NLGN
NEW LOCAL GOVERNMENT NETWORK

Control Shift: *Alt, Insert or Delete?*

A constructive analysis of Conservative proposals for local government and decentralisation

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New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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Introduction

As the General Election approaches, understanding the implications of each party manifesto grows in importance. When the Conservative Party published its primary policy document outlining its plans for local governance last February, it was greeted as a welcome step painting more of the picture and showing how an alternative Government might approach these issues differently.

The New Local Government Network believes fervently in the decentralisation of power in the UK as a means to strengthen local leadership, empower communities and ultimately improve the quality of frontline public services. In this short paper we have explored, line by line, the proposals on offer from the Conservatives in a detailed and dispassionate manner. We would not expect to wholly agree or disagree with everything in any document on a topic as comprehensive as this from whichever political party. Although we may counsel against certain steps or wholeheartedly welcome others, NLGN does not 'endorse' the programme of one party in preference to any other. Nevertheless, we are grateful to the Conservative Party for setting out their stall in this way and urge them – and the other parties – to put even more policy flesh on the bones over the months to come.

All the political parties need to show leadership on localism, and it is healthy that the Conservative Party has taken the step in Control Shift to sketch out their pre-manifesto thinking. There are positive elements in this paper which should be welcomed, including:

- building on the Government's moves to grant financial incentives to councils who pursue positive economic activities including new housing growth or new business growth
- proposing a variation to the Business Rate Supplement Bill by allowing councils to reduce as well as increase business rates by a small proportion
- developing the 'power of wellbeing' introduced in 2000 into a wider 'power of general competence' as a way to remove any doubts about the right of councils to act

- retaining Regional Development Agencies albeit in a reformed manner
- endorsement of voluntary sub-regional groupings
- positive support for elected mayoral referendums

However, there are aspects which are less welcome, for instance:

- the concept of separately elected police commissioners was dropped by Government recently because of the risk it poses to disjointed local service decision-making, and we are not convinced that separate elections for different areas of local policy will strengthen multi-functional local democracy
- referendums to veto council tax decisions by councillors may undermine the nature of representative democracy and prompt many to expect the same right to referendum on any issue for national policies too
- the proposal to abolish Comprehensive Area Assessment would remove a key driver for joined up, outcome focused local service delivery and needs to be thought through carefully
- it would be worrying if steps were taken to 'remove politics from grant settlement' because of the need to bolster rather than weaken democratic accountability over any such decisions

While there are some significant steps in the right direction, there are three areas where further clarification would help:

- council Tax is becoming outmoded and is highly unpopular, yet there is no indication whether a Conservative Government would overhaul the local property tax regime beyond their initial plans for capping council tax inflation
- the Conservatives should say more about whether they would shift the central-local balance of power by addressing the imbalance of funding created by the dependency on Treasury grant for 80% of local government income
- they should clarify whether or not local government services will be one of the areas in which they will match the Government's investment plans – as they have committed with health, defence and education – and if not, what will be the difference in investment

There are five core sections in the 'Control Shift' document. We highlight in the following pages the relevant aspects of each section and give our analysis on each below:

1. *Giving local communities a share in local growth*
2. *Freeing local government from central control*
3. *Giving local people more power over local government*
4. *Giving local people more power over local spending priorities*
5. *Removing regional government*

1 *Giving local communities a share in local growth*

Having long argued the case for reform of the local government finance system, NLGN are keen to encourage the Conservative Party to go further in addressing the fundamental imbalance in the grant regime. If the Conservatives form the next government we would look for them to deliver on this localist agenda, as local government finance must be at the centre of any reforms.

We are also pleased to see echoed in this section one of the recommendations from our paper 'Bordering on Prosperity' (2009), that business rate discounts be deployable at a sub-regional level, The replacement for the complex LABGI system could hopefully provide local authorities with a clearer motivation to drive business growth in their areas.

We would sound a note of caution on the 'veto' given to firms in respect of changes to Business Rates as this undermines rather than supports the principle that each elector has an equal say in selecting the representatives who deliberate and decide. To give a special veto to business would not be done at a national level on Corporation Tax and is just as difficult to justify at local government level.

While recognising that the Conservatives go into more detail on housing policy in their paper "Stronger Foundations", we are keen to see how the incentive-based approach to new housing supply would develop. Nevertheless, we believe that a purely market-driven attempt to provide much needed affordable housing across the country may not match the demand by those looking for stable accommodation and decent homes. We hope the Conservatives will support a more active role by local authorities in housing supply and support as some of our recent research suggests, whether preventing homelessness, stabilising the mortgage market or directly encouraging affordable social housing.

A Transparent Local Government Finance System

"A Conservative government will give the independent Audit Commission a new duty to report to Parliament on the draft Local Government Finance Settlement each year. The Audit Commission will be given a specific duty to report on whether the basis for allocation is transparent and in accordance with objective criteria set out by ministers."

While we are disappointed that there are no plans to more radically overhaul the local government finance system – something we believe lies at the root of the imbalance of power between the centre and locality – we understand the enormity that such a task would entail and hope that, should the Conservatives be elected, they will look more deeply at fundamental reform. In the meantime, the proposal to institute a formalised 'audit' check on the Ministerial decision-making process when settling the funding formulae and area-by-area grant allocations is a harmless one. There are detailed practicalities that may constrain the Audit Commission's ability to do this job well. For example, the short timescale in each fiscal cycle between Ministerial decision and announcement to Parliament – currently during December after which each local authority has a couple of months to subsequently set their own budget. Inserting an 'audit check' into this timetable would require a change in the financial planning cycle, but this should not be insurmountable especially if the Conservatives agree to continue a three-year spending settlement approach. We would also urge the Conservatives not to simply audit local authority grant allocations and formulae as there is also greater scrutiny needed of the grant allocations to PCTs, local courts, to the Police and direct to schools. These are areas of grant allocation which take place in a far less transparent manner than undertaken currently by CLG for local authorities.

