

Essential Localism



A Local Government Group response
to *Decentralisation and the Localism
Bill: an essential guide*

This essay sets out the Local Government Group's response to the Department of Communities and Local Government's recent *essential guide* on the Localism bill.

Introduction

The Local Government Group represents almost every democratically elected local authority in England and Wales. Those councils serve their communities by providing mandated leadership and space for democratic debate about the future of places, as well as ensuring the provision of valued frontline services, from emptying bins to filling libraries with books, in ways that are tailored to what local people want.

Debates about local tax and spending are vigorous and effective; that is why councils consolidated a reputation as the most efficient part of the public sector while national government faces a significant deficit.

Councils are at the front line of opening up public services to diverse and innovative provision: they commission the vast majority of voluntary and community organisations' publicly-funded activity as well as working closely with the Churches and other faith groups in education and other areas, and fostering the development of new social enterprises including employee spin-outs.

Councils are the forum for local democratic debate on the most contentious issues, from planning a new supermarket to reconfiguring schools and hospitals. Councils are democracy's front line, and an indispensable enabler of the Big Society.

We therefore welcome the government's strong commitment to a policy of decentralisation; the principles that have driven the localism bill; and in particular Decentralisation Minister Greg Clark's *Essential Guide* to decentralisation and localism. That paper provides an extremely lucid and helpful framework for understanding what the government is trying to achieve.

We agree, in particular, that decentralisation is a cascade that runs all the way from Whitehall to individuals and families, but passes through (and not around) the points in between: councils are not what Ministers refer to as Big Government and will continue to pass control over their own lives to citizens and communities even as we expect central government to begin to restore autonomy to the town hall. However the machinery of the public sector works in future, democratic ways of making it do what local communities want will continue to be indispensable.

The Minister has invited the Local Government Group to respond to the *Essential Guide* and this essay is our attempt to do so.

The government recognises, we believe, that its decentralisation policy is an ambitious programme for opening up and transforming public services which, eight months into its projected five-year term of office, has as yet only just begun to take effect.

Even where important policy decisions have already been taken, such as the abolition of top-down plans and the bureaucracies that enforced them, the wind-down of the old arrangements is taking time. New, more local, arrangements will not mushroom into full operation straight away – particularly where they must rest on building new and strong private-public partnerships. They need to be given encouragement and not expected to run before they can walk. Behaviour needs to change as well as policy and instant results are not to be expected.

But as the *Essential Guide* makes clear, the government itself will have more to do, at the level both of policy and behaviours, before the transformation is even fully begun. The forthcoming review of local funding and the white paper on public service reform are just two fronts on which it has set out its intention to move forward with further decentralisation. The Decentralisation Minister's planned report to the Prime Minister next summer will be both an opportunity to review progress but also to identify what else needs to be done to achieve the government's ambitions to change the way our overcentralised state machine works. It is evident that moving into a post-bureaucratic model requires further significant change to the way Whitehall likes to work, going well beyond the simple first step of making the civil service smaller.

We have written this paper against that background of decisions taken, decisions still being taken, and decisions yet to be made. We have taken as our starting point the six "actions for decentralisation" which the *Essential Guide* describes and in effect sets as the criteria on which the government is willing to be judged. For each one, we have commented on

- the principle underlying the action;
- what the government has so far done to implement it, and how councils and their communities are responding to that;
- what remains to be done – and, in some cases, what appears to us to have been done in a way that does not reflect what the "action for decentralisation" would appear to require.

We have also - recognising that councils are not only taking radical steps to reflect the decentralisation policy in the way they work, but also in some places need support and mutual learning in order to navigate the new landscape – set out examples of how councils are leading change and how we will be working within the sector to support each other, especially through

the LG Group's work.

The six actions for decentralisation set out in the *Essential Guide* are:

1. Lift the burden of bureaucracy
2. Empower communities to do things their way.
3. Increase local control of public finance
4. Diversify the supply of public services.
5. Open up Government to public scrutiny.
6. Strengthen accountability to local people.

Our intention is to give praise where it is due – and we do believe that in many areas it is due - but also to challenge the government to really give life and vigour to its decentralisation policy, right across the range of departmental portfolios, over the months to come. Examples of fronts where we could advance together include

- moving to much more ambitious view of the scope for community budgets to transform services;
- genuinely localising local government's funding; and
- making the vision of “post-bureaucratic” government into a genuine operating model for the way policy is legislated for and delivered.

In our view, the decentralising transformation of the state which the government wants to achieve is just one aspect of its overall approach to reforming and opening up public services. So we regard this paper as our input to the proposed White Paper on public service reform, as well as a response to the *Essential Guide*.



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1. Lift the burden of bureaucracy

Lifting the burden of bureaucracy is about a new way of doing business between central government and local areas. Simply doing less of the same will not be sufficient to achieve the whole- system reform that gives powers to local areas and saves billions.

