

HOUSE OF COMMONS  
MINUTES OF EVIDENCE  
COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE

THE BALANCE OF POWER: CENTRAL AND LOCAL GOVERNMENT

Monday 12 January 2009

RT HON HAZEL BLEARS MP

Oral Evidence

Taken before the Communities and Local Government Committee  
on Monday 12 January 2009

Members present

Dr Phyllis Starkey, in the Chair

Sir Paul Beresford

Mr Clive Betts

John Cummings

Jim Dobbin

Andrew George

Mr Greg Hands

Anne Main

Dr John Pugh

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Memorandum submitted by Communities and Local Government

Examination of Witness

Witness: Rt Hon Hazel Blears MP, Secretary of State for Communities and Local Government,  
gave evidence.

Q577 Chair: First of all, welcome, Secretary of State, and Happy New Year to you. We are very pleased to be starting off the new year with this final session in our inquiry on the balance of power between local and central government. We will try to keep our questions brief and to the point and we would be very grateful if you would keep your answers equally brief and to the point. After all, if we think you have not answered it adequately, we can ask you to do a bit more. I want to start off by trying to clarify the position of the CLG itself on where exactly this balance of power should be between central and local government. I think it would be fair to say that many of the witnesses we have had thus far have accepted that there has been a shift but not enough, they would disagree about how far it should go. Could I ask you, what is the ultimate objective of your policy on local government reform? Where exactly do you think the balance should be?

Hazel Blears: First of all, could I start off by wishing the whole Committee Happy New Year and, secondly, by saying that I am delighted that the Committee is doing this inquiry. From looking at the list of witnesses you have already had in the four or five sessions, you have had a really broad range of opinions and views and I am very pleased about that as well. For me this whole process of devolution is not an academic exercise, it is not an intellectual exercise about where the right balance of power should be in a constitutional sense. For me this is about saying where can we get to a position whereby local people get the very best services, the very highest quality, not just local government but partners at local level working together to deliver something that is practical and tangible. Certainly I think the evidence is that where people have flexibility, discretion and the ability to make decisions which are relevant to local people, then those services will be better quality, more relevant, more accessible and probably be better value for money as well. For me this journey on the balance between central and local is very much about what it can do rather than simply an academic, intellectual exercise in a constitutional framework.

Q578 Chair: In that context then the Government has reduced the number of performance indicators but there are still 200 indicators. Is that still on the way to even fewer or is that what you regard as a light touch and an appropriate balance?

Hazel Blears: If you look at the scale of the reduction from 1,200 to what was initially 198 and is now 189, then I think that is a significant change. That is not just fiddling about at the edges of a performance framework, that is a significant change. I think the indicators have got to retain sufficient breadth to be able to cover the range of services that we are looking at and now that we are looking in a partnership sense, the CAA will be an assessment of how well the partners are working together across this range of indicators, I do think that you need some breadth. I would not say to the Committee that I envisage us moving towards a situation where perhaps we have only a dozen of those indicators and it may well be that in the current economic circumstances we need to look at some of the content of those indicators, are they reflecting the priorities of changed circumstances for example. I think we have made a big shift. If we can do more and it is sensible and practical to do that, then of course we will consider it, but I would not want to give the Committee the sense that we are moving away from a broad spread of indicators because the job of local agencies now is really quite complex and it delivers across a whole range of services. If this is the only place where the conversation and the interface is taking place between central government and the locality, it has got to have enough strength and depth to be able to cover it.

Q579 Chair: If local government and other agencies in a locality are delivering a good level of service that their local community is happy with, do you believe they require the same degree of central control as maybe the less satisfactory authorities?

Hazel Blears: I think this debate has been raging for quite a period of time and the direction of travel has always been that when local government and its partners improve their performance, then that is the point at which the centre can step back. I absolutely subscribe to that, where there is excellent performance, where local authorities and partners are doing well, then there is less need for central government to intervene. In fact, I think we have got four out of five local authorities now that are either excellent or good, which is a dramatic change from where it was in the early 1990s. As a result of that, that is why we are seeing the performance framework change moving from the 1,200 indicators, the unring-fencing of funds, the reduction in specific grants from 83 down to 48 and £5.7 billion of unring-fenced funds going in, so you are seeing a lighter touch. I do think it is important that where you have examples of poor performance, particularly in sensitive areas as we have seen around safeguarding of children, just to give a recent example, then there is a power to have a ladder of intervention from central government that runs all the way from an initial discussion to quite significant intervention if that is required. Basically, this is a deal: if you are doing well, then there will be more devolution and more freedom; if you are not doing well, then there will be more intervention.

Q580 Anne Main: Can you not accept, Minister, that at a local level people feel that the big decisions are taken away from them? That was a frustration that came through time and time again. They are not allowed to decide on planning issues, housing totals, green belt revisions, they are dictated to and they feel that the control of Government means locally they cannot make those decisions. Do you accept that frustration?

Hazel Blears: I accept that sometimes people feel frustrated if they have a particularly strong point of view and if they are not able to get a resolution which accords with what they believe should happen, then I understand that sense of frustration but, equally, I would not apologise for saying that there are some national priorities for the country which are important for us to achieve. Whether that is increasing the supply of affordable housing, which is a national need for the whole country, or driving our economy forward, which is absolutely essential at the moment, I think that it will always be a negotiation, it will always be a discussion. At the end of the day I would not apologise for saying that central government spends public money, it will have some national priorities, we may well need to talk about minimum standards in certain areas and I do not believe simply in a free-for-all and ripping up the whole of a performance framework. I think there are things that the country has to try and achieve in terms of our national interest. I am always somebody who wants to try and give people as much say as I possibly can in making that happen, but sometimes there will be national priorities.

Q581 Anne Main: In which case then local councils that say, "These are the things we want control over. We don't want this to happen, we are not happy for this to happen", and they tell you that, basically it is not going to make any difference because you are saying there are certain things that the centralisation is going to keep to itself at the centre and dictate to local people.

Hazel Blears: I think the evidence belies that proposition. If you look at the performance framework now, the 35 top priorities that each local authority and its partners chooses are negotiated with central government. There is a discussion that goes on and sometimes the locality will prevail; sometimes the centre will prevail; sometimes there is a meeting of minds, that never happened before. Despite us having 189 indicators that we measure for everyone, the top 35 priorities for your community are based on the things which your people say are the most important to them.

Q582 Anne Main: You are aware that in your own backyard you have some issues over planning and development and the unhappiness that local communities feel when they are told they must do something.

Hazel Blears: Obviously there is a process for planning whereby there is a planning application, very often there is a planning inquiry, it might be written representations, there might be an oral hearing, people do get a say about what they feel about their local area and then there is a planning legal framework against which decisions will be measured and tested. I think that is a fairly robust system in this country. There will always be people who are unhappy at the outcome of a specific application and I entirely understand why they are, because that is important to them. Our legal framework in this country provides that you can have a local voice but also then you have to test it against national planning policy and a planning framework. Increasingly in the major infrastructure projects people will have a bigger say than they do at the moment in terms of making those big decisions which obviously attract a great deal of controversy.

Q583 Chair: Could I ask you, Minister, whether you believe you can deliver your current vision for local government within the current framework or whether there are further, more radical changes that you are planning?