A New Incentive For Local Authorities to Deliver the Housing Local People Need

"The present Government has recognised this anomaly – but has unfortunately produced a highly bureaucratic and ineffective solution, in the form of the Housing and Planning Delivery Grant (HPDG). This does not command the confidence of local governments who fear they will be rewarded for following procedures prescribed by Whitehall, rather than being allowed to retain the long-term financial benefits if they actually build more homes.

As the Lyons Inquiry into Local Government funding says, short term incentives like HPDG are "less likely to be able to motivate long-term changes in behaviour, or influence decisions which take more than three years to have an impact, as there is no guarantee that the scheme will continue to exist to provide the financial benefits expected".

To tackle this deficiency, we will match the additional council tax raised by each council for each new house built for each of the six years after that house is built.

To achieve this we will:

i. *abolish the HPDG;*

ii. *use the £250m of HPDG funding allocated for 2010-11 as the first contribution to a new Matching Fund; and*

iii. *add a further £250m to the Matching Fund in each of the succeeding four years (to take the total to £1,250million per year in 2014-15), by taking £250m per year off what would otherwise be the overall increase in formula grant to councils in each of those years.*

As a result of these measures, councils will get an automatic, six-year, 100 per cent increase in the amount of revenue derived from each new house built in their areas. Local councils and local voters will know that by allowing more homes to be built in their area they will get more money to pay for the increased services that will be required, to hold down council tax, or both. This will be a permanent, simple, transparent incentive for local government and local people to encourage, rather than resist, new housing – of types and in places that are sensitive to local concerns and with which local communities are, therefore, content.

In addition, we will look at the complex array of existing levies on development, for example the proposed Community Infrastructure Levy and Section 106 agreements, and examine how these can be simplified and localised so that both individuals and communities affected by new development are properly compensated for any loss of amenity."

This proposal is built around the concept that existing communities need to be persuaded to 'buy into' the notion of additional house building and to the extent that financial 'carrots' can ameliorate resident opposition to development. NLGN broadly agrees that incentivising local representatives to sanction construction

is a step in the right direction. However, we would ask the Conservative Party to reconsider the case for some degree of multi-area strategic planning at either a regional or sub-regional level, as large scale developments can require multiple policy strands brought together at a level spanning several local council areas.

Whilst NLGN supports the incentivisation approach there needs to be an acknowledgement of housing need built into the policy. As the policy stands there would be no requirement or compulsion to build any housing and NLGN would encourage the Conservative Party to give consideration to introducing a mechanism that would ensure at least a minimum level of new housing is supplied nationwide, given the underlying demographic pressures and especially low levels of current construction. Housing charities such as Shelter have ample evidence to show the harm and distress afflicting an often silent yet sizeable minority who suffer because of inadequate and sub-standard housing conditions.

Without wanting an overly complex approach, we would encourage the Conservative Party to look closely at whether some form of sliding scale of incentives – taking into account the energy efficiency of proposed property developments, the future demographic requirement and existing level of need for new housing – might offer a slightly more sophisticated motivation for local authorities.

Incentivising Business Growth

The Conservative Party proposes "to abolish the bureaucratic LABGI scheme and replace it with a straightforward, transparent Business Increase Bonus. The principles of the Business Increase Bonus are simple:

- *any council in whose area the amount of business rates in a given year rises by more than the indexed rise in the national business rate…*
- *…will be entitled to keep the difference for six years.*

Like the Matching Fund for housing, the aggregate effect of the Business Increase Bonus will be fiscally neutral. It will simply redistribute money to councils that increase the amount of business in

their areas. The £100m per year saved by the Exchequer from 2010-11 as a result of abolishing the LABGI scheme will be given back to local government via a corresponding increase in the formula grant."

We are encouraged by any steps which gradually substitute those elements of central grant above and beyond that necessary to counteract deprivation and need with grants which incentivise growth, prosperity and responsiveness to the community. We believe that there may be up to £20 billion of grants to local authorities which could arguably become tied to the relative social or economic performance of an authority rather than merely allocated per capita as already is the case. LABGI was originally a welcome step forward in attempting to incentivise councils which grew local business investment, but unfortunately the formula was too complicated to facilitate a genuine impact on the motivation of members and officers locally. Replacing LABGI with something less complex and related to business rates would be a positive step - however, more detail is required on the formula that will be used. For example:

- Would any increase in business rates revenue retained by the council be a percentage of the overall increase in business growth or would it be directly related to cash raised?
- Would this money be allocated in isolation of regeneration funding or would it link to regeneration finance elsewhere?
- Would this proposal encourage sustainable business growth given the six-year timeframe specified – and how could a perverse incentive to focus on short-term business start ups alone be avoided?

Giving Local Businesses a Say on Business Rates Supplements

The Conservative Party "will give local firms the power to back or block any planned local business rate increase, using the model of Business Improvement Districts, where a levy can be imposed for improvement of the business district only if local businesses vote in favour of it."

It should be a fundamental constitutional principle that there are no special vetoes on public policy decisions for a class or classes of individual – and

that the final arbiter of decisions on taxation and expenditure should rest with the people and the representatives they elect. We disagree with the current Government's approach to give businesses a veto on tax rates which affect them in a Business Improvement District, just as we would oppose giving higher rate taxpayers a veto on the upper bands of income tax or corporations a veto on corporation tax rates. NLGN would urge the Conservative Party to consider whether an obligation to consult local businesses on business rates changes would be more appropriate given that locally accountable politicians have been elected to make decisions of this nature. Businesses are amply represented among the voting population and they should exercise their influence in the same way as any other group would do through the electoral process.

A new power for local authorities to provide business rates discounts

"Under the Local Government Act 2003, local authorities already have a discretionary power to levy council tax discounts, which they fund. But there is no similar flexibility to offer reduced business rates.