As *Essential Localism* recognises, a fundamental shift is required. We want to see continuing movement away from the command and control mechanisms such as targets, lengthy guidance, bidding pots and detailed legislation which determine not only *what* but *how* councils and citizens should go about their business. Instead the government should focus on providing enabling support for local capacity building and devolution of powers and responsibility to the local level.

Crucial to the success of this is behaviour as well as policy change. Shifting mindsets so that a localist approach is seen as presenting a higher chance of success and innovation rather than something risky and to be avoided will be the key underpinning factor in sustained decentralisation across Whitehall departments.

Where is progress already happening?

The general power of competence in the government's localism bill has the potential to enable a new central local relationship driven by councils responding to the wishes of their electors. We hope that it will provide a framework to allow councils to act in the interests of their communities confident in their legal standing, taking innovative steps that will save taxpayers money and be more responsive to what local voters say they want.

The abolition of the Comprehensive Area Assessment, Local Area Agreements and Government Offices and the space provided for a sector owned system to drive improvement. We believe the cost of the inspectorates, Government Offices and councils' compliance costs to be potentially nearing £900 million a year¹.

¹ £900 million is equal to i) the running costs of the Audit Commission, Ofsted, Care Quality Commission and HM Inspectorate of Constabulary - over £500 million a year, ii) the cost of the nine Government Offices, which have had an overlapping improvement and regulatory role – around £127 million a year, iii) councils' costs of complying with government data demands- approximately £127million a year, iv) councils' costs of complying with inspection – approximately £169 million a year. A – small – proportion of this activity will still be required and carried out by councils themselves, so the actual saving will be a little less than the full £900 million.

Greater freedom and flexibility for councils to be able to work together to plan strategically for growth, without top down targets and strategies through the localism bill is welcome. We would however question the need for central government to issue guidance to councils and their partners at the local level on how to co-operate in discharging the new duty to co-operate in the bill.

The government's proposal to introduce Universal Credit will move interactions with the welfare system from a transactional model based on dependency, in which clients juggle multiple claims and the bureaucracy associated with them, to one where people are trusted to manage their budget together in each household.

The possibility of broad new powers delegated to elected mayors. This could support broad-based community budgets and the reduction in bureaucracy and increased effectiveness that this would bring with it. This is tempered however by the restriction that these powers will only be extended to those areas with a mayoral model. A localist approach would allow for new powers to be given to any governance model in place locally rather than to those models that are preferred centrally.

The government has consulted on allowing councils to set planning fees at locally appropriate levels. This represents a positive response to longstanding arguments by the sector that fees have been set well below the economic costs of the service, and in any case should be set locally.

The government has indicated that they are considering removing the regulations that set out how many meetings a year community safety partnerships should have and detailed requirements about how partnerships go about selecting a chair.

What more needs to happen?

The predisposition of civil servants to fall back on traditional levers and tools to enact change can be seen in legislation currently making its way through parliament. The localism bill contains at least 142 powers for central government to lay down regulations, issue guidance and otherwise dictate how localism will work in local areas. This is contrary to the policies put forward by Ministers, and demonstrates the difficulty Whitehall has had in legislating for the “post-bureaucratic age” promised by the Government. This includes powers for the Secretary of State to make regulations on how local referendums will operate, including a power for the Secretary of State to determine what constitutes a “local issue”, and a tendency towards mandating unduly complex series of procedures to stipulate how local people and

councils work together on service provision (the community right to buy and challenge) and planning.

The Secretary of State has said that he wants to open up an *era of genuine local leadership*². Sweeping reserve powers and the significant number of regulation and guidance making powers evident in the localism bill and other legislation making its way through parliament undermines the rhetoric that the government trusts local areas to get on with the job. The measures in the Health and Social Care Bill are mitigated significantly by powers to determine exactly what public health functions are commissioned and coordinated nationally and locally. This, together with measures in the localism bill providing the Secretary of State with powers to re-open housing finance arrangements demonstrates the difficulty that Whitehall is having with 'letting go'.

The late night levy proposed in the Police Reform and Social Responsibility Bill is intended to empower communities by giving them the power to charge licensed premises that stay open after midnight. The process proposed is however time consuming and lacks flexibility. Under the current proposals, two thirds of the money raised will go to the police with no guarantee that it will be spent in the area the money comes from. A localist approach would allow local councils to set flexible local fees.

The Police Reform and Social Responsibility Bill includes clauses that direct councils on the issuing of receipts for the payment of licensing fees – a level of detail that is wholly unnecessary to set out in legislation.

What the sector will do to promote progress.