Hazel Blears: For the last 18 months or so I have certainly been on a journey and I think the local performance framework has been developing very much in quite an evolutionary fashion but nevertheless with a clear purpose. If you look at the Local Area Agreements now, 150 of them with statutory basis, 35 top local priorities negotiated with the centre, not imposed, a reduction in the number of indicators and then if you look at the Multi Area Agreements - and in fact this afternoon the Prime Minister signed a further three agreements in Leicestershire, Liverpool and Pennine Lancashire - I think that is a big step forward, relatively new. We have now got ten of those Multi Area Agreements and there where local authorities and their partners are prepared to put their differences to one side and say, "These are our priorities around planning, housing, transport and skills", key economic drivers, again they will get more devolution from the centre, not just from CLG but from DIUS and DCSF and I think that is the next big stage. We have then got the Bill in Parliament at the moment which, where local authorities want it, will give a statutory basis to the MAA in terms of an economic prosperity board. Then with the announcement of the PBR made by the Chancellor we expect to approve at least two applications, providing they are good enough quality, for people to go even further along that journey of getting devolution or funding and authority from the centre towards the sub-regional economy which will help not just to cope with the downturn but absolutely critically get us in a position that when the economy turns up, those areas will be able to drive future prosperity.

Q584 Chair: There are no more radical changes beyond that?

Hazel Blears: No. That is quite a radical journey for me. It leaves me slightly breathless, let alone the people out there who have got to deal with it.

Chair: We are going to explore the response of other government departments slightly later on so if we could not go down that route now.

Q585 Sir Paul Beresford: I was going to touch on that but the answer will obviously come later. I hear what you say about targets, et cetera, and what local government is saying is the same thing and you have reduced the number of targets but other departments have not but this is going to be covered later. In fact, the claim by much of local government is that the number of targets from other departments has increased. Where your Department is concerned they listen to the partnerships ideas and they go along with them and so on, but they find that rather than having targets, they have got audits, reviews, reportbacks and volumes of papers which make the matters and their difficulties just as great as they were before. In doing your partnerships are you conscious of the fact that local government does not want you on their back and need not have you on their back as they progress through these agreements?

Hazel Blears: Yes, I am very conscious of what the Chair said at the outset, that people acknowledge there had been a shift but wanted to go further and that is always going to be the case, that people are ambitious to do more themselves and to have more autonomy. I am very conscious and aware, and I am monitoring this very closely, that when we reduce targets sometimes there is a temptation for people to institute softer controls, whether that is reporting, accounting frameworks, whatever. I am keeping an intensely close eye on all of that because what I do not want is for our genuinely devolutionary, lighter touch framework to be thwarted by people wanting to come in at the edges with other forms of control. When you say that other government departments are increasing their targets, then we will explore that later but certainly that is not my sense at all. As CLG, we are keeping a really close handle on all of this on behalf of the whole of Whitehall.

Q586 Andrew George: You just described local government as being genuinely devolutionary and lighter touch, that is your approach. Why has most of the evidence to this inquiry so far concluded that the power has become, and remains, too centralised in this country?

Hazel Blears: I think I could probably explain that by saying that most of the people who have given evidence were the people who said that perhaps. I do not know, I have not read all of their evidence and I will make it my business to familiarise myself with all of that. It is probably from people in local government who want to do a great job, who are eager to have more responsibility. I hope they are eager to have the accountability that goes with responsibility and power - and I am sure they are - and they will keep pressing me to do more on behalf of central government. I think that this Government has shown a great willingness to take steps in that direction through LAAs, MAAs, the Sub-National Review, the Reduced Performance Framework but, as I said before, it has to be a deal and this has to be about delivering tangible improvements for local people. Now I think the system is beginning to change, but I am ambitious as well for this agenda. I would like to see more genuine partnership working. At the moment we have got the duty to co-operate which goes across public services at a local level into the Health Service, the police service, those partners. I would like to see that have more content to it and one of the things I would like to explore is whether or not we could do more pooling of budgets. We have now got targets, inspection regimes

and the indicators aligned. I think there is more we can do in changing the system to free up people to be more innovative and say, "Look, this is our problem in our area. We have all got these budgets. How can we bring them together in order to get better value out of what we want to do?" That is the next stage on and that is something we need to explore.

Q587 Andrew George: If I give the example of Professor George Jones and Professor John Stewart, in their evidence to us they listed the prescriptive legislation, the proliferation of targets and performance measures, inspectorates, audits, threats of intervention from central government, centralised financial arrangements, the movement of functions away from local authorities and boards, quangos and the requirement to submit plans to central government on a regular basis and of course the competition for funds for, in fact, what are core statutory duties or rather should be. Do you recognise that general pattern of treating local government in that manner?

Hazel Blears: No, I do not, genuinely. I would say that there is a direction of travel here and I think we have gone in the opposite direction in recent times. I have not had a sense of more centralisation, in fact I am constantly negotiating with my colleagues across Government about how can we devolve more, how can we free up people more. Getting from 1,200 to 189 indicators did not happen by accident. That was a very tangible change.

Q588 Andrew George: You got up there in the first place.

Hazel Blears: I do not recognise that caricature of the picture. I would put back to local government a little bit of challenge around some of the powers that we do have now: the power of well-being which is recognised by nine out of ten local strategic partnerships, only used by one in 12 local authorities, the powers around prudential borrowing which are only used, I think, by 60 per cent of local authorities and the trading powers, again perhaps not utilised to the extent that they could be. My challenge to local government is that where there are powers before asking for more powers let us make sure that we are using all the powers we have got to their fullest extent.

Q589 Andrew George: For example, the South West Regional Spatial Strategy, many years in drafting, local authorities coming together to produce a plan which then after a great deal of preparation inquiries themselves, then the Secretary of State's response was almost an entire rewrite of the project itself.

Hazel Blears: Mr George, perhaps I could congratulate you on raising the RSS in the South West. You will know that I am not in a position to comment on that detail and if I say to you that I am very, very conscious of the breadth of views that were expressed, particularly in the adjournment debate and various representations that have been put forward to me. Because of propriety I am not in a position to respond, but I do acknowledge the strength of feeling around all that and I can assure you that all of those responses are now being properly analysed and taken into account.

Andrew George: I realise in the context and I do apologise, but I would urge you to look at the very, very comprehensive rewrite of that particular document as an example.

Q590 Chair: Secretary of State, to pick you up on the list you gave of powers that local authorities have but are not using, or rather not all of them are using, and ask whether the Department has asked local governments why they are not using them, for example prudential borrowing might not

be being used because of the fear that the higher interest being charged would then lead to a council being capped?

Hazel Blears: Yes, in fact I think John Healey has written to the local authorities to raise these issues with them about the various powers that are available, are there any barriers to them using these powers and we are more than happy to explore that with them. We did make some changes to the prudential borrowing regime last year with, I think, the MPR figure which is the amount you have to set aside in order to meet the repayments to try and make it a little bit easier. If you look at the prudential borrowing regime post-2004 and compare it with the pre-2004 regime, it is an awful lot more flexible than it used to be, you only used to be able to borrow from a certain group of lenders, it was a very constrained regime. It is freer now and we are certainly trying to say to local government, "Look, are there any issues around this?" I was not making a cheap point at all, I was just saying that there is always pressure for more powers. We have got to make sure we are utilising the ones that already exist in the best way.

Q591 Sir Paul Beresford: Would the revenue side of capital and the stranglehold on that be one of the reasons for the difficulties on borrowing?

Hazel Blears: I have not received a specific response on that from either the LGA or local authorities and it is a prudential borrowing regime so we have to make sure that the decisions taken under it can be repaid and that it is a prudent regime.

Sir Paul Beresford: That is a yes.

Q592 Andrew George: I think the questions about rewarding high-performing local authorities have largely been covered. If I may, we will move on to the question of the public perception of devolution and whether your Department has undertaken any kind of assessment of public support for further devolution, whether the public is happy to see the Government stepping in and taking decisions on many occasions over the heads of local authorities. I know that you do not agree with that characterisation of the way things operate, but has there been any kind of assessment of public perceptions within the Department?

