will never really want local people to decide things because some of those local people vote Conservative, and they might slash taxes and charge for services.

Liberal Democrats, on the other hand, do want local people to decide things because we believe above all in freedom of choice. We believe in freedom of choice even when people choose not to vote for us. That is why our 10-year plan would be the last time central government sought to order local government around. Ten years in, the final instruction for Whitehall would be: leave them alone.

Chapter 15

London's experience of devolution

Neale Coleman, Director of Business Planning and Regeneration
at the Greater London Authority

London's experience of devolution

Neale Coleman

The success of London government

The creation of the Greater London Authority with an elected mayor in 2000 gave Londoners a new voice, after 14 years without city government. It has already brought real improvements in the services where the mayor has been given responsibility.

The Metropolitan Police has recently seen its strength top 33,000 officers – its highest number ever; new models of neighbourhood policing have been piloted and rolled out across the capital and crime is falling as a result. The congestion charge has had a major impact on traffic flow in the central London zone, cutting average journey times for the first time in a generation. London's buses are safer, more reliable and more popular. Opinion polling shows big increases in Londoners' satisfaction with these services and an all-time high in overall satisfaction with London as a place to live.

London has been elected as the host city for the 2012 Olympic and Paralympic Games – the culmination of two and a half years of extensive work, with London government playing a crucial role.

Central government recognises the success of London and is now offering Londoners the opportunity to build on these achievements and devolve more powers from Whitehall to London. And it goes wider than just London. Other major English city regions, from Newcastle to Manchester and Birmingham, are also looking at ways to strengthen their powers. The review of the London mayor's powers provides an opportunity to set out a clear model for city government across the country. This would help cities as well as London unlock their full economic potential and deliver real change in the quality of services.

Case for further devolution

The case for further devolution is strong. London is a unique city. It is the nation's economic powerhouse; it is more diverse and dynamic than any other UK city; and it is growing in both population and jobs faster than anywhere else. These factors are helping to make the case for further devolution. Why? Because centrally imposed government targets, in areas like skills, lack the flexibility to respond to London's particular needs.

Then there are some areas – like waste management – that should not sensibly be left to the 33 individual London boroughs to manage effectively. In planning, too, nimbyism is

driving opportunities for desperately needed new housing and regeneration away from London, so it is time the mayor had some powers to direct approval of applications that are clearly compliant with the London Plan.

The plan sets out a 15-year framework for the city's development integrating the mayor's policies, which were developed in a series of strategies and designed to make London an exemplary, sustainable world city for the 21st century. Many of the further powers the mayor is seeking – particularly on planning, housing and the environment – have a natural fit with the London Plan and will enable it to be implemented more consistently across the city. This integration around a clear and robust London strategy offers real benefits that the present fragmented system of responsibility cannot deliver.

International comparisons also show the way for further devolution. US city mayors, for example in New York and Chicago, have much stronger powers over skills and training, sanitation and housing than in London. The upcoming review of London's powers could enable the mayor to turn around service delivery, where it is failing Londoners, and provide an integrated, efficient approach to sustainable employment, economic development and public services in the capital.

Crucially, US mayors have substantial tax raising powers, with 41% of city revenues in the US raised locally, compared with 25% in the UK. Mayors in the US have made a difference, improved the quality of public services and made services more responsive to the city.

The package of possible new spending and regulatory powers under consultation for London does not go as far as offering US-style tax-raising powers. That remains a critical objective to be pursued through the Lyons review of local government, with the need to find a funding package for the Crossrail project fundamental to London's continued growth and success.

What London could do with new powers

London needs strong city leadership to take the tough, long-term decisions needed to build on our strengths, while turning round some of our severest problems. It has the fastest-growing population of any major European city and a booming economy set to create more than half a million new jobs over the coming decade; it is a city that regularly tops the international tables for the best place in the world to do business.

Yet London has one of the lowest rates nationally of working age employment and high

rates of child poverty, and needs essential improvements to housing and infrastructure. Now is the time, with the 2012 Olympics fast approaching, to go for further reform.

Strengthening the role of London's strategic government will also enable far closer integration of efforts between the work of the GLA and its functional bodies. Forging closer links between transport, housing and planning, and between skills, employment and economic development will make a real difference to the way services are delivered and infrastructure developed across the capital.