We recognise that the local government sector must take a lead in changing long entrenched behaviours and relationships. For our part, the LG Group will seek to break the dependency culture which has been compounded by decades of prescription and centralisation:

- Supporting councils to use the new powers they have available to them by sharing good practice and providing advice and support to our members;
- Highlighting and challenging restrictions and barriers still in place through our work on the Sustainable Communities Act;
- Working with the government to identify and highlight legislative barriers in place to the use of the General Power of Competence;
- Supporting and providing sector-led challenge where authorities are experiencing difficulties.

² Rt Hon Eric Pickles, 15th October 2010

2. Empower communities to do things their way

The government has said that it wants to replace what it calls the big state with a big society and reverse generations of centralisation and dependency on government. Democratic local government shares that ambition and is at the heart of making it happen - transferring power, assets, resources and decision-making down to grass roots communities.

The central issue is how to develop and strengthen the Big Society – to allow communities to develop organically, building on their existing strengths; or to try to force the pace, over-engineer from the centre and fall-back on the entrenched civil service methodology of prescription and guidance – and to do it at a time when the state of the public finances is affecting voluntary sector bodies at least as much as it is central and local government.

It is important to understand that democratic local government needs to be an enabler of the Big Society. Councils exist precisely in order to foster and express local community identity, encouraging community activism and creating opportunities for voluntary groups to develop and succeed – as well as to ensure accountability to the community for taxpayers' money spent locally. In many cases councillors themselves will have a long track record of community activism before they were elected – their inspiration to serve their local communities will often have its roots in community work. Councillors are not the executive state, but are elected to put pressure on the public sector machine – whether the council's own executive functions or those of other organisations acting locally – to tailor what it does to what local communities want.

Democratically-elected councillors, representing their communities, have a unique role to play in enabling the local engagement which will drive the Big Society. For many councillors, this is a welcome opportunity to reshape their role away from bureaucratically-driven, paper-heavy meetings and processes, to much more creative roles leading and energising their local communities and encouraging self-organised groups to be ambitious.

Where is progress already happening?

We support the government's desire to see local people more actively debating and challenging how local services are running, bidding to take over the running of facilities and actively helping shape planning in their neighbourhoods. The community right to challenge and the community right

to buy³ are welcome mechanisms that will empower local communities. There is a risk however that these opportunities can be overengineered from the centre, creating unnecessary red tape that counter-productively stifles local enthusiasm. The community right to buy in the localism bill, for example, contains ten powers for the Secretary of State to make regulations, including about what constitutes a community asset – surely the kind of thing that communities themselves should be able to judge. Rather than create rules around these mechanisms, we need to build capacity in communities so that they are confident in exercise the right in their own way – as well as helping community groups and social enterprises identify finance so that they are viable bidders for new roles.

The planning system is a key democratic function, which ensures there is electoral accountability to the way competing interests in the community are balanced. There are benefits from de-regulating planning and speeding up decision-making, recognising the role planning can play, particularly in weaker economies, in driving private sector growth and job creation. The challenge is to develop a new national planning policy framework which sets out priorities which are truly of national importance and which should underpin all good planning decisions providing flexibility for councils and communities locally.

Placing the responsibility for local economic growth with new local enterprise partnerships that bring together business and civic leaders, and allowing these partnerships the right of initiative in the issues they prioritise and the approach they take. This approach recognises that the economic challenges vary from place to place and require a localised and targeted approach. It requires local enterprise partnerships to exercise a strategic influence over the other local partners who can influence economic development and government to provide greater freedoms to raise finance locally.

What more needs to happen?

There are a number of actions government could take to empower communities more effectively and truly reverse the centralisation that some government departments exhibit.

The government is right in creating ways in which communities can challenge government and the way in which services are run and provided. This needs to be done without unnecessary regulation. But there is an important principle that the government needs to apply – the scope should not be limited to councils and council run services, but extend across the public sector. The Right to Request in the NHS is a start. But why is the logic of competition not being extended systematically across other public services, for example to Job Centre Plus or Probation Trusts?

³ For example the community right to buy includes ten powers for the Secretary of State to make regulations, including on how long assets stay on the list, how owners of assets should be notified, and on what constitutes a “land of community value”.

Local enterprise partnerships have been set up to enable civic and business leaders to support private sector growth and job creation; however the Work Programme led by DWP has been centrally commissioned on a different geography – making it more difficult than would otherwise be the case to bring together the activity to support enterprise and job creation with the activity to help people secure jobs. Government could help correct this missed opportunity, by giving local enterprise partnerships or local councils a clear role in the letting of contracts, the contract management and scrutiny.

The government is proposing to address the concerns about the democratic accountability of the police service by introducing democratically elected police commissioners. Neighbourhood policing and protection is a major concern for many local people – manifest in the strong support for Neighbourhood Watch. There are a number of ways in which communities could be empowered to hold local policing to account more effectively. This could include a community right to summon the police commissioner to a ward meeting, a right to ward/local authority level information about the budget for policing, a right to request high levels of patrols in relation to spikes in levels of anti-social behaviour or crime. There is also an important role for the democratically elected councillor to provide a check and balance on commissioners. This important accountability function can only be delivered through appropriate powers being afforded to police and crime panels.