Hazel Blears: The public perception surveys that we do really centre around the standard of services that people get, whether the streets are cleaned, what is their perception of antisocial behaviour. The Places Survey is a regular survey about how people perceive that so that does not really address the issue and it is a fairly academic question to put, "Do you want Government to step in?" I think what you find is when you get a real problem, a problem on the ground, for example with the Haringey case, then absolutely people expect not just central government on its own but they expect the people who have the power to do something about things to act. Similarly, with the economic downturn I think people expect both national and local government to act to help them through the current difficulties that people are experiencing. I do not think people would subscribe simply to a free-for-all, tear up all your performance regime, let the local people make the decision, irrespective of whether it is good, bad or indifferent. I think people have an expectation of the Government they pay their taxes to, both local and national, to deliver for them.

Q593 Andrew George: Yes, except that you have never asked the question, in other words, of who should decide housing numbers, how affordable housing should be met, how economic

development funds should be spent, local people elected locally or government quangos or government ministers, you have never asked that kind of question. You have asked about the service and service delivery but you have not asked where those decisions should be made.

Hazel Blears: I think probably the most helpful information we have got is from the citizenship survey that we do, again, on a regular basis, which asks people do they feel they have any influence over decisions which are made that affect them and would they like to have more influence. That information is very interesting because I think something like 70 per cent of people say they would like to have more say, less than 40 per cent of people feel they do have an influence over the things which happen locally, therefore that is the reason why we have done the Communities in Control White Paper, why we have got the provisions in the Bill in Parliament at the moment to try and give local people a bigger say. Now we can have budget meetings at local level where people can have a say. Hopefully we will have participatory budgeting in 50 local authorities by the end of the year. That is beginning to happen more and more because people do want a say, they do not necessarily just want their elected organisations to make the final decision.

Q594 Chair: Minister, should there not be a distinction between issues where a decision taken in one locality will have an effect in other authorities or as part of a national target? We do not want to go into the detail, but an issue such as the Baby P case where the issue was children services in a particular council area. Is it really sensible, for something which was entirely under the control of the local council, for public opinion in this country to focus on the Secretary of State to change it rather than focusing on the council that they elected which was actually responsible for the mess-up? That is the issue about public opinion and why in Britain, as opposed to Denmark, where we went, for example, the public seem to hold the government responsible for things that go wrong locally rather than the people actually responsible, which is the council?

Hazel Blears: I think that is part of our culture. If you think about Nye Bevan who said when we set up the National Health service, "I want to hear the reverberations of a bedpan that has dropped in the Taff Vale Hospital or whatever to reverberate around Whitehall". When we set up the NHS there was that sense of it being the big national institution. Partly that was a reaction to having had a fragmentary system out there which for the first time was going to have some minimum standards and offer to the whole population. There is something in our culture which looks to the centre. I am not saying about the Baby P case because I think those were very tragic circumstances, but probably ministers would breathe a sigh of relief if they thought the small things which happened did not end up on their desk but unfortunately in this country they do. What I think we have to then do is push some of that back to the partners. It was not just the council even in the Baby P case, that is about how do you get the system, which includes GPs, the hospital, the police in some cases, to respond in a better manner. I do think that is a genuine concern, both of national government and of me in particular at the moment, I want that system to be much better at responding to people's concerns.

Chair: Can we move on to response to the Lyons Review.

Q595 John Cummings: Minister, can you tell the Committee why you have not yet produced a formal response to the Lyons Report?

Hazel Blears: We were very grateful to Sir Michael for the report which he did, and I think it was received formally at the Budget in 2007 and there was an initial response at that time. Many of Sir



Michael's recommendations were longer-term recommendations and he acknowledged that himself, he said they would stretch into the future. We have responded to some key recommendations he made. He said there should be less ring-fenced grants for local government and, as I said, I think we have put in £5.7 billion extra in this three-year settlement out of ring-fenced grants into the general grant. Sir Michael wanted more flexibility for local government in that way. He wanted there to be less funding streams and I think it is fair that we had too many different funding streams which made people work in silos rather than work together, those have gone down from 83 to 48. He wanted us to reduce the performance indicators because he thought there were far too many and far too detailed and we have gone down from 1,200 to 189.

Q596 John Cummings: Why have you not responded formally?

Hazel Blears: We never intended to do one single response to Sir Michael. As I said, we have done at the Budget 2007, and as we have made these various changes, we have drawn on Sir Michael's evidence and his report in quite some detail. Many of his recommendations were very useful; some others, we have not adopted.

Q597 John Cummings: You do not intend to respond formally?

Hazel Blears: No, not afterwards, but we will continue to draw on the recommendations he has made.

Q598 John Cummings: So you do not intend to respond formally?

Hazel Blears: No.

Q599 John Cummings: Can you tell the Committee, which of the Lyons' key recommendations have you implemented?

Hazel Blears: I have just been through some of those in terms of finance, performance framework and the freedoms and flexibility for local government to identify its own priorities.

Q600 John Cummings: So it is ongoing?

Hazel Blears: Yes.

Q601 John Cummings: How do you monitor it and how do you ensure that recommendations are taken onboard and are implemented?

Hazel Blears: When we are developing our policy programmes and our direction of travel between the central and local relationship, then we are always aware of the work Sir Michael did, the recommendations he made and his report. As I said, some of them were immediate things we could do, some of them are much longer term, but we will constantly be drawing on the work he did.

Q602 John Cummings: You are incorporating them into your overall future strategy?

Hazel Blears: Yes. That is a much better way of putting it than I did!

Q603 John Cummings: What further plans do you have to make sure his recommendations are implemented?

Hazel Blears: We would not necessarily implement every single one of Sir Michael's recommendations, and we will be very clear when we adopt his evidence and his analysis in forming our future strategy as you put it, Mr Cummings, that is what we are doing. Where we decide not to take a step, again we will be clear about that. For example, the issue about revaluation for council tax purposes has been raised on a regular basis. We have taken a very specific decision not to revalue in the lifetime of this Parliament. Our current three-year local government finance settlement lasts until 2011-12, so that will be beyond where we would have a parliament in any event. That is one of the recommendations where we said, "No, we don't intend to do that" and we are very clear about that.

Q604 Chair: Secretary of State, do you think it was a good investment of two years of Sir Michael Lyons' time to bring forth the report, where, frankly, the Government has rejected almost every radical change, it has just done a few moderate tinkering?

Hazel Blears: I would contest that changing the performance framework in the way we have is only a modest reform, I think it is very radical. As it plays out, the whole architecture of the relationship between the centre and the locality has changed and will continue to change. I think it is by having a framework in this way that you are able to get real change. It is very easy to say top-line messages about a desire, a direction of travel, giving local people a say, the challenge is how do you have a system which maintains it for the long-term going forward which is not just about local government, but draws in the health service, the police, Jobcentre Plus and a whole range of agencies. I think you are seeing a radical shift. If you combine that with multi-area agreements, city region economies, you start to see a real shift in the balance of power between the centre and the locality. I think it was an excellent use of Sir Michael Lyons' time and effort and we draw on his analysis in our policy-making.

Q605 Anne Main: Minister, can I take you back to the revaluation of council taxes. One of the fundamental parts of the report was an area being able to get more of its funding based on the properties that it has there. It was felt at the time, being rejected within hours, given that it was so well considered by Sir Michael Lyons, that it was rejected for political reasons rather than given any real consideration about whether it would deliver better funding for local areas. You have just touched on the fact that it was for the life of this Parliament. Does that mean that perhaps that council tax revaluation would come back in in some way, shape or form or are you fundamentally opposed to it?

Hazel Blears: I am certainly not going to set any hares running at this Committee and I want it to be very clear, that was a decision we made because various people have tried to say there was an imminent revaluation and there is not and we have been very clear about that.