We will legislate to give local authorities a new discretionary power to levy business rate discounts – of whatever form they choose – as long as they can fund them from other local income or avoided costs.

We will issue some light touch guidance to councils to ensure that they can deploy this new power without inadvertently breaching competition law. This power would apply to all precepting authorities, and authorities would be able to work together to fund a discount, rather than just the billing authority bearing all the cost.

This will allow councils to apply local solutions to local problems, whether by averting the gratuitous demolition of office buildings, encouraging the reuse of empty rural buildings, supporting local post offices, or preventing the closure of vital village pubs or shops."

NLGN welcomes this proposal as a way of granting elected local authorities an additional flexible tool to deploy in local economic policy should they wish. Over time we hope that business rates policy can be gradually

'denationalised', and if it is technically unfeasible to localise this income stream because the distorted pattern of revenue generation across the country would cause too much unfairness, then at the very least we believe that the redistribution of business rate revenues could be determined by the local government family itself – at the LGA – rather than by Ministers. We also would like to see further development of this concept and the role of business rates within the multi-area 'Enterprise Partnerships' which the Conservative Party have indicated would be their variant on the Economic Prosperity Boards being legislated for at present.

2 *Freeing local government from central control*

Section two of Control Shift delivers the paper's most important proposal, advocating a 'general power of competence'. The scope of this reform is extremely broad and if the Conservatives were to form the next government they will need strong Ministerial leadership to unlock its obvious potential.

It is particularly interesting that the Conservatives are seeking to extend the choice on council tax increase levels directly to the public in a referendum. This would entail a profound change in the role and responsibilities for elected local councillors who are currently charged with weighing up in informed debate the balance between service priorities and levels of local taxation – and we are worried that reducing this issue to a simple question about a level of tax could obscure other important questions about service and user need.

In respect of the Control Shift proposals on audit and inspection, we are currently undertaking our own research into the successor for Comprehensive Area Assessment and from preliminary thinking would suggest that a more citizen-focused approach is in keeping with the wider Conservative agenda for local government.

Freedom for local councils to act in the best interests of residents: a new general power of competence

The Conservative Party will "introduce a new general power of competence which gives local authorities an explicit freedom to act in the best interests of their voters, unhindered by the absence of specific legislation supporting their actions. No action – except raising taxes, which requires specific parliamentary approval – will any longer be 'beyond the powers' of local government in England, unless the local authority is prevented from taking that action by the common law, specific legislation or statutory guidance.

We will give the general power of competence real meaning by allowing councils specifically to:

- *carry out any lawful activity;*
- *undertake any lawful works;*
- *operate any lawful business; and*
- *enter into any lawful transaction.*

In addition, we will ensure that all these actions can be taken at the lowest possible level (i.e. by the councils nearest to the citizens) by including town and parish councils within the categories of local authority that are given the new power.

A Conservative Government will disseminate case studies of the use of the power to all councils to illustrate its scope and publicise its potential impact, so that – at all levels of local government, and among people at large – there is an awareness of the new-found freedom of action for local communities."

New Local Government Network enthusiastically welcomes this proposal as the most important in the 'Control Shift' paper – a proposal which we hope all the other political parties will also adopt. The current hiatus caused by the adverse court of appeal ruling in the London Mutual Insurance case has seriously undermined the 2000 Act 'power of general wellbeing' and a wholehearted legislative clarification, going further and adopting an entirely permissive approach, is vital. A change such as this would be a landmark reform and could positively reform the culture, capabilities and leadership of local government. While we would expect the civil service to continue resisting such a reform – as it would reduce their role as a gatekeeper for local practice – we would urge Shadow Ministers to seek robust external legal counsel to ensure that the courts cannot interpret any reform in a restrictive manner. Attention needs to be paid to additional legal restrictions, for example, how European Union state aid legislation may affect the power. There is also a strong case for creating for a supportive structure or a body that can support councils in using the power of general competence to its fullest extent.

Freedom from lowest common denominator regulation: local discretion over local enforcement

"A Conservative government will therefore start from the presumption that centralised bureaucratic guidance to local authorities on methods of enforcing regulation is unnecessary and that local authorities are capable of implementing their regulatory duties without such central direction. We will examine the guidance relating to each statutory duty with a view to rescinding the bulk of it."

We agree with the argument that freedoms for local decision-makers must not only be around what is done differently but also how existing services and roles are undertaken. In this respect, greater latitude on the nature of regulatory activity would be a positive step forward, breaking out of the culture where courts interpret departmental guidance as the touchstone of 'reasonableness'. This is an important area of constitutional reform and needs bold and careful thought, including buy-in from all government departments not just CLG or its successor. But just as there should be fewer assumptions about the operational detail of regulatory practice imposed locally, it would also be improper for the centre to prevent new regulatory activities should a local authority feel that policy challenges require additional regulatory intervention. We welcome an approach which allows more freedom to regulate rather than a presumption that regulation is an unnecessary burden.

Empowering residents to determine the balance between level of council tax and level of services delivered

"A Conservative government will introduce a new system that uses local referendums to control the level of local taxation – providing a direct link between local residents and the spending decisions of the local authorities to whom they pay their council taxes. A referendum will be triggered if an authority proposes a council tax increase above the national threshold..."

"...In the current economic downturn the last thing that millions of families need is yet another increase in their council tax bill. That is

why we have announced that, in the first two years of a Conservative government, councils will also have the ability to contract with central government to freeze council tax."

We are not convinced that a referendum trigger mechanism tied specifically to levels of council tax would be in the best interests of balanced and informed local decision-making, given the fact that decisions on council tax and service priorities should be properly focused on the local election process itself. Separating off decisions concerning taxation is not something that MPs or Ministers would countenance at national level, and we cannot see how such an approach would bolster our system of representative democracy at a local level.