While the Government's intentions on neighbourhood planning are very widely supported, the elaborate and prescriptive mechanisms which have been put in place have been widely criticised by business interests, third sector organisations and our member councils on the ground. They leave too little flexibility for local people to manage planning through processes they shape, that they will further increase complexity and uncertainty in the planning system, and because they may give inappropriate power to people who are not appointed or removable through any democratic process.

Nobody is under any illusions that the financial settlement will mean difficult decisions for local public services. These are tough choices and local politicians will not make them lightly. Government must allow local councillors to have a mature debate with their residents about the impact of the cuts to local authorities in their area. Special pleadings and attempts to lever influence to protect specific services from Whitehall does not make this process any easier - for example, the recent letter to local partner bodies from five secretaries of state promoting the importance of continued local funding for police community support officers.

What the sector will do to promote progress.

Post Office Limited is working with Sheffield City Council on how the local community can take more responsibility for the future success of the local post office network in the city and identifying ways in which post offices can make public services more effective at lower cost. This is an important step in recognising local communities' strong support for local post offices and Post Office Limited (and the Shareholder Executive in the Department of Business, Innovation and Skills) should be encouraged to extend this initiative in other parts of the country.

Local government, working with local businesses, has so far put forward 28 proposals for local enterprise partnerships that government has agreed to. The LG Group is developing support for local enterprise partnerships, for example to help them use new financial mechanisms and enable business growth through new approaches to public procurement.

Councils are in a variety of ways working to put local people in the driving seat to shape the physical future of the places where they live. North West Leicestershire District Council provided planning expertise and support for the Long Whatton and Diseworth Community-Led Plan - which resulted in community development schemes for 5 units of six houses. Bristol City Council provided financial assistance to the Ashley Vale Action Group. The Group purchased a central plot of land and an office block financed by sub selling 20 plots to self builders and 6 to a Housing Association for homes for the elderly. The LG Group will continue to work with authorities to support the sharing of experience and good practice in engaging and stimulating community led planning and the essential role that councillors play in this.

That approaches and needs are different in different places is a fundamental principle of localism. Local councillors recognise this and play a key role in stimulating and supporting community action in a way that makes sense locally. For example

- working with the voluntary sector to provide peer mentoring in Lambeth's social housing estates, and transferring assets to community groups such as Weir Link, now a children's centre;
- working with parish councils in places such as Hampshire, Sussex and Worcestershire on local environmental improvement, helping them build up their capacity, and providing IT support;
- the work libraries undertake up and down the country to offer volunteering opportunities including helping to run homework clubs, reading groups and day to day delivery of the service - some libraries like Woodberry Down community library in Hackney are now wholly run by volunteers.

3. Increase local control of public finance

It is a constitutional principle that there should be no taxation without representation. It is equally true that councils cannot represent their communities properly so long as central government stops them having a real tax relationship with their voters. Councils still depend on grants decided by Whitehall for most of their budgets, and council tax capping has gagged any real debate with local taxpayers about the rest. The Prime Minister has said councils need to be able to retain the benefit of a growing local tax base to reward economic endeavour⁴. The Deputy Prime Minister has said that the share of local spending paid for by local taxation should increase. They are both rightly identifying a crucial imperative for the government's decentralisation policy.

Where is progress already happening?

Through the de-ringfencing of grants and the start of an initiative to roll out cross-departmental pooled community budgets across the country⁵, the government has begun to reduce the central controls on how local areas use Parliamentary voted money so that they can respond better to what local people want. Community budgets may even allow the development of more direct and visible local accountability for voted money. Over the next few months, the first sixteen official community budget places and a number of less formal local initiatives will show how far the full range of Whitehall agencies are able to work in this new devolved way. Community budgets may also have an important part to play in the financing models needed to enable payment by results.

The government has committed to introduce Tax Increment Financing, which would allow councils to raise funding for infrastructure projects by hypothecating the future tax revenues the projects will generate. Councils and the business community are impatiently awaiting the legislation which will make this possible. A number of potential TIF schemes, which could unlock transport and regeneration spending worth billions of pounds, are being actively developed.

The government is proposing though the localism bill that central capping of council tax should be replaced by a power for communities to challenge the level of local taxation through a referendum. The decentralising thrust of this

⁴ Prime Minister's speech on tourism, 12th August 2010
<http://www.number10.gov.uk/news/speeches-and-transcripts/2010/08/pms-speech-on-tourism-54479>

⁵ More detail about community budgets is in section [].

proposal is mitigated, arguably to the point of nullity, however, as the government also proposes that Ministers will nationally fix the rate of tax that should trigger a referendum.