Q606 Anne Main: The life of this Parliament is until 2010, there is not exactly very long to go.

Hazel Blears: Indeed.

Q607 Anne Main: Are you saying it is rejected out of hand because fundamentally you disagree with it or just for the life of this Parliament?

Hazel Blears: I think it was right that we made a decision quickly in order to give people certainty because if we had not done, then all kinds of speculation, which certain parties have tried to revive, would have been out there.

Q608 Anne Main: I am still trying to understand why it was rejected.

Hazel Blears: It was rejected to give people certainty. Secondly, because Sir Michael Lyons himself in his report said that it was not necessarily the case that if you had a larger local income stream people would feel more control and he did not necessarily say this was a panacea. Thirdly, the amount of disturbance to people, the numbers of winners and losers in the system outweighed the benefits of adopting that course of action, therefore we decided to reject it and I think it was the right thing to do.

Q609 Anne Main: It is rejected for the life of this Parliament.

Hazel Blears: I have been very clear about that.

Anne Main: But not fully rejected.

Q610 Mr Betts: Secretary of State, I am sure around this table we would all accept your personal commitment to devolution and working in partnership with local government and, indeed, the same would be true of your colleagues within CLG. We all know, do we not, that enthusiasm does not always extend to other colleagues and other departments and, indeed, to other departments and their officials, does it?

Hazel Blears: I have been encouraged and heartened by the response, not just of my political colleagues but of the Whitehall system. It would be wrong of me to come here and say that it has not been a challenge on occasions to get down from 1,200 indicators to 189. It has required a huge amount of work, explanation, persuasion and negotiation, but I think the fact that we now have this architecture accepted by the whole of Whitehall as the place where the conversation and delivery will happen of their own PSA targets is a significant accomplishment. I really do believe that. The fact that we had permanent secretaries from other government departments as negotiating champions in the LAA process really did bring home to them how important it is to try and give the local delivery partners some flexibility about meeting those targets. There is an acknowledgment now across Government that you can hit every target but not deliver the things which are important to people. That acknowledgment is growing. I still think we have further work to do but I genuinely have a sense that it is growing.

Q611 Mr Betts: I might push you on the 'further work to do' because if you talk to people in local government, they will say to you, will they not, there is a difference in culture in different Whitehall departments and that some are much more receptive to that form of working than others? They might tell you that trying to get sometimes down at Jobcentre Plus to work in co-operation at local level is not always the easiest thing in the world. They might tell you the Department for Transport sees Local Area Agreements and regional arrangements as ways in which national policy should be implemented, another vehicle for doing that, rather than a way in which policies can be changed by discussion. The Department of Health lives in another world of its own, does it not? We had the Minister, Ann Keen, before us a few weeks ago and she saw local authorities as being able to comment on what the Department did at local level or even monitor it, but the idea that they would

really have any effect on decisions was something which could not be contemplated. That is almost the evidence we had, if you have read it.

Hazel Blears: Let me deal with those various things. In terms of the NHS, I think what you will find now in many local authorities is there is joint commissioning going on, whether that is for social care or other more broader services. There are quite a few now where we have got joint appointments, particularly around the public health agenda. Traditionally, public health was a local authority function before it went to the NHS, now it is very much back in local authorities' purview. That is why I made the point at the beginning about the power of well-being. I think there is a lot more which could be done around this economic, social and environmental well-being agenda which would give local authorities more of a grip and a handle on some of these other areas. At the moment we are working on trying to align some of the operating framework of the NHS with our performance framework because, you are right, if one section of your system is looking to the centre and up rather than looking out to its citizens, which is what we are trying to get the whole system to do, then you are in danger of getting a dislocation there. I think there is more work to do, particularly with health, to try and align some of the operating framework, which is their must dos in their system, more with the local properties which local people are setting. I do think there are places now where they have acknowledged that getting local government and health really working together gives you better value for money. Again, services would be more accessible and more relevant and if you look at social care where we are working together now on the Green Paper, that is the biggest challenge this country is going to face, therefore having more local authority health service co-operation will be essential.

Q612 Mr Betts: I was interested that you are putting it in the context of moving in directions rather than having got there yet. One of the ideas which has certainly been around, given the split in the health service now between the deliverers in the trusts but also the primary care trusts who commission, would be the possibility of introducing an element of accountability and democracy back into the health service at local level by having local authorities having the right to do the PCT jobs as commissioning, in other words take over the function of a PCT at a local level, particularly in those areas where the boundaries are coterminous. Maybe even if that was a step too far to do it in total, to at least allow one or two pilots to be generated in local authorities which have got very high performance ratings. Would you favour us at least looking at that as an approach? Go on, say yes, it is quite easy!

Hazel Blears: One of the reasons why I am pleased the Committee has embarked on this inquiry is because I think it is right to challenge the services and to say, "Is there more you can do through collaboration and partnership?" because partnership is a much abused word which, if we are not very careful, ends up as a process when it should be about making decisions and delivering. In terms of the commissioning, I am pleased that we are making some progress; I would like to see us making more and faster progress, particularly on joint commissioning. I do not necessarily think one party should take it over from another party because then you tend to get boundary disputes and empire arguing. What you need to say is what are the skills you require to have competent commissioners who are accountable and are prepared to explain the decisions they make to local people and what operating framework do you have which sets the standards for that? Again, I think there is more work we can do with local government and with DH. As I say, we are working with them on world-class commissioning and they have been very, very open to that agenda. You are

pushing me, Mr Betts, and I am keen to push to get more synergy, but I do not think I would frame it in the way of local authority taking it over from the Health service because I think that is a bit of a recipe for arguing about who does what rather than the more important thing, which is what do local people get.

Q613 Mr Betts: Let us put it another way then, a PCT is currently an appointed body, it is a quango at local level. Ultimately, there is only one accountable person, who is the Secretary of State, for every single thing that PCTs do in terms of democratic accountability. Would it not be better at local level to have this PCT comprised of elected people accountable to their local community rather than appointed people with everything eventually ultimately having to end up on the Secretary of State's desk?

Hazel Blears: It is not for me to make policy on the constitution of the NHS at this meeting, but what I would say is I think there is benefit to having accountability which is more out to local people than always up to the centre. There are some ways in which you could achieve that. I am very interested, for example, in the Foundation Trust model that we have got for hospitals. There is far more that can be done in terms of membership, governance and accountability. The possibility of looking at Foundation Trusts around PCTs, that is a debate which has been around for quite some time and who might be the membership of that and how you might have some say around that. As I say, it is not for me to determine governance of the NHS, that is a matter for the Secretary of State for Health. What I want to try and achieve is that the system which provides healthcare, local authority services and community safety, so it includes the police, does have some coherence so that people act together. That is why aligning inspection, targets and budgets is a way to achieve that kind of synergy which is better.

Q614 Mr Betts: Fine, but can I put it to you that at the end of the day, local people will only really see that if they think they can influence it themselves and the influence which local people ultimately have is by elections. If those decisions are made by people who are not elected, then in the end the public are not going to wear this, are they, they are not going to wear the fact that there is any real change? You can have all these new committees in the world and all this joint working but, ultimately, if they cannot change the people who make decisions through the ballot box, it really is not change at all, is it, as far as the local community is concerned?

Hazel Blears: There have been a lot of surveys around the Health service and some people will say there is not an appetite for people to vote for people who make the local decisions. That is an argument still very live out there. Again, I would contest whether or not the right to vote every four years is the only way in which people can have influence and accountability on public services. One of the reasons I am doing participatory budgeting, the asset transfer programme, the expert patients' programme, for example, in the National Health service, where local people get to design the service, is because that is a real way of influencing change. The fact that we are extending the duty to involve people, a statutory duty from April to involve the community in all kinds of decisions right across the partners at local level, will probably do as much in terms of changing the system as anything else that we could put in place. It is not just about voting, and obviously it is a current debate as to whether or not there should be elections in the health service.