The mayor's London Plan and Economic Development Strategy now provide the basis for this integrated approach – only without the powers to follow through to implementation. Devolving further powers to London can also help turn around delivery. This applies to skills, waste and planning in particular.

London's learning and skills sector needs to be refocused to meet the significant challenges posed by the city's growth, to reflect London businesses' actual skills needs, and to draw on the talents of all of London's communities. This is why we are proposing that provision of employment training in London should be devolved to the GLA, so that there is a single, business-led London body responsible for skills training, with clear accountability to the mayor.

The GLA needs more flexibility to set targets that match London's particular needs for more investment in higher-level and basic skills, rather than a national, one-size-fits-all approach. Whitehall needs to work at adopting this approach, if policy commitments to devolution and localism are to mean anything.

For waste, London needs a single regional body responsible for waste disposal, accountable to the mayor, that can deliver strategically, quickly and effectively. London faces a growth challenge – the London Plan forecasts a population increase of 800,000 by 2016 – which will in turn give rise to increased waste management needs.

London's fragmented arrangements compromise its ability to contribute to national and international waste management obligations. London boroughs are not prioritising waste planning, and in many cases do not act in the interests of London. That is why the mayor is proposing enhanced mayoral planning powers. A single waste authority will be able to attract world-class leadership, as has been the case with Transport for London.

More powers needed to support the London Plan

On planning, the London Plan needs more weight to boost the supply of high-quality new housing, regeneration and other development in London. As the mayor's overarching strategy for the city, it is well placed to do this, bringing together transport, economic development and environmental strategies. It already sets a strategic direction for the capital on core issues of affordable housing, the environment, planning for growth and sustainable development.

Strengthening the mayor's role in planning should operate as an incentive for boroughs to improve their planning performance by aligning more closely with the London Plan. It will also help reduce the risks associated with the present system, as the opportunity for the mayor to intervene will grant applicants greater certainty that London Plan-compliant schemes will be approved, even if there is local opposition. It will save much of the time and expense associated with the planning appeals system – the only recourse for applicants struggling with borough planning refusals and delay.

This change should be backed up by giving the mayor responsibility for London's housing strategy and for strategic direction of public housing investment. London urgently needs more and better-quality housing, delivered in communities that are sustainable. The lack of a strong regional steer and the search for consensus on how the funds are distributed has resulted in a spatial pattern of investment that is all but identical to historic formula-based patterns, and a housing mix that inadequately addresses London's needs. Clear leadership is required to deliver a change in the pattern of housing investment in London, to make clear choices on priorities and to be more effective in marshalling resources to deliver these aims.

This last point is a fundamental one with lessons for city governance elsewhere in the UK. Central to the mayor's response to the interim report of the Lyons review of local government finance and structures is the point that the successes so far achieved are the result of strong leadership by an executive mayor with a clear electoral mandate. Technical arguments around the exact mode of policy delivery have their place, but the overriding message is that London – and, by analogy, other UK cities – need a strong, clear voice to speak and stand up for their interests.

Chapter 16

A new model for regional development agencies and local government

Tom Riordan, Chief Executive of Yorkshire Forward

A new model for regional development agencies and local government

Tom Riordan

Let's recognise our successes

Name a region of Europe that has grown faster than the EU average six years in a row. It has a booming science base, with a recently established technology park that is the envy of the USA, and expanding universities that produce more research than Oxford or Cambridge and 50,000 graduates every year.

Despite continuing to lose as many jobs in manufacturing as in the 1980s, unemployment remains close to a 30-year low – partly because of targeted effort during major closures to get people straight back into the job market. Four out of five of the 2,000 miners from a coal closure three years ago are in work.

This region has bucked a long-term trend of chronic underperformance on exports and enterprise, albeit from a very low base. Traditional industries have been forced to become more productive or die, with more steel being produced than ever before, and growth industries such as financial services and digital media continue to thrive. One-third of Japanese computer games are designed in this region.

Are you surprised that this is Yorkshire & Humber? In fact, a similar success story could be told about all the other English regions. In any other country of Europe this would be held up as a triumph of government policy, with overall economic stability allowing new regional development agencies to drive long-term strategies to build a strong, mixed economy now starting to bear fruit.