The government is reforming the way local housing finance works. The welcome intention of these reforms is to free councils from annual micromanagement of their spending on housing, and to end the ‘tenant tax’ through which, in most areas, the Treasury takes a proportion of councils’ rental income. If implemented in the right way, these reforms could enable councils to plan and manage their housing stock in the same way as social and profit making businesses, drawing up long term asset management and investment plans which would support improvements in the existing stock and the building of much needed new homes.

The government has proposed a Local Government Resource Review. Its terms of reference have yet to be published. This review would allow the government to explore a number of avenues for making local taxation genuinely local and more democratic.

What more needs to happen?

The government said in the Local Growth White Paper that it was committed to localising business rates. Business rate localisation can be achieved without compromising the principle of resource equalisation between local authorities – and without adding to the tax burden on businesses⁶. It would be a significant lost opportunity if the forthcoming resource review did not result in a decision to proceed with rate localisation.⁷

With business rate localisation, councils could, in aggregate, be self-financing for their revenue account expenditure; but that is only about two-fifths of total council spending. The local resource review should also explore options for matching other central grants with potential local tax options – for example, localising Vehicle Excise Duty, or hypothecating a proportion of VAT, or other taxes that reflect the vibrancy of the local economy, including for example the proposal for a locally-chosen tourist tax (“bed tax”) – and localising responsibility for both spending and taxation.

Community budgets are allowing places to take creative new approaches to

⁶ The recent Localis paper ‘Can Councils Live Without the Formula Grant’, of 24th September 2010, shows one possible model for how this might be done, as does the LGA’s own 2006 publication “Would it be possible to relocalise the NNDR”:
<http://www.lga.gov.uk/lga/aio/21103>

prevention. The government wishes to see more investment in prevention and to stop simply paying the costs of failure, and is interested in new payment by results mechanisms. Community budgets have a key role in helping to mobilise the initial investment needed to support payment by results models, and councils, using the Power of General Competence, may have a crucial part to play in brokering and structuring financing packages with the private sector in order to make payment-by-result models viable.

The principle of community budgets – that numerous central funding streams for local areas, distributed through many agencies, create inefficiencies, add confusion for customers, and set up powerful barriers to investment in preventive work, and that therefore multiple funding streams should be locally pooled under democratic accountability and spent in line with local priorities – has been accepted by the government. For now the government is only formally endorsing a limited number of community budgets aimed at tackling a single issue. Further devolution of pooled funds to community budgets, across a wider range of service areas is a critical next step in delivering efficient and responsive services directed by local areas. We believe that the principle obstacle to that is the reluctance of Whitehall departments to see their control of local budgets diminish: future public service reform needs to address that institutional inertia.

So far as we can establish, the Spending Review has so far led to no devolution of any budget from a government agency to local democratic decision-making: even where quangos have been reformed or abolished, their budgets have been absorbed by their parent Whitehall departments. For example the Chair of the Youth Justice Board has recently been reappointed in post until functions are transferred into the Ministry of Justice. Some departments are using that funding to re-establish local delivery networks alongside democratic local government: examples include the “growth hubs” being established by BIS, the potential recreation of a libraries mini-quango as the MLA is abolished and its responsibilities transferred to the Arts Council, or the continuing existence of two quangos to fund local FE colleges. Where new or reinvigorated departmental and quango delivery arrangements are being put in place, it will be necessary to rebuild ways of working in partnership locally that minimise the costs of confusion and competition between public agencies, preferably within the framework of community budgets and LEPs.

Behind the welcome intentions, the Government’s detailed proposals on housing finance reform threaten to render the concept meaningless. The localism bill currently gives Ministers the power to reopen the starting reallocation of debt, and to impose arbitrary limits on councils’ housing borrowing, when the prudential code provides a well understood, flexible and

effective mechanism for the self-policing of council borrowing. It is also not ending the current tax on council house sales, whereby the Treasury takes three quarters of the proceeds. Unless these flaws are addressed – and they could be with no detriment to the UK public sector bottom line - the potential for self-financing to transform council landlords' ability to manage their housing stock for the benefit of local people will not be achieved.

We agree with the government that it is for local people to determine whether a proposed council tax rise is excessive. The decentralising thrust of this proposal is mitigated, however by the proposals that Ministers will nationally fix the rate of tax that should trigger a referendum. A localist approach would provide local areas the freedom to decide and set a level of tax to raise and what to spend it on and to hold this to account through the ballot box at local elections; giving local voters greater choices and influence in local elections as a result.

The government has committed not to carry out a full council tax revaluation; the local government resource review does however provide an opportunity to consider council tax discounts and other reforms to the council tax alongside its consideration of how localisation of council tax benefit can be introduced.

What the sector will do to promote progress.