Sir Paul Beresford: To follow on from what Clive was saying, it was not so long ago that local authorities would appoint a councillor or councillors to NHS quangos. That is an approach along the line that he is suggesting, what is wrong with that?

Mr Betts: The Community Health Council.

Q615 Sir Paul Beresford: No, not the Community Health Council.

Hazel Blears: No, in very many cases local authorities have members of their PCT, they have members of their hospital.

Q616 Chair: Secretary of State, I will have to stop you there. We had this argument with the Health Minister. It is not the same thing having a person who is elected appointed to a PCT as having a person elected to a PCT. We have been around that one with the Health Minister and we were not convinced.

Hazel Blears: No, I thought Sir Paul was asking me whether or not there was a provision for them to be on the board and clearly they can be on the board and in very many cases they are.

Q617 Anne Main: Why do you think many local authorities take the view that other government departments are still very centralising and do not help you deliver your agenda, they are delivering their own agenda?

Hazel Blears: They are not delivering their own agenda. If we look at Government departments and say somehow their agenda is not the people's agenda, I think ---

Q618 Anne Main: Communicating your vision to other departments was a criticism in one of our earlier reports.

Hazel Blears: When you say 'departments delivering their own agenda', for example, if you are in DCSF, you are not about delivering DCSF's agenda, you are about improving Early Years, you are about improving education standards in schools; if you are in DIUS, you are about improving access to further and higher education. This is what people in their communities want to see happen. This is not a turf war and should not be a turf war, "Is it your agenda or my agenda?". That is where I started in giving my evidence to the Committee. It should be about saying, "What is it that people want and how do we get the best system which delivers as much freedom and flexibility out there but commensurate with improving standards and making a difference and not a free for all?"

Q619 Anne Main: Minister, let me give you an example. We did a report into community cohesion and integration and part of the problem they felt was the agenda to have a greater level of migration had put enormous pressures on local authorities. I think you described it yourself as a free for all and local authorities such as Barking and Dagenham, Peterborough and Burnley which we went to see were absolutely tearing their hair out of having to deliver this immigration agenda without having the local ability to deal with it.

Hazel Blears: I also talk to very many council leaders and chief executives. I held a round table on the impacts of migration just a few months ago. It was undoubtedly the case that people felt there were pressures and we tried to ensure that they were in a position to meet that with the extra £50 million for cohesion - I am smiling at the Chair, the Chair well knows, she and her authority have

been very keen on all of this - and trying to make sure the figures in particular were more up-to-date than they currently are in terms of the settlement. Equally, other people in those communities were saying at that time their economies would have struggled enormously if they had not had the migrant labour to be able to fill those jobs. That is a different situation now.

Q620 Anne Main: I think if you read our report on that, Minister, with all respect, it was the pace of change, it was the fact that local areas felt imposed upon in terms of how much was expected to happen and without any real consultation with how they could deliver it locally and it was that tension which was reflected in the range of councillors that were suddenly elected, for example, in Barking and Dagenham who were supported by BNP councillors. That came through really, really strongly from various ethnic groups that were there. It was the fact that the community felt imposed upon and were not consulted with. That is why I am saying other departments can wreck your consultation or wreck your desire to have local democracy working at a local level if people feel imposed upon by other departments who say, "We're actually going to deliver this agenda".

Hazel Blears: That is why it is important that we have a system, as I was explaining, so you do not just get one-off decisions that can cause huge difficulties locally, and that is why I think we have more work to do with other government departments to try and make sure that the conversation that happens through the local area agreements, the relationships that are built up with local partners, are robust, strong and sustainable. That way I think you minimise the prospect of people being faced with surprises from out of the blue which are difficult for people to cope with, and I acknowledge that. I think we have more work to do on getting those relationships right, but this is the first time we have had a system that enables that to happen.

Q621 Mr Hands: Can I just come in on that, Secretary of State? How much work have you done with, say, the Home Office representing local authorities? It is not just about other departments delivering to local authorities; it is also representing the views of local government to other government departments. How much effort have you put in in recent months to represent the views of local authorities to the Home Office in regard to immigration?

Hazel Blears: I think it is fair to say that my relationships with the Home Office are second to none. A huge amount of the work that the Home Office has responsibility for impacts on local communities, whether it is immigration, whether it is guns, gangs, knife crime, young people or antisocial behaviour. All of these are absolutely top priorities for local communities. That is why many of the indicators are in the top 35 priorities that are chosen. My relationships with the Home Office are extremely good. I personally, as does the Home Secretary, put in a huge amount of effort to making sure that we are informing people about the views. In fact, the Home Secretary has attended, together with myself, various joint meetings of local government and policing. We work very closely on the Preventing Violent Extremes agenda. There is no question about that.

Q622 Mr Hands: Okay, but the question was how much have you represented the views of local authorities, both collectively and individually, to the Home Office on the subject of immigration. Your comments were about the immigration free-for-all, for example. Is that something that you have said to the Home Office you believe is what local authorities are feeling?

Hazel Blears: I have communicated the views of local authorities after holding round tables, so they are not my own views but the views of local authority leaders, both to the Home Office but also

more widely across government. If, Mr Hands, you had seen the Migration Impacts Plan that we published about six months ago you would have seen that that was a document based on a cross-government approach, not just Home Office, not just CLG, but looking, for example, at Children, Schools and Families, at the impact in education, the need to get extra teachers in, the impact on the Health Service. It drew together the responses and the practical things that we could do to ensure that the impact of immigration on some of those communities that have not experienced it before was mitigated as far as it possibly could be.

Q623 Mr Hands: So can I ask you if it is your view that local authorities do think there is an immigration free-for-all in this country, or is that just your own view?

Hazel Blears: No, and that is not what I said. The situation is that we did have a massive spike in asylum applications some years ago. That has now reduced dramatically in this country, and I think the introduction of the points system, the much firmer immigration system that we have, the border controls, which are now much more rigorous than they were previously have helped achieve that. If you talk to people in local government they will acknowledge that some years ago there was a big increase. I think it is a different situation now. It is still there, particularly from eastern Europe, but I think most local authorities will acknowledge that steps have been taken to try and ensure that the impact of those changes to communities has been mitigated as far as it can be.

Chair: Just before moving on to Dr Pugh, can I make the point that it was the lack of local tax autonomy and the lack of flexibility on the part of councils to raise additional finance which exacerbated the inability of the councils' to respond to rapid change? That is a very strong argument as to why greater flexibility on the part of local councils on the financial front would enable them to respond to rapid changes in a local sense, whether it is migration or anything else.

Q624 Dr Pugh: Can I ask you about Whitehall culture? Do you think within the corridors of Whitehall there is a good understanding of local government or in fact much respect for local government? My suspicion is that there is a slightly dismissive attitude towards local government.

Hazel Blears: Because I am an optimist I think it is improving. I think probably in the past there was not a great deal of experience of local government finding its way into Whitehall. I think many of us have now tried to get secondments, exchanges, have tried to get some of our civil servants working in local government and in local delivery organisations, and I think there is a much better understanding of what local government can do. If there was not I do not think you would have seen the sign-up to local area agreements in the way that we have seen happen in the last 12 months; I genuinely do not think you would. If there was not respect for the fact that local government has improved its performance dramatically in the last ten years to the point where four out of five are good or excellent, again, you would not have the trust of the centre to be prepared to depend on local partners to deliver the PSAs. We have many more central techniques for trying to get round that system, so I think it is getting better.