NLGN would urge the Conservative Party to consider using a more consultative approach as opposed to simply offering people a choice between an increase or not. The implications of such a decision are complex and are not best served by the binary choice presented in a referendum.

If, however, this policy were to be pursued, there are a number of further issues that would need to be addressed, including:

- whether the notion of an 'upper' national threshold for council tax increases should properly be balanced by a 'lower' national threshold for council tax reductions as a means of protecting public services in some localities from unnecessarily harsh cutbacks
- whether it is appropriate for Ministers rather than the local government family collectively to set any national threshold, and at what level
- what the cost to the public purse of a myriad of local referendums would be in administrative terms

We understand the 'deal' based approach offered in Control Shift and by Shadow Chancellor George Osborne in suggesting that councils keeping increases below 2.5% could have that 2.5% matched from a central pot, thus enabling a council tax freeze for up to two years. While this has obvious political attractions, it would perpetuate a centralising dysfunction in the revenue and expenditure planning at a local level and is not a sustainable

substitute for proper reforms to the local government finance system. While this proposal talks of finding resources at the centre funding this programme "out of savings in central government advertising and consultancy budgets", we are sceptical that this is a sufficiently precise identification of money.

Freedom from centralised bureaucratic burdens

A Conservative government "will respect the detailed, credible work of the Lifting the Burdens Task Force, and a Conservative government will therefore accept and implement all of the existing recommendations 52 of the Task Force that apply to the situation as we inherit it.

To prevent "burden creep", it is essential that the work of the Lifting the Burdens Task Force should also continue in future. Even when the tentacles of central government have been pruned back, it is never long before they start growing again. However the Government has allowed the Task Force to shut down in November 2008. A Conservative government will therefore ensure that the work of the Task Force is re-started, and we will specifically empower it to look at new burdens introduced since November 2008."

There are merits in having a 'standing' Task Force of this kind although it would be interesting to see more detail concerning the specific additional recommendations which the Conservative Party believe should still be adopted from the earlier reports of the LBTF. NLGN believes that hosting such a Task Force merely within the remit of the Department for Communities and Local Government is insufficient, and that it would have greater authority as a joint Treasury / Cabinet Office posting.

Freeing local governments from central targets

"A DCLG report found that the average cost to councils of central government performance reporting requirements was £1.8 million for each council - expenditure on this scale is clearly not a good use of scarce resources. A Conservative government will abolish all national process targets for local governments and instead require them to publish comprehensible and standardised information about the quality

and quantity of frontline services. This data will be published online so that every citizen can assess the absolute and relative performance of their council…"

A Conservative government "…will require councils to regularly make basic information about their spending available to the public online…"

A Conservative government "…will require local authorities to publish more public information on the remuneration of senior town hall staff, including pensions, perks and severances packages…"

A Conservative government "…will provide new guidance to local authorities on the drafting of contracts for senior town hall staff."

Whilst NLGN supports the removal of burdensome process targets we would ask for clarification from the Conservative Party on the difference between a 'process target' and 'required standardised information'. In practice we believe that Ministers in other government departments are reluctant to end monitoring or recording practices. Achieving this bold objective may prove difficult in the detailed implementation.

In respect of the transparency provisions on expenditure, pay and contracting, we would urge the Conservative Party to consider whether this proposal should be applied to other public bodies as well as parent departments. Local government should not be the only corner of the public sector to open its records more effectively.

With regards to central government providing guidance on drafting contracts for senior town hall staff, NLGN suggests that it could be simpler to instead legislate to prevent councils making large payouts to senior local authority staff as a means of reducing compromise agreement compensation which has begun to escalate.

Freedom from heavy handed inspection regimes

"A Conservative government will cut back local government inspection and abolish the Comprehensive Area Assessment.

The Audit Commission's role will be to ensure the propriety of local government's spending and to investigate complaints. There are several other bodies that inspect aspects of local government services. As the Baby P case in Haringey has highlighted, these inspections should be risk-based, and targeted at areas where public welfare is most at stake – such as local authority social services. Should such inspections identify a failing local authority service which endangers public safety, then, in those rare cases, the Secretary of State should consider using the Government's reserve powers to intervene."

While many local authorities are concerned about the burden and methodology of Comprehensive Area Assessment, there are some arguments to suggest that a broader place-based methodology is preferable to the process focus of the old CPA regime. In any case, by the time any change of Government addresses this matter, CAA will already have been in operation for two years and due for a routine 'refresh' after its third year, as was the case with the two versions of CPA. We believe that there are improvements to be made on the CAA methodology and while we should see how this first year progresses, we will be researching in more depth our own proposals for how to reform CAA – perhaps to inform the thinking of those looking to implement this proposal.

An end to forced reorganisations: co-operation not amalgamation

"Given the uncertainty that surrounds the probity of the Government's handling of applications for unitary status, there is serious doubt as to the legitimacy of the decisions reached. While we recognise that restructuring cannot be easily undone, we will scrap the Government's ongoing proposals for restructuring if they have not reached the stage of having been irreversibly signed off under the Parliamentary process. In particular, we will stop the unitary restructuring plans for Norfolk, Suffolk and Devon, where recent delays following legal challenges mean the process will not have reached a conclusion prior to the next general election..."

"...A Conservative government will not instigate any amalgamations or reorganisations. Councils will be left free to decide on sensible co-operation in the interest of their citizens."

A consensus-based approach in local government reorganisation is always preferable to a centrally mandated reform, although there are circumstances where local authorities have too many vested interests preventing beneficial or radical change. While we can see the benefits of unitary structures, we do not believe it is impossible for enhanced two-tier working to succeed – although we note the recent comments from a frontbench Conservative implying that after a first term in office this issue could be revisited should efficiency savings not materialise in two-tier arrangements.