Some 28 councils are pioneering community budgets in sixteen places, with the support of the Local Government Group. A further 34 councils are known to be exploring community budget models on other complex social issues in locally-led ways and the Group is also offering them support and mechanisms for sharing information and what they are learning. This builds on past work which has shown the potential for local pooled budgets to transform services: in Leicester and Leicestershire, for example, the estimated costs to the public sector of dealing with alcohol misuse are £89.3 million annually, compared to just £4.9 million to prevent misuse⁸; while in Birmingham 93 per cent of public spending on employment is on out-of-work benefits and less than 7 per cent on supporting people into work⁹.

Councils such as Birmingham and Leeds are developing TIF projects and over 80 expressions of interest have been put forward. The LGG, alongside other groupings such as Core Cities, is working to spread information about the TIF model among local authorities and will over the next year be offering support to individual councils that want it with their emerging TIF proposals.

⁸ Leicester and Leicestershire Total Place Final Report, February 2010

⁹ Birmingham Total Place Pilot, February 2010

Councils and the LGG are awaiting the Local Government Resource Review and will be keen to offer evidence and help to the review when it is established.

4. Diversify the supply of public services

Councils will continue to act as strategic commissioners in their areas, working with other agencies to stimulate a strong provider base, entrepreneurial action and develop commissioning capacity. They do this not because of centrally set targets and government mandate but because they recognise that encouraging a diverse provider base, supported by the pooling and alignment of resources provides more effective and flexible use of those resources and provides local people with greater choice and more responsive services.

Councils have demonstrated that they have a very large appetite for opening up services to be delivered by third parties, CLG's own research in 2006 demonstrated that significant levels of public services are already contracted out. For example it estimated that around 90% of childcare services and around 40% of household waste collection services were commissioned out to the private or voluntary and community sectors¹⁰. Many councils are now taking steps to go even further and are exemplars in reskilling their core staff as commissioners rather than delivery managers (Essex, for example).

The suggestion that government might by regulation prescribe specific proportions of local council services to be delivered by independent providers is in light of this unnecessary, not decentralising, and a model of old-fashioned bureaucratic method: it is simply aimed at the wrong target unless equally binding and more stretching mandates are set for the entire public sector.

Where is progress already happening?

The localism bill will, through the Community Right to Challenge, formalise a process for community groups and staff cooperatives to bid to run local council services – and contains the possibility that the right might be extended by regulation to other public services too. However it is important that the government does not in its attempt to encourage this overengineer and limit the flexibility of councils to contract out in a way that is locally appropriate. For example, whilst contracts can bring direct accountability and allow a level of service to be defined and commissioned by the funding body, commissioning out under a grant arrangement may bring benefits around allowing greater flexibility for the delivery of social and environmental outcomes, and allow a less bureaucratic and more trusting financial relationship. Each will have its place and it is important that central overengineering in measures such as the community right to challenge do not inadvertently stifle this.

¹⁰ Developing the Local Government Services Market to support long term strategy for local government, Communities and Local Government, 2006

Current advice from government is that it is not possible to give preference to civil society organisations when awarding public contracts due to EU public procurement rules. The representations made to date to the European Commission for a deregulation of the cumbersome EU procurement regime have been helpful in this regard.

The Department of Health's Right to Request policy - which supported staff groups wanting to transform their services through a social enterprise model - was a good example of central government creating the central policy, entitlements and enablers which then enabled local action to flourish. It did not direct local bodies, staff or commissioners that they had to opt for social enterprise. Instead, it successfully created the pathways, tools, environment and funding to support them if they chose to do so. Consequently, around £1 billion of public services will be delivered by social enterprises next year that was previously delivered by PCTs.

What more needs to happen?

There is a particular need to build capacity among voluntary bodies and social enterprises, both to bid, but also to navigate their first few months and years of holding a public contract. The reality is that many bodies taking on newly contracted out public sector functions face a stiffer challenge than the average start-up business because of the processes and procedures they inherit. Yet the tolerance of the public sector and of customers for failure by delivery bodies is lower than is generally the case in the private sector. Supporting the bodies that will make up a new supplier base is just as important as ensuring contracts are made available in the first place. This is made all the more challenging when held up against the significant cuts in funding to local government.

The localism bill as it stands suggests that local public bodies will be directed to respond to staff and community groups according to a process determined centrally. But without local discretion and appropriate support for these groups, there is a risk that the majority of emerging tendering opportunities will be dominated by private providers. Instead, the Government should consider how support, entitlements and enablers can level the playing field for these potential providers and how flexibility locally respond to diverse conditions.

One of the biggest barriers to increasing diversity of provision is the complexity of procurement processes, which weighs more heavily on smaller organisations, particularly those from the voluntary sector. Support for public sector bodies to streamline those processes would therefore be helpful. It is our understanding that the additional national provisions relating to the two tier workforce and pensions which civil society organisations find particularly problematic.