Q625 Dr Pugh: I am moving onto local area agreements, but can you give us any kind of figures or data that indicate the number of top civil servants in your own department that will have local authority experience? Have you any idea what percentage of them would have either worked for a local authority or been on a local authority?



Hazel Blears: I do not have the figures. I think it is an excellent question and I will find out because I would love to know.

Q626 Dr Pugh: Could you couple that with a note on the number of heads of government offices in the various regions that have had direct experience of local government? Turning to local area agreements, they sound a jolly good thing, but if, say, by happy mischance they should all be lost one day, and they do contain a lot of things local authorities would do anyway along with a couple of things they say they are going to do because the Government wants them to do them, how would things be different on a day-to-day, practical basis?

Hazel Blears: First of all I think you would lose your focus on the things that really matter. When we had 1,200 priorities it was very difficult to say that anything was a real priority. When you have 35 it is more realistic to be able to say that we are going to focus all our efforts on these particular things that local people have told us are important to them, so I think you would have less focus. I think you would have much less systems change to draw in the other delivery partners, whether it is Jobcentre Plus, whether it is the Health Service or the police, or, indeed, the private sector and the third sector which are essential partners of the local area agreement. I think you would probably also see much wider variation in performance because it would be very difficult to see who was really good at doing whichever bits of business there are.

Q627 Dr Pugh: So your honest belief is that there would be less partnership working around and less focus? Local authority activity would be more diffuse?

Hazel Blears: I do not think it is the agreement per se, the words on paper, that give you that but the framework that says to local partners, "The idea is that you all sit round" - in a meeting like this - "and say, 'What are our top problems here that could be different from another place and how are we going to bring our energies, our money and our skills and expertise on those things that really matter to local people?'".

Q628 Dr Pugh: And if a formal agreement was not there that would happen rather less?

Hazel Blears: I think so.

Q629 Dr Pugh: We mentioned briefly before multi area agreements and how they fit into the local agenda. I think you said that the more of these there were the more local authority would be dispersed from the centre. There is a trade-off here though, is there not, because if, just for the sake of argument, Salford agrees to a multi area agreement in the Manchester area, the priorities are not necessarily the top priorities of Salford; in every respect they will be the top priorities that are shared right across the piste. If you are an ordinary citizen of Salford though and you are looking at it and you are told that as a result of this agreement with the other authorities there is more freedom around, how would that register? Might you not think you have actually lost just a little bit of control over what is happening around you?

Hazel Blears: If the alternative is that those decisions are made in Whitehall then if those decisions are going to be made in greater Manchester you might feel that you have got a little bit more influence, a bit more power, because you elect the people who do it.

Q630 Dr Pugh: But you might think that some of your metropolitan district powers have been sucked upwards and there has been a loss there as well as a gain from Whitehall.

Hazel Blears: I see the point that you are making. That is absolutely the reverse of what we want to see happen through the multi area agreements.

Q631 Dr Pugh: Is it? That is very interesting.

Hazel Blears: This is genuinely about, on strategic issues like transport and skills which cross local authority boundaries, inevitably, and drive the economy, drawing powers down from Whitehall and certainly not up from the local level. That is absolutely fundamental to the MAA as a concept. It is about saying that where you are up for this, where you are ambitious and you think you can deliver, then the challenge is to the centre here and to myself and colleagues to say that we are prepared to let go. In fact, the best way to deliver on benefits and skills in some of these areas is at the sub-regional level, not at the national level.

Q632 Dr Pugh: Thanks; that is helpful. You did say earlier on that the basic policy of the Government was that if people were doing well they would be given more freedom, and "doing well" was your expression. When you talk of Haringey social services and so on you can clearly identify what doing badly is all about, but would you not acknowledge that at times "doing well" can be a matter of political contention and debate? If I can give a historical example, Derek Hatton thought he was "doing well" when he was building lots of council houses in Liverpool but central government did not. Can you not see that it is not as straightforward a principle as you might think?

Hazel Blears: Yes, I can see that. What I would say is that if you have a system --- I am sorry to say this "S". word so often because I am not a technocratic junkie, but I am quite excited by the LAAs, the MAAs and the new comprehensive area assessments. I never thought I would be excited by alphabet soup in this way, but if you have a system for saying locally what really matters to you, when you have a system that says in your sub-region how you are going to drive the economy and how you can get more freedom to do that, and then if you have an inspection regime that instead of, as the CPA did, measuring an individual's performance, measures whether you are making a difference in your whole community and that the measures in that CAA are much more about citizen perception - what do people think, whether the outcome is right, are you doing a good job, are you doing a better job than you used to do, you have got bottom-up pressure in a system which genuinely means that the centre can step back because you will have got more of this grit in the system.

Q633 Dr Pugh: So a local authority that satisfied its citizens, even if it did not do exactly what the Government wanted it to do in terms of priorities, would still be considered by the Government as "doing well" in some sense?

Hazel Blears: I think so, and again one of the reasons that the CAA is quite a big shift into citizen perception and outcomes which will be measured under the place survey and some of the citizenship survey is to say, "What do your people think of you?". The police have just changed their performance framework so that they only have one target now and that target is about local people's confidence in whether or not the police are doing a good job locally. That is a massive

change in a performance framework to citizen perception and I think that is really quite a dramatic change.

Q634 Chair: Can I just ask about the money in relation to local area agreements? Where money is being pooled does your department have information on how much of that money is coming from local government and how much from the other partners? If you do not have it now can we have it later?

Hazel Blears: Certainly. I do not have that information with me but I will certainly ensure that the Committee gets it.

Q635 Chair: The perception is that it is largely local government money that is put in and not much else.

Hazel Blears: And not other people's; right.

Q636 Andrew George: On multi area agreements can I just be clear how "multi" multi area agreements have to be? In other words, could it simply be a partnership of two authorities, just so that I understand the basis for what you are thinking in your department, the size, either in population terms or numbers of authorities?

Hazel Blears: We have not got a strict limit. This has been again a very bottom-up exercise in that people have had to volunteer. They have had to come forward and say what their plans are. I have been quite heartened by the fact that it has not all been about urban cities. We have got to Bournemouth, Poole and Dorset working very well. We have got PUSH, which is south Hampshire, and I think north Kent at the moment are in dialogue about these issues. There was a sense when we first started on this agenda that it would just be the Leeds, Liverpool, Sheffield, Nottingham places, but actually groups of local authorities are now seeing that they have things in common around their local economy so that by coming together and pooling their abilities and their competencies they can make quite a big difference.

Q637 Andrew George: Just extending that to the concept of city regions, you said, I think in November, that the Government wants to place those on or statutory footing. I just wondered how you see the roadmap to delivering city regions generally.

Hazel Blears: It started as very much a voluntary process, "If you want to do this and you want to get these powers, band together, come forward with an application. We will see if it does deliver and then we will sign your agreement". In the Bill now we have the possibility of having a statutory basis, so you can become an economic prosperity board - not another level of government, not a bureaucracy but simply a more effective unit of organisation. If you have a statutory basis then you are a legal personality, so clearly the prospects of more devolution are more secure because if you do not have a legal basis then the governance agreement that you have reached could be quite fragile. One partner could walk away and if that happened you would not any longer have the system to deliver it. That is the next stage, if you want to be an economic prosperity board, and again it is voluntary, if that is what you want to do, and then the announcement at the PBR that we would be looking for at least two areas which want to go even further on this agenda.

Q638 Andrew George: Just to finish off this point, on the issue of the city regions in the Local Government White Paper about three years ago there was a recognition that there would be a rural equivalent to city regions where it did not fall within the hinterland of the city region. Is that something within the Government's thinking at the moment, that a rural equivalent to city regions might be brought forward?