3 *Giving local people more power over local government*

Control Shift has given new impetus to the directly elected mayoral agenda. Through our Mayoral Forum (NLGN's facilitated forum for England's directly elected mayors), we have been at the forefront of this discussion for a decade and are encouraged by the Conservatives early proposals. Further discussion around potential new powers for directly elected mayors needs to take place as there are too few policy incentives to currently break councils out of the inertia of the existing constitutional arrangements towards a stronger and clearer leadership model.

The referendum trigger mechanism proposed in this section – giving the public a right to hold referendums to determine any issue - should be treated carefully. The issues of taxation and service priority are key planks in local elections and jeopardise strategic considerations with such a powerful single-issue focus could undermine the roles of locally elected politicians. There are also concerns that such a proposal could diminish the rights of minority groups and undermine the role of locally elected representatives. In our paper published September 2009 'What's the verdict on local referendums?' we touch on the wider concept of 'citizen's initiative' and found that a consultative approach could be preferable.

The support for more participatory budgeting is encouraging and we are pleased to see this recommendation echoed from our report on personalisation, 'People Power' (2009).

We do hold reservations about elected police commissioners. At present there is little to convince us that they would be any more effective than a newly empowered council leader or directly elected mayor. We would urge the Conservatives to think more about this issue particularly in the context of wider local leadership issues spanning the fuller range of services, in which case the police commissioner powers might better be held by a rejuvenated local government leadership.

Giving people a real choice of an elected mayor

A Conservative government "will legislate to hold a referendum in England's twelve largest cities on having an elected mayor. In these cities, a mayoral system will be established unless voters reject that change.

These cities are, in order of size:

- *Birmingham*
- *Leeds*
- *Sheffield*
- *Bradford*
- *Manchester*
- *Liverpool*
- *Bristol*
- *Wakefield*
- *Coventry*
- *Leicester*
- *Nottingham*
- *Newcastle upon Tyne"*

NLGN believes that there could be benefits in pursuing the electoral mayoral agenda should a referendum on this option be placed before the electorates of these core cities on the same day. However there are two issues which require further attention. First, the powers currently available to an elected mayor are broadly similar to those available to an indirectly elected council leader with a four year term, apart from the slightly lower threshold (one third of full council) needed to pass a budget. We believe that the added democratic dividend from direct election should give an elected mayor greater powers over a wider array of local public services – and that an urgent review should be considered in furtherance of this objective. Secondly, the boundaries of the city local authorities in this 'core' list do not necessarily correspond with the 'city region' nature of some of their areas – and a decision is needed whether an elected mayoral arrangement for one portion of a major city or conurbation is an adequate form of leadership. Nevertheless, we believe that there are advantages in asking local resident opinion on governance models and would want the options of sharper forms of leadership arrangement to be available.

Giving local communities the power to decide the structure of their council

"A Conservative government will therefore amend existing legislation to remove the current prescription and allow councils to decide what particular structure they wish to adopt – including a return to the Committee system if they wish. The council will then need to get a democratic mandate by putting their proposed changes to their citizens, either in a referendum to be held at the same time as local elections, or by advocating such a change in the manifesto on which they stand for election."

There is virtue in allowing local authorities to design their own decision-making processes. However, there is also merit in having some degree of consistency from area to area so that residents do not need to learn constitutional processes afresh should they live, work or travel across several local authority boundaries. There is little doubt that the move to a portfolio executive model has enabled councils to make swifter and bolder decisions – overseeing a rapid period of service improvement over the past decade. Nevertheless, the scrutiny process has never fully galvanised the enthusiasm of all backbench councillors and there are many who feel a sense of powerlessness matched by confusion in some ward electorates who fail to understand how the councillors they elect are not necessarily in a decision-making role. NLGN would prefer the option of reintroduced committee systems alongside a cabinet or mayoral structure, perhaps where mayors or portfolio holders choose to delegate decision-making to such committees.

Direct Democracy

A Conservative government "will give power to residents to hold local referendums on any local issue by legislating to ensure that a referendum is held in a local authority area if 5 per cent of local citizens sign a petition in favour within a six month period.

To minimise the cost of any such referendum, the poll would be held at the time of the next ballot in the locality (e.g. local elections, general election, European election), unless the council wished to finance a poll

at an earlier date. The local Electoral Returning Officer would ensure the wording of the referendum question was fair and balanced, if necessary by obtaining the advice of the Electoral Commission."

Although we agree with the principle of greater citizen engagement we believe that there are problems with a 'Citizen's Initiative' arrangement such as this, as our paper 'What's the verdict on local referendums?' (2009) illustrates. Our chief concern is the impact that such a process could have in undermining the authority of the elected representatives in an area – and the dangers of government by referendum in general. We would suggest that an alternative model might be to allow petition proposers the opportunity to have their motion debated and voted on at a full council meeting, in other words, the right to table a proposition rather than the right to overrule the council. We would argue, similar to the local referendums on council tax, that a referendum could reduce complex issues into a binary choice which does not accurately reflect the impact of that choice. Furthermore, there is a risk that councils could be burdened with commitments they are unable to deliver because the petition proposers may not make provision for the financial capacity or capability issues that surround their proposition.

NLGN believes that this proposal has the potential to undermine the role of locally elected councillors who are in touch with the needs of their community. We would argue that a more appropriate approach would be to strengthen the ties between existing elected representatives and local citizens rather than bypassing the councillors in the decision making process.

Independence for councillors: Replacing the standards board

A Conservative government will "abolish the Standards Board. In its place, district auditors will be responsible for investigating financial impropriety in local government. The police, the Crown Prosecution Service and the courts will take the lead in investigating and prosecuting any breach of existing criminal law. Civil law will cover issues such as libel and slander by councillors. The Local Government Ombudsman will continue to investigate complaints and accusations of maladministration by local authorities, and we will make all formal

rulings of the Ombudsman legally binding on local authorities (subject to an appeal to the Secretary of State).