What happens here? Academics and journalists who castigate policy makers for not using evidence churn out the same old story. The gap between London and the "poorer" English regions is getting bigger, therefore regional policy is failing, they say. They complain that the league tables show the same regions at the bottom and the same ones at the top – as if economic structures and populations could change after two years of the single RDA pot, magically turning round trends that have lasted for decades.

London is one of the North's biggest assets

We have to remove the shackles of this tired debate. London is virtually a country in its own right. It has achieved faster economic growth than its counterpart cities across the

world. One of the main reasons it has done so is that it houses the UK's only truly global cluster – the financial services phenomenon based in the City of London. Unlike other US and German cities, London brings together the capital city, the financial centre and central government administration, as well as housing the busiest airport in the world. This cluster is the biggest asset of every English region, and our proximity to it puts us on the world map in a way that our own economies could never do. But please don't judge the economic success of our regions only against this unique benchmark.

Team Yorkshire & Humber

I was recently interviewed by a Franco-German TV station that wanted to know how the UK was achieving such an economic success story. I told them that we had the best of both worlds – the macroeconomic stability and flexible labour market of the USA, together with the long-term economic strategies and microeconomic interventions that we have borrowed from Europe. But the main reason was a collective team effort on the ground to get on and deliver that strategy, led by the RDAs.

Yorkshire's economic success cannot be ascribed to one agency. It is due to a genuine team approach, driven and led by Yorkshire Forward, but delivered locally by resurgent local government politicians and officers working with private-sector developers to transform cities and towns. Such a team approach is largely down to individuals leading the key organisations rather than in-built incentives to collaborate. In many cases, the system is geared towards silos and against real team-working. Of course, we have had – and will continue to have – our moments of difficulty and disagreement! But the strategy is set, and our work is bearing fruit, whether the billions of pounds of investment now starting to change the face of Bradford, Wakefield and Barnsley, or the success that Leeds and Sheffield have already achieved in building new cities for the 21st century.

So why dismantle something that is just starting to work? The debate about localism has, to date, set local policies against regional policies, and local government against regional bodies. The emerging city-region debate is being lazily boiled down to a straight fight between big cities and RDAs. It is also lining up neighbouring cities and towns for a fight with the big cities over governance arrangements.

The real issue is what further decisions we can pass from Whitehall and national quangos to cities and regions, as we still operate one of the most centralised governance systems in the West.

Strong cities and regions are interdependent

We need to move the debate on by recognising that strong cities and regions are completely interdependent, rather than mutually exclusive. And we have a great opportunity, seven years into regional policy, to build a formidable alliance between RDAs and local government.

RDAs are vital to developing local economies. They bring business – the real creators of wealth – to the decision-making table through their boards. They also provide the key link to the global economy for local areas, with their trade and inward investment connections through offices in the USA, Europe and Asia. Global companies find it easier to relate to markets of around 5 million consumers, and need a single contact point for a region. RDAs also have statutory responsibility to produce long-term economic strategies that balance opportunity and need, and make sure that each locality has an approach that complements those of its neighbours.

Local government has a vital role to play in improving the local economy. This involves much wider activities than the historical ones undertaken by councils' economic development units in the 1980s and 1990s. Councils have untapped power to change local economies, if their focus shifts from the endless obsession about their share of the cake and the latest project to the bigger picture of their wider impact on the economy. And – vitally – councils have a democratic mandate to drive local change. The lack of this mandate is, for RDAs, our biggest Achilles heel.

Both RDAs and local government must recognise that they need to change in this next phase. RDAs need to deliver on transforming the business support network and have to be given time to do so. They must reflect the economic role of cities and major towns in the regional economic strategies and participate in strong local government-led partnerships. And they must take action to make their decision-making processes and their impact more accountable locally and nationally. Local authorities need to see RDAs as more than simply cheque writers. They need to accept the challenge provided by business-led regeneration and extend their wider economic role.

So let's use this opportunity to latch together RDAs and local government in a powerful new partnership to drive economic change. This model would address three key weaknesses of the existing structures: accountability, strategic leadership and delivery vehicles.

Stronger accountability
Following the North East's "no" vote against a directly elected regional assembly, efforts need to be made to strengthen the accountability of regional bodies. RDAs are quangos mandated by national government to improve regional economies, yet the national scrutiny of RDA activities has not been strong. The system of select committees does not lend itself to effective scrutiny of geographic areas and these should be extended, perhaps starting with a Northern or Yorkshire & Humber committee.