Social, economic and environmental values of contracts could be greatly enhanced if

pooling of central government funding could be simplified. Further devolution of pooled funds to community budgets, across a wider range of service areas, would greatly assist here and the Community Budget pilots will undoubtedly provide experience to learn from.

What the sector will do to promote progress.

The experience of local government can be crucial in establishing what can actually be done to deliver a greater mix of provision. There must be a sustained effort to communicate best practices to commissions and procurement professionals across the public sector. The Third Sector Commissioning Programme delivered by the LG Group has an important part to play in that.

Brighton and Hove Council has committed to a system of radical outsourcing, emphasising the role of social enterprises and voluntary organisations. The decision to outsource will only be taken if a service can be provided more efficiently and effectively, ideally by the voluntary sector.

Sheffield City Council has a contract with Green Estate, a local social enterprise, to manage green spaces in the city as part of a broader environmental regeneration programme. This has meant increased local employment, improved community participation on maintaining the local area, and allowed for the provision of training for disadvantaged groups and the reinvestment of the profits from landscaping contracts into the management of Sheffield's green spaces and parks.

Greenwich Leisure Limited is a charitable social enterprise formed when Greenwich outsourced its leisure services and now runs over 70 leisure centres in 13 London boroughs and in Berkshire and Surrey.

Local Partnerships is supporting local public bodies with options appraisals on mutual and social enterprise, such as leisure services and is leading the Mutuals information service, working with Co-operatives UK and Employee Ownership Association.

We are working shoulder to shoulder with a number of emerging social enterprises through the Local Partnerships Social Enterprise Development Programme.

The National Youth Agency is working with five local authorities to transform their local youth offer, exploring new models of service delivery, including social and mutual enterprise.

5. Open up the government to public scrutiny

Communities have a right of access to information and data held publicly. This includes information about how public funds are being spent on their behalf and what they are achieving. Transparency about the use of public funds and the effectiveness of public services helps to build trust in our system of representative democracy and it drives more effective and streamlined public services.

This right needs to be applied to all parts of the public service, subject to safeguards and security considerations, and the protection of personal data. Rules about transparency in local government need to apply equally to other local public services. People need to know about the tangible inputs and outcomes in the police and probation, health, employment, further and higher education and other services.

The information needs to be made available in a way that makes sense to local people who will not always relate outcomes to particular individual organisations, funding streams or departments. The local area and real outcomes and the ability to compare and contrast performance across different delivery arrangements have a strong resonance with people.

Transparency over the allocation and use of public money is central. The community budgets model is a democratically controlled budget for local public services centred on place rather than organisational silos.

This underpinned by an important underpinning principle – local citizens, business and the voluntary sector and democratically elected councillors should be informed about what is being spent in their place, how it is being spent and what it is achieving. With that information they can challenge and scrutinise, and help central government achieve better value for money.

Where is progress already happening?

The government is dismantling many of the targets associated with the delivery of public services that have led to improvements in delivery but have sometimes had a distorting effect. Local government has welcomed the dismantling of the comprehensive area assessment, local area agreements and the abolition of the Audit Commission and the savings this de-regulation has generated.

In the future, government should make the case for any data items it wishes to collect from local government with a clear expression of what value this will bring to local people. This should be agreed through the sector and taken forward through a sector led approach to information management and self regulation.

Councils will set out for local people a set of outcomes they are seeking to agree with

partners. They will ensure that performance against these outcomes is made publicly available.

Publishing the information as raw data will help enable citizens to reach their own conclusions about the effectiveness of public services and create a market in adding value to the information.

Open sourcing can have a powerful economic effect – inspiring local small business and entrepreneurs to re-package, add value and act on public sector information – and there is a strong economic argument for applying the principles more widely to the public sector.

What more needs to happen?

Local government will from next year publish every item of expenditure over £500 and CLG are matching this commitment. But what about the other parts of government and other public services? In government departments the threshold is £25,000 – 50 times higher than that set for local government. Transparency in local government needs to be matched in other parts of government.

The government has announced 16 community budget areas to help improve the lives of families with complex needs – this framework enables costs to be driven out, enables innovation and improves local accountability. Progress is information dependent. It has not however proved easy to identify the funding that is spend on these families by the wide range of public bodies whose services they use. We need much better information on the totality of public spending in places, and how it breaks down, so that if and when government considers the extension the community budgeting model, the information exists to enable the pooling of resources.

Community budgeting is designed to overcome one of the biggest barriers to early intervention - split incentives – where the costs of investing fall to one organisation, and the benefits accrue to another. Both the Ministry of Justice and the Department of Work and Pensions are likely to see a reduced demand on their budgets when the offending and employment problems of complex families are resolved. An information base that transparently identifies the costs and benefits of early intervention, and a Treasury methodology to shift savings back to the organisations that generate them, putting more resources into this valuable work is needed - ensuring that the taxpayer realises the medium and long term public spending savings.