Section 80 Local Government Act 1972 provides for councillors to be disbarred from office if they are convicted of certain criminal offences. Reflecting long-term changes to modern sentencing guidelines, we will review whether the provisions of this Act should be updated tightened, so more criminal convictions are covered by these provisions. Individuals on the Sex Offenders Register should also be included in the disbarring provisions, given the role that councillors play in the funding of local community groups and services for children."

The Conservatives should rethink whether this proposal is still relevant given the current clamour for further scrutiny of politicians and their behaviour. While there are good grounds for scaling back national interventions in local propriety arrangements, an appeal mechanism plus an external investigatory device has its place. With regards to Section 80 Local Government Act 1972, we would urge the Conservative Party to consider whether it would be more efficient to align the disbarrment procedures with that of Parliament.

Independence for councillors: stopping the gold-plating of conduct rules

A Conservative government "will legislate to ensure that councillors (while being properly prevented from advancing personal interests) have the freedom to campaign and represent their constituents, and then speak and vote on those issues without fear of breaking the rules of 'pre-determination'."

Because of the quasi-judicial nature of some decisions involving local councillors – especially town planning matters – we believe that it is important for those members involved to have clearer guidance about the degree to which they must preserve their impartiality before evidence is presented to them in full, while also recognising their legitimate constituency interests. Rights of appeal and judicial review can to some extent ameliorate the concerns about elected members expressing opinions ahead of any determination. To this extent we sympathise

with this particular proposal. However, we do believe that the principle of a fair hearing for applicants or those being regulated by the local authority demands adherence to a core code of conduct, and granting a 'freedom' from the rules on pre-determination would need to be balanced by these other considerations. Great care needs to be taken in the implementation of this particular proposal.

Local Budgets for local councillors

A Conservative government "will specifically permit (but not, of course, force) councils to empower their councillors and enhance democratic accountability by devolving as much some funding to ward level as they see fit."

Delegated budgeting for elected members and participatory budgeting for neighbourhoods are a good device in rebuilding trust and a meaningful connection between councils, councillors and local residents. These are especially effective where small sums can swiftly deliver positive results in response to constituent complaints. However, there does need to be care taken in designing out risks of impropriety and providing sufficient audit of how these sums are allocated. We would also slightly question the relevance of this proposal given that a number of councils across England already engage in forms of participatory budgeting at a ward level.

Greater local control in tackling crime

"A further means of increasing direct accountability for those running local services is to give local people direct control over the way they are policed. A Conservative government will make each police force accountable to an individual directly elected by the citizens of the police force area. Police Commissioners will seek re-election on their record, and answer to the public for their success or failure in reducing crime. Instead of being micromanaged by the Home Secretary, police forces will be directed by, and accountable to, the communities they serve.

In April 2008, we announced that we will empower local people and give them much more information about crime on their streets. Crime mapping has revolutionised the way crime is fought in American cities

- and it can do the same here. We will require every police force in the country to publish local crime statistics online, on a monthly basis and in map form.

That means everyone will know what sort of crime has happened, at what time and – to street level – exactly where. Local residents will be able to compare police performance in their neighbourhood to others nearby, it will put them in the driving seat and give them the power to insist on effective crime fighting solutions. It means local social entrepreneurs, drug charities and a host of other organisations can use the information to pick out hotspots, see what needs doing and transform neighbourhoods. And police officers themselves will be empowered. By pinpointing exactly on a map where crime is happening, the police can take appropriate action.

In July, the Government followed our lead and announced proposals to introduce a system of crime mapping. However our proposals will go much further, by setting up quarterly beat meetings - along with directly elected police commissioners - to restore real local accountability to policing. 'Beat Meetings' will give the public the chance to look at the crime maps, see what has been achieved and engage with local officers."

NLGN has severe misgivings about the separate election of police commissioners at a time when the interrelationship between local authority and police and criminal justice services suggest that a joined up approach ought to be the primary objective. Specifically, we are concerned that the impact of clashing mandates between the council leader, elected police commissioner and the Home Office could fuel bureaucratic wrangling about responsibilities, accountabilities and chains of decision-making – and cause more confusion rather than less in the minds of local residents. Far better, in our opinion, for these policing commission powers to be vested in the accountable hands of the Council Leader or elected Mayor.

4 *Giving local people more power over local spending priorities*

The clamour for transparency and democratic renewal has reached fever pitch in the wake of the Westminster expenses scandal. With that in mind the Conservative proposal for more transparency introduced in this section is well intentioned. We touched on the same topic in our Sustainable Communities Act (2008) pamphlet and are pleased to see this proposal carried through by the Conservatives from their 'The Permissive State' policy paper.

We are very keen to see the intention to reduce ring-fenced grant allocation followed through should the Conservatives win the election, although we note that strenuous commitments are needed across all departments – and not simply at CLG – in order for this to come to fruition.

Where we are particularly enthusiastic is the proposal to encourage local authorities to consider bond finance as an avenue for capital infrastructure finance. In anticipation that the availability of capital grant from the Treasury may not be as high as under the current administration, there could be lessons learned from the American and European municipal bond market where a closer relationship between councils and the capital markets can enhance the efficiency and quality of project delivery and involve the electorate more in long term financial planning. This move, however, would also be a major shift from the centralising 'credit approval' processes introduced in the 1980s by the previous Conservative administration and requires devolving a level of trust on public borrowing which would be extremely welcome.

More funding for local priorities

"The next Conservative government will work not just within the letter of this new law, but also within its spirit. We will ensure that people have access to full, line-by-line information about what is being spent by each central government agency in their area. And we will operate the system set up by the Act to ensure that, when local people have a particular priority, central government money is directed towards fulfilling that priority wherever possible."