Hazel Blears: I am just thinking about Cornwall at the moment. It is going to be a big unitary authority.

Q639 Andrew George: What a very good thought.

Hazel Blears: I do not know why I think about Cornwall when I see you. Obviously, that is a unitary and a very big unitary, and therefore will have a lot of clout and ability to make a difference. If I think about one of the agreements I have just signed this afternoon, that is Pennine Lancashire, not something people would normally associate with a city environment, but they have got a lot of relatively small towns which could be quite isolated up in Pendle and Accrington, and what they have decided is that transport is their big issue: how do they get better transport links so that they can access more economic drivers? They want to come together on that. We are not hidebound in one model. It is really, as I started with in this evidence, what makes a difference for the people out there in terms of their economy.

Q640 Jim Dobbin: I think it is really interesting that if you look round the table here most of us have had long periods in local government, including yourself, Secretary of State.

Hazel Blears: Including myself.

Q641 Jim Dobbin: And it is going to be interesting at the end of this evidence-taking session to see just how many of us are still in agreement with everything that is decided. I just think it is an interesting session. My questions are on local variations in service provision and the standards and whether those standards should be consistent across local authorities. Is it acceptable for some councils to have lower standards of public service than others?

Hazel Blears: I think probably most citizens would want minimum standards in the essential services that they rely on for their daily lives. Certainly that applies in the Health Service in terms of postcode lotteries, access to drugs. I think it also applies in relation to education standards in their schools and the prospects for their children to do well in their exams and to get on, so I think there are some core areas where people very definitely want minimum standards. I think there is room then for variation in terms of how much money do you want to spend, how much investment do you want to make, how much council tax do you want to pay in order to have a higher standard of service, or have you got a particular focus. For example, and this is what the LAA enables us to do, in Leicester they have decided to go very much for climate change, the environment, recycling, and make that a really big theme of the city's future prosperity, so they might want to do higher standards than some other place which has decided on a different theme and vision for their area. I think it is minimum standards, variation after that, and absolutely it is a matter for people's choice.

Q642 Jim Dobbin: Do you think there are any areas of service delivery where in some local authorities they do not achieve those standards, and do you think that is not acceptable?

Hazel Blears: Yes. If you look at the inspection regime that we have around the safeguarding of children, I think there were four authorities that only scored a one on the recent area performance assessment, and clearly local citizens will be concerned about that. That is why we have to have an inspection process that does draw out where there is poor performance and why we have to have an intervention regime that says if things are going wrong then, quite rightly, steps will be taken to put them right, and I think that is what local people want to see happen. Luckily now local authority in general is performing at a much higher standard than it used to be but there will always be some outliers on specific issues where they are not as good as they might be and I think national government has a responsibility to keep an eye on it, to monitor it and to intervene if that is necessary.

Q643 Jim Dobbin: Would a power of general competence make it easier for local authorities to play a much stronger leading role in their communities?

Hazel Blears: I do not necessarily think so. What worries me is that the power of wellbeing is virtually a power of general competence. The power to do anything which promotes the economic, social or environmental wellbeing of your community - I cannot think of much that falls outside that kind of definition and yet only one in 12 local authorities is using that power. We recently wrote to local government to say, "We are worried about this. Are there any particular concerns as to why you are not doing it? Have you got any ideas that you would like to do but you feel constrained from doing?", but we have not had very much back and it will be quite interesting to see the impact of the Sustainable Communities Act which asks local authorities and communities to come up with things that they need freedom around in order to make happen. I think the first tranche of those ideas is going to be submitted fairly soon, but I do not have a general sense that there are lots and lots of things that local partners want to do that they are prevented from doing because they do not have a legal base.

Q644 Chair: Secretary of State, it has been pointed out to me that in fact there has been a court case against London councils challenging them in a proposal they were intending to do and saying they could not do it under the wellbeing power. If there are instances like that where it is obvious that the general power of wellbeing is not allowing councils to do it, is your department monitoring it and will it be thinking of changing the law so that they can? Your contention is that councils can already do everything, that there is a power of general competence that will allow them to do that, and yet the courts' view is different.

Hazel Blears: I would want to look very closely at the power that exists, how much it is being used, what it is stopping people from doing, and if it is stopping people from doing things which would be beneficial and are proper things for them to do then obviously I want to examine whether any changes would be necessary.

Q645 Jim Dobbin: Clive raised an issue about local authorities being involved in delivering other services and he mentioned the Health Service. To be able to do that would local government need more powers? For example, another couple of areas that they might want to get involved in and have been involved in in the past have been policing and transport. If they showed a willingness to go down that route would you be willing to give them more devolutionary powers?

Hazel Blears: Yes. I think the best example is in the multi area agreements. As the Local Transport Bill was going through Parliament there was a provision adopted that enabled the integrated transport authorities to align with the multi area agreements so that you could be exercising transport powers as part of those city regions and that was a good example of joined-up government that provided the right powers in the right place to be able to work on transport. Over the next few months I am about to embark on a series of not visits but workshops with local authorities and their partners to look at the local area agreements and see whether there are other improvements that we could make at the centre which would enable them to make more progress. My first visit is to Barnsley on 26 January and the Secretary of State for Work and Pensions is coming with me because Barnsley is particularly focusing in its LEA on worthlessness and skills. I want them to tell me what they are doing first of all in terms of delivery, but, secondly, whether there are things that we can change in the system that will enable them to deliver even more. I am then going to go to Essex and I am going to Sunderland. There will be a whole series of these and it will be proper, hands-on work around the LEA, how they are coping with the economic downturn, is there more that we can do to free them up to give them the ability to deliver at a local level, and I am hoping to take other secretaries of state with me. I think the one in Sunderland is particularly around health inequalities. Essex is around skills in the economy, so that again we get that whole government approach around what is happening on the ground as a result of this new architecture.

Q646 Mr Betts: But eventually we have to get round to money. Michael Lyons said he was disappointed to some of us but he did conclude that what local government wanted was not the ability to raise more of the money it spends itself but the ability to determine how the money was spent to a greater degree. Do you agree with that conclusion?

Hazel Blears: That local authorities wanted to be able to -----?

Q647 Mr Betts: That they wanted more power to be able to determine how to spend the money they had rather than the freedom to raise the money they spend.

Hazel Blears: I think local authorities are pretty sensible about this. They know that there is only a finite amount of money that you can raise, whether that is locally or centrally. There is a finite pot around what you can do and I do think that local authorities have wanted to have more say about how they can spend the existing money out there without necessarily raising vast amounts of extra money. I would hope that through the new framework that we are providing they have got more say. They now can set those 35 priorities, albeit in a negotiation with the centre, and it is a pretty robust negotiation, but for the first time they have got that instead of top-down 1,200 indicators and 88 separate ring-fenced schemes telling them every "i" they should dot and every "t" they should cross, so I hope they have got a bit more flexibility. They will always press for more.

Q648 Mr Betts: If we look at international comparators, and that is not an unreasonable thing to do, particularly with the democratic countries within the EU with whom we may have a reasonable comparison, whatever has been achieved in terms of extra powers for local authorities - more flexibility, less control from the centre, fewer targets, in the end any comparison would show that we are the most centralised country in terms of one thing at least, and that is the very small amount of money that local authorities spend that they raise themselves. We went as a committee to

Denmark and Sweden recently where it is almost the reverse position: they raise more than 80 per cent of their own funds at local level, not around 20 per cent.