What the sector will do to promote progress.

Councils already publish significant amounts of performance information online which government and others can view. They have a strong record of making information

available to the public to help the public hold them to account.

From citizens' juries, area committees, meetings with businesses, participatory budgeting, neighbourhood forums and ward councillor surgeries councils pioneer ways for local people to have their say and to access the information they need to make informed choices about the issues important to them.

Lichfield District Council is situated in a historic and rural location where there is a huge public demand for visible planning decisions. There is also a high volume of applications for the area's size. Lichfield District Council have revamped their website to ensure that residents can easily find and access the latest information on planning applications in their area. This includes the option to 'follow' planning applications and decisions via the popular social networking site Twitter and send email alerts to interested residents¹¹.

The Local Government Group will work with councils to support ways of comparing performance across different places. This includes the development of a Knowledge Hub in which local government can share data, information and expertise. The Group also arranged for all councils to have access to 'You Choose', a budget simulator that encourages citizens to consider where budget cuts should fall; this has helped councils make their budgeting processes more participative.

¹¹ www.pas.gov.uk

6. Strengthen accountability to local people

The whole point of localism – or decentralisation – is better accountability, and all the other five actions set out in the Minister’s *Essential Guide* touch on ways of improving accountability. Making it clear to individuals and families that they are personally responsible for some decisions is as much a part of improved accountability as subjecting public sector decisions to better formal scrutiny through the ballot box. This reflects the accountability cascade that runs all the way from Whitehall to the kitchen table, but passes through (and not around) the points in between: councils are not what Ministers refer to as ‘Big Government’ and will continue to pass control over their own lives to citizens and communities even as we expect central government to begin to restore autonomy to the town hall.

Where is progress already happening?

Councils are continuing to encourage developments in accountability; nearly 100 councils use some form of participative budgeting model; a third of councils have individual ward budgets for councillors.

The government has proposed to parliament in the localism bill a number of new mechanisms that would allow communities to call referendums on local issues. It is worth debating, though, why the Bill needs to contain four separate referendum mechanisms (for council tax levels, governance changes, local issues, and community planning) and whether that variety will not obscure the improvement in accountability in a fog of procedural confusion for local voters. Parliamentarians have also questioned whether there is a contradiction involved in the Bill clause which allows the government to determine by regulation what constitutes a “local issue”.

The government proposes to expand the number of directly elected mayors. Provided that is what local communities want and vote for, the mayoral model may allow genuine innovation and improvements in accountability, particularly if the government exercises the powers the Bill gives it to transfer to mayors the functions of other public bodies. Communities which might wish to have a mayor will now take a close interest in what those functions might be.

The government is also proposing to unbundle accountability for public services by creating directly-elected police commissioners, while also making school governors and GPs more directly accountable for decisions about the services that schools and the NHS provide. This raises important issues about the ability of communities to really hold this more diverse group of accountable people to account, and how to avoid single-interest minorities capturing the accountability process. Councils, as the democratic representatives of their communities as a whole, will continue to have a role in scrutinising and commissioning the overall public service offer in their places, as the government’s proposals around schools and the NHS have helpfully already

made explicit.

The Home Office is committed to providing information on crimes that have occurred in local areas to allow local residents to challenge and hold the police to account. This only deals with half of the system however, it is equally important that local residents get to hear about the conclusion of offenders that are taken to court. It is important that the level of accountability applied to councils and the police should be extended to other public services and we would encourage the Home Office and Ministry of Justice to further consider how to extend this.

What more needs to happen?

The government's proposals to create more directly-elected mayors and to unbundle accountability for some services such as the police reflect, we think, an important principle. As we understand the government's intentions, Ministers believe that accountability will improve if there is a clearer line of sight from the voter to the public sector decision-maker.

In order to make real progress on accountability, the government needs to really live by it. As the decentralisation policy implies, the government's starting point is that the status quo is a system in which there is a basic lack of clarity about who makes which decisions because far too many threads lead back to Whitehall. Adjusting local structures and voting mechanisms will not help if, behind the scenes, those threads of control and accountability still trail from the desks of ministers and mandarins. Elected mayors and police commissioners will not improve accountability if they still end up carrying the electoral can for a set of policies they were never allowed to change.

To really and sustainably improve accountability, therefore, the government needs to make a success of the other decentralisation actions. Individuals who felt responsible and empowered in their own lives would be more engaged and challenging voters. Councils who had actually decided what level of tax to raise and what to spend it on would be more willing to stand up for their decisions at the ballot box, and voters would have greater choices and influence in local elections as a result. Ministers who had beaten the civil service's reluctance to let go would no longer feel they have to take responsibility for local issues and will be less busy and better able to manage the real work of their smaller and leaner departments.

What the sector will do to promote progress.

Councils will continue to represent and serve their electors to the best of their ability, and the Local Government Group will support them in that.

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