Greater transparency and public information about the detailed budgets and expenditure of central Government is needed and would be welcome. Not only is the point made in Control Shift about level-playing field informed negotiations between the centre and locality a valid one, but we feel that any 'Total Place' agenda depends on full and open disclosure of expenditure as envisaged by the Sustainable Communities Act 2007. We believe that there is a role for Parliament in shedding a more potent light on the expenditure patterns of the executive, and that the Estimates process is currently inadequate if localities or residents seek to find information about public expenditure in their area. Any reforms cannot, therefore, simply place reporting requirements on departments but must enshrine stronger accountability within other parts of our constitution as well.

Greater local funding control

"We will phase out central government ring-fencing and hand back to local communities the power to decide how to spend the funding they are allocated."

Scaling back the level of central ring-fenced grant allocation is a process begun with some enthusiasm but, when initiatives are later announced, departments have a tendency to revert to old habits. By committing to end ring-fencing in this way we believe that the Conservative Party can be held to account should they be tempted to introduce specific 'challenge funds' for particular projects. It would also be helpful if the Conservative Party could set out in more detail which existing funds will expire and be rolled into the permissive Area Based Grant. In particular, we are unclear whether the Schools Grant would become available for local discretion and commissioning approaches, or whether these resources will have any bearing on local authority budgetary priorities given the separate commitment to give parents and pupils per capita personal budgets.

Local authority bonds

"We are currently looking at ways to allow local authorities to promote and market local bonds to deliver privately-finance local projects, such as a new transport service or business development. These bonds

would be secured against the projected income stream associated with a specific project. They would explicitly not be backed by direct local authority liability but instead would be issued in the name of a commercial or third-sector operator on behalf of a project.

For instance, a voluntary body wishing to establish a new leisure centre would be entitled to issue a bond to finance the start-up costs of the project. The council might undertake to commit a certain sum to the project for a defined period, but the bond would not be backed by council assets or revenues. All of these local bonds would be issued to investors on the strict understanding that they have no recourse to the local authority, only to the specific project revenue stream."

There is great scope for developing a municipal bond market across the local government sector, as NLGN will be recommending in our forthcoming publication on capital finance reform to be published in the autumn. Capital grant, gilt issuance and PFI funding are the three current routes for local authorities to pursue, all of which are likely to be constrained to some extent over the coming years. We would urge the Conservatives to uphold the current Government's 'prudential borrowing' flexibilities for local authorities as these are likely to become very important should capital grant diminish. Bond finance is only likely to count off-balance sheet if the liabilities rest away from the local authority, which means hard choices about the level of private ownership of public assets, which can prove controversial. We also believe that there should be allowance for councils to issue public bonds – including to their residents as well as institutional investors – as a way of galvanising local support and savings into facilities with positive community benefit.

5 *Removing regional government*

In the final section of Control Shift we see the notion of 'regional government' heavily criticised. Without opening wider political debates, we believe that it is important to be pragmatic about regionalism generally, and while there may be criticisms of the forums, cost and governance of regional decision-making, there remain some circumstances where a degree of regional strategic thinking may be needed.

Regional Leader's Boards could play the crucial role in providing the democratic thread that is needed in any alternative Conservative approach to regionalism. In particular, an organic and voluntary approach which is not dogmatically against regional or sub-regional coalitions of local authorities is the most sensible approach. The existing Multi Area Agreement process, encouraging the voluntary grouping of local authorities to work together sub-regionally, seems similar and consistent with the proposed Enterprise Partnerships approach.

In our 'Cities, Sub-Regions and Local Alliances' (2009) essay collection Shadow Local Government Minister Bob Neill MP comments that these 'Enterprise Partnerships' will be positioned to take over responsibilities from RDAs. We are therefore encouraged that the Conservatives are not opposed to voluntary sub-regional groupings and would look for more detail on the exact transition of power from RDA to these coalitions of local authorities.

Removing regional planning powers

"A Conservative government will therefore abolish regional planning, revoke all regional spatial strategies (including regional building targets), and repeal the national planning guidance that relates to regional planning.

National planning guidance would continue to provide the context for a locally-led planning system, for example, providing guidance on flood prevention or landscape protection measures like the Green Belt. The role of central government inspectors in relation to these local plans will be drastically reduced. Instead of having the power

to ride roughshod over local sentiment by effectively re-writing these plans (as at present), the inspectorate will only be asked to report to the Secretary of State on any direct breaches of national planning guidance, to ensure that the plan has been produced within the statutory framework. All other issues will be left for local determination.

We will also enable councils to revise, in whole or in part, their existing Local Development Frameworks to take account of the abolition of regional spatial strategies. This will allow councils to protect land, such as Green Belt, which the regional spatial strategies have zoned for development."

Although we agree that local government could and should play a greater role in sub-national decision-making, we do not believe that the abolition of all regional forums is a practical proposition. Our preference for regional decision-making is for national Ministers to share this role with local authority leaders. This 'fusion' between national and local elected representatives is the most pragmatic alternative to directly elected regional assemblies. It is for this reason we believe that the House of Commons Regional Select Committees should co-opt local authority leaders, as well as reflect the party political make-up of each region rather than just that in the Commons.

Much has been made of the Conservative proposals to remove RDAs. However, NLGN believes that more detail is required on the consequences of this particular proposal as there will be a need for strategic sub-national planning, regeneration and development. Abolishing RDAs must not also see the abolition of the swift intervention capability or the removal of a strategic regenerative catalyst able to broker deals with large capital investors. Without some degree of sub-national decision-making above local authority level there is the potential that nationally important ambitions in areas such as housing provision, large infrastructure projects and energy supply could be sacrificed. NLGN would encourage the Conservative Party to consider what role the regional leaders boards could play in the regional planning decisions, thus ensuring that the thread of democratic accountability remains in decisions made at the regional and sub-regional level.