Yorkshire Forward and other RDAs would welcome a regular opportunity to account to our MPs and peers about our activities in the region. National agencies operating in the North – such as the Learning & Skills Council and the Highways Agency – should do the same.

RDAs should also agree local priorities with local government politicians, in line with the regional economic strategy. Data about who benefits from regional programmes should be made much more transparent, with regular updates provided on the web about which businesses, people and local areas are benefiting. This should include those from black, Asian and minority ethnic communities, and from remote rural and coastal areas.

Stronger leadership and flexibility
Strategic leadership should flow from regional economic strategies in which RDAs are mandated by clear and concise government guidance to set clear priorities. This guidance should demand real priorities, and should be joined up by more than just a staple in a thick document! Government needs to recognise that regional economic strategies agreed by consensus with national departments and all business and political leaders will inevitably include more priorities than those that are not. Responsibility for the fourth block of the local area agreement, which is the block concerned with economic development, growth and enterprise, should be passed from government offices to RDAs, to become the place where the local implications of the regional economic strategies are articulated.

RDAs could then utilise the LAA to "buy" economic outcomes for local authorities in one rolling business plan, moving from the dispersed and fragmented project-based approach to genuine transformational programmes. Real priorities would need to be set, and incentives to deliver on time would be part of the deal.

For those areas of England with large numbers of councils, city-region-wide LAAs could be agreed, though these would need to be federal in nature, with specified local priorities for each district forming the building blocks of the agreements. Transport and skills

priorities – the failing elements of regional economies – should become part of these agreements, and funders in those areas will need to agree programmes to address regional priorities. The 2007 spending review needs to provide a settlement on key policy areas of economic development, regeneration, housing, transport and skills about what should be done at each level (national, regional, city-regional, local and neighbourhood). A review of partnership structures at a regional, city, subregional and local level could strip out the excess strategy and planning layers.

So, what should double devolution mean for RDAs? It should mean involving, from start to finish, local people in the future development of the towns and cities that mean so much to them. In Yorkshire & Humber over 5,000 people have been involved in "town teams" that have worked alongside local authorities to help shape the visions and masterplans of 40 cities, towns and market towns. This has not been without tension, but in most places it has worked to bring people to the decision-making table who would never have otherwise become involved. It has created a challenging environment for Yorkshire Forward and local councillors, but one spiced with the pride of local feeling that defines a place like Yorkshire.

It has also played a big part in confirming to me that without local government leading local regeneration – within a challenging context provided top-down from the RDA and bottom-up from local people – it is destined always to fail. Get those three forces working together, however, and what a powerful catalyst for change! Rental yields are rising in Barnsley faster than in nearly any other UK town, a billion pounds of new investment is being levered into Bradford, international architectural competitions are being held in Halifax, and the biggest brownfield site in a European city centre is being unlocked in York.

More effective delivery

Finally, delivery structures should be strengthened, with greater financial flexibilities for arm's-length regeneration companies to recycle receipts and raise private-sector investment. Local government should develop its wider role in improving the economy under fourth-block, economic-development-related activity. Local procurement activity should be developed to ensure that local businesses – including those run by people with disabilities and those from black, Asian and minority ethnic communities – get the opportunity to access contracts. Local land use planning services should be as business-friendly as possible, and more recognition should be given to pre-planning work with developers to increase quality and speed of applications.

Councils are major employers in their own right and often the biggest employer in local areas, so their policies on diversity, childcare and home working could have a vital impact on key outcomes, such as congestion and social cohesion. If, in pursuing the Gershon efficiency agenda, councils aggregate the demand for the use of their IT services, evidence in Yorkshire suggests the prize can be broadband services for every business and household in the area – up to 30 times more powerful than existing provision.

Conclusion

RDAs and local authorities have started working in partnership over the past few years to make economic development an income generator, rather than the dirty words it represented in the 1980s. The English regions are improving their economies at a faster rate than their European counterparts and we need to celebrate and publicise that fact. But much more needs to be done and stronger accountability, strategic leadership and delivery vehicles could lead to a new model for RDAs, local government and local people to work together to improve economic growth.

The Smith Institute

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

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