Removing the infrastructure planning commission

"We will abolish the Infrastructure Planning Commission and focus instead on speeding up planning inquiries, such as for new power stations, by ensuring that they focus on material planning considerations instead of questioning the appropriateness of the project in principle. As part of achieving this goal, we accept the principle of National Policy Statements. But we will ensure that they are subject to Parliamentary approval in both Houses of Parliament."

We have been sceptical about the need for an Infrastructure Planning Commission as our default view should be for elected representatives to be accountable for large decisions – and that Ministers and Parliament would have been capable of a swifter and more efficient procedure for large planning decisions than has been the case. NLGN would look to the Conservative Party to outline what alternatives they would propose, if not a national commission, to the speeding up of large scale infrastructure projects. For example, the Conservative-supported proposal for a high speed rail link from London to the north of the UK could easily become complex and slow to achieve without an ability to process the decision across the series of local authorities involved.

Changing the way we organise economic development

"We believe that, in every case, the non-economic activities of development agencies should be localised, so we will immediately remove from RDAs all the powers they have been given as part of the present Government's attempt to turn them into unelected regional governments – including powers over housing, planning and 'regional spatial strategies'. These powers will immediately be given to elected local governments.

We also believe that, even as development agencies, RDAs are often less effective than they could be, because they are defined by arbitrary regional boundaries. These arbitrary boundaries often fail to reflect the natural, local economies that have formed as a result of transport links,

technological links, clusters of natural and human resources, and the choices made by businesses and their customers. As a consequence, the RDAs are much less able than they should be to help local businesses expand in good times and survive in bad times. So we will also give elected local authorities the power to come together to establish new enterprise partnerships that truly reflect natural economic divisions, and to take over from their RDAs the responsibility for economic development within those areas.

These locally-established enterprise partnerships need to be non-bureaucratic and totally focused on helping businesses out of recession and into growth. To ensure that this need is met, the Secretary of State for BERR will be required to satisfy himself that the areas covered by the new enterprise partnerships reflect natural economic patterns and have strong business leadership before he transfers to them the money currently spent by the RDAs."

Whilst NLGN favours greater powers in the hands of local authorities the Conservative Party will need to explore in further detail when and how a future Conservative government would ensure a smooth transition from RDAs to local authorities; and where responsibilities would lie. The potential for democratic oversight available from the Regional Leaders' Boards could be utilised more effectively.

We believe very much that the sub-regional natural economic areas could and should be developed in a strategic decision-making context and that the Conservatives would be wise to build upon and extend the Multi Area Agreement process into their 'Enterprise Partnerships' model, which could use the existing legislative proposal for Economic Prosperity Boards. However, we believe that serious powers need to be devolved from Whitehall – and not simply from the RDAs – to make Enterprise Partnerships a serious tool for their constituent local authorities, including longer term certainties over capital grant allocations for a sub-region and including delegated powers over employment and skills intervention.

Abolishing the Government Office for London

"We will abolish the Government Office for London and devolve its powers and programme funding to local councils where possible (and, where a cross-London role is essential, to the London Mayor and Assembly)."

NLGN supports this proposal. Some attention is needed, however, to ensuring that other parts of England do not fall behind London in terms of economic development because of the mismatch between a strong and strategic lead from the GLA and a lack of regional or sub-regional leadership outside the capital. Moreover, many of the civil service functions currently undertaken within the Government Office for London will need to assimilate back into the parent departments in Whitehall – and this will need to be a transparent process.

Removing regional fire control

"A Conservative government will follow the Scottish example and ditch this botched project, where such regional centres have not yet gone live. We will, instead, upgrade a small number of existing fire control centres to enable them to act as national 'super-centres' in the extreme case of a national emergency."

We are concerned that the opportunities for shared service efficiency savings may be lost if the pooling of fire and emergency service control and contact centres is reversed. NLGN would urge the Conservative Party to consider what the costs of retaining this larger number of fire control centres would be compared with a model involving varied degrees of joint provision across a region or sub-region.

Conclusion

Control Shift is an important waypoint in the Conservative Party's journey towards the next general election. Analysing the paper from an objective localist perspective we can say that we support a number of its proposals. There are certain areas where we have issued a note of caution and others where we disagree. We look forward to working together with the Conservative Party to develop these ideas further, and if they do form the next government then we hope to see them deliver a real shift in central – local relations.

Appendix

Notes

All quoted extracts were taken directly from the Conservative Party local government green paper 'Control Shift' (2009).

Noted NLGN publications were;

'*Bordering on Prosperity: Driving forward sub-regional economic collaboration'* Nick Hope (2009)
'*What's the verdict on local referendums?'* Thomas Symons (2009)
'*People Power: How can we personalise public services'* Nigel Keohane (2009)
'*Sustainable Communities Act'* Anthony Brand (2008)
'*Cities, Sub-Regions and Local Alliances'* Edited by Nick Hope (2009)

Acronyms

LABGI	Local Authority Business Growth Incentives
HPDG	Housing and Planning Delivery Grant
PCT	Primary Care Trust
CLG	Communities and Local Government
LGA	Local Government Association
LBTF	Lifting the Burdens Task Force
CPA	Comprehensive Performance Assessment
CAA	Comprehensive Area Assessment
PFI	Private Finance Initiative
RDA	Regional Development Agency
GLA	Greater London Authority

NLGN
NEW LOCAL GOVERNMENT NETWORK

As the General Election approaches, understanding the implications of each party manifesto grows in importance. When the Conservative Party published its primary policy document outlining their plans for local governance last February, it was greeted as a welcome step painting more of the picture and showing how an alternative Government might approach these issues differently.

The New Local Government Network believes fervently in the decentralisation of power in the UK as a means to strengthen local leadership, empower communities and ultimately improve the quality of frontline public services.

In this short paper we have explored, line by line, the proposals on offer from the Conservatives in a detailed and dispassionate manner.