Hazel Blears: Obviously, there are different cultures and different historical ways in which various countries have organised themselves in terms of the balance between central and local funding. I do not necessarily think that debate is as resonant as it is portrayed because, no matter where your funding comes from, you are going to have some kind of performance framework and if you look at the performance framework in Denmark and Sweden, it is there and central government expects certain things to be delivered. In other places there is less performance framework than in those Scandinavian countries, and in fact when I visited the mayor of Karinya(?), I think about 18 months ago, I asked him about his performance framework and he said to me, "Well, I get elected every four years. That is my performance framework". I am sure that was slightly tongue-in-cheek but there was very little national determination of what should happen. As I said earlier on, I do not make any apology for saying that in this country I think people have an expectation of a certain level of good services, whether that is health, local government or policing, and I do not think they would accept simply, "Here is the money. All right, you raise 50 per cent of it locally. You get on with it and do what you like with it".

Q649 Mr Betts: That does not really answer the question, Secretary of State, with respect, does it? You could still have national standards and an expectation that certain things will be delivered to a certain standard at local level, but in the end, given that we have this incredible centralisation of the way money is raised for local government to spend and the passing on of that 80 per cent of what local authorities spend with no discussion at all about how it is raised or how much is raised at local level, you have got this incredible gearing factor, so if local authorities do want to choose to go beyond minimum standards the impact on the percentage increase in the council tax is enormous. We know what the gearing is; it is around four to one. That means that it cuts straight across local accountability and local democracy, does it not, when you have that sort of impact on local decisions that local authorities take?

Hazel Blears: I think it is a bit of a trade-off as well though because if you want to try and have any degree of equity then the larger the amount you raise at local level and the more freedom there is to spend that at local level then again you find the tax base comes in as part of that consideration. Poorer areas with a smaller tax base could well find themselves losing out as a result of that, and I think Government has a responsibility to look at equity as well as autonomy.

Q650 Mr Betts: I do not know if you could think of another country where only five per cent of total taxes are raised by local government and even then central government taxes that amount that can be raised as well. This is a real constitutional problem, a complete imbalance between central and local level. Are we ever really going to tackle the issue of the almost subservience of local government to central government and put it on a slightly more equal footing unless we tackle the taxation issue and the ability to raise money?

Hazel Blears: I do not see this in the same terms, as a kind of supplicant master/servant relationship. I think it is what I have tried to say throughout this evidence, that I do not think it is the system, I do not think it is about who has the power in the system necessarily. I think it is about what are you able to deliver out there. That is where you get your respect from. That is where you get the sense

that you are an important player in our constitution, not by, if you like, winning the argument with the centre. It is about what can you do to make a difference to the people that you serve. If your system inhibits you from doing that then you need to look at the system. If your system is not inhibiting what you can do then I think the challenge is what is your system now, what are the bits that stop you doing things you want to do? Come and tell me about that, whether that is in a multi area agreement, whether it is in your local area agreement. I do not think it is just about a constitutional settlement that then says that because you have this degree of ability to raise money locally automatically things will be better in your community. I do not make that relationship.

Q651 Mr Betts: But the type of agreement is then one you are making as Secretary of State, is it not? You are denying the right to the local community to make that decision for themselves.

Hazel Blears: Oh, no.

Q652 Mr Betts: If the community wants to spend an extra five per cent on the services basically it cannot, can it? It is capped.

Hazel Blears: It is capped if it is excessive. It is not capped if it is not.

Q653 Mr Betts: But the Secretary of State determines what is excessive.

Hazel Blears: Again, I think we have a responsibility to protect people. Last year council tax went up by 3.9 per cent, the lowest rise for 14 years. I think people broadly welcomed that. Local government has had to make some difficult decisions; I am under no illusion about that, but some of the increases that took place in previous years were very high indeed and in the current economic climate when people are struggling to pay their bills, again, I think the pressures will be on councils to try and keep those council tax rises at a reasonable level.

Q654 Mr Betts: But should not the community be putting those pressures on? Whenever the Secretary of State rides in and says, "It is my responsibility", there is not that relationship between the elected councillors and their community. You undermine that completely to cut right across local authority accountability when you say, "I in the end am going to fix the maximum amount by which councils can increase their council tax". Is there any possibility that you are going to remove the capping powers?

Hazel Blears: No, and I do not necessarily agree with that. I think there is accountability in terms of the choices that you make, the way you spend your money, are you any good at it, do you get value for money, what are your standards like, what are you doing to make things work better in the local area, how much do you involve local people, do they get a say, do you do participatory budgeting? All of that, I think, contributes to local accountability. If you are intending to put your council tax up by an excessive amount then I think national government has a responsibility to protect taxpayers.

Q655 Sir Paul Beresford: I think we agree with all of the last preamble that you have gone through, except that Clive was putting a point really early on, and that was that changing your expenditure has an enormous effect, a four-fold effect. What are you going to do about that, and, secondly, you do talk about percentages and yet in your last answer you were talking about amounts. Why is it



that a local authority with very low expenditure and good services is clobbered if it has a slight change and lists a slight change in money terms but a huge change in percentage terms?

Hazel Blears: let me try and deal with those two issues. The first one is about the gearing, and I know this is a subject of great concern and irritation and frustration for local government and clearly goes to the heart of the current system whereby a small amount is raised locally and the majority of it is raised nationally. If we were to change that we would have to look at the whole system. I can say to you that we constantly keep the system under review. We have had Michael Lyons' report, we have had various analyses. I think there are more documents in the bottom drawers of people in CLG about the council tax system than we could possibly imagine. I do not think there is an easy answer to that without fundamentally rebalancing the system, and it may well be that the Committee decides to make some comments around that. At the moment we have no plans to change that in terms of how it operates. The second issue I used to come across when I was the Police Minister, and when police authorities were asking to put up their precepts by 20 per cent they would say to me, "It is the equivalent of a can of Coca-Cola week and people are prepared to pay this in order to keep their streets safe". That may well have some merit in it but the fact is that the percentage increases are the things that people experience, that is what they feel, and, no matter what arguments you make around small amounts on a lower taxing authorities, I think that council tax is the most visible tax. People pay it every month. It does not get taken out of your wages. It is an unpopular tax. No taxes are popular but council tax is very unpopular. People have seen increases in recent years and I feel quite strongly that as far as we can we have to protect people from the increases, and percentage increases are what they get faced with, unfortunately.

Q656 Mr Hands: I have a question on the future of council tax itself. Obviously, there has been pretty much a concern over the last 15 years or so not to touch it. I guess the collective wisdom is that the danger of touching local government finance far and away outweighs any potential benefits from serious reform. How close an eye are you keeping - and I am not trying to elicit a party political answer - on what is going on in Scotland and the merits of the debate there on a move towards local income tax, whether that might be something that could inform a change across the UK and whether - and I am assuming that you disagree with what the Scottish government is proposing - you might at least concede that it is a brave move for them to consider that change.

Hazel Blears: We could probably spend a whole session discussing the merits and demerits of local income tax, and I am sure we would all have a variety of views around that in terms of the way in which it would shift liabilities between different parts of the population and who would have to pick up the bill. I think it reinforces one of my points to Mr Betts, that there is a finite pot and at the end of the day somebody has to pay for it, whether it is local, national, which balance of individuals pays for it. There appears to be a consensus that having some element of property tax is a sensible thing to do in terms of fairness and collection and the fact that it is more difficult to evade than local income tax. There is a whole debate around all of that. I am keeping very close, obviously, to developments in Scotland. One of the interesting things is that we have a proposal to abolish council tax; we do not have a proposal to abolish council tax benefit, and many of the calculations are done on the basis that although there will be no council tax there will still be something like £3 million of council tax benefits, so the figures are not exactly as robust as they might have been presented.

Q657 Dr Pugh: If I may pursue Clive's question, what would be the objection to the Department if it were the case that they wanted to cap a local authority but the local authority could prove that the increase they had scheduled had the endorsement, by referendum or whatever, of the local population? There could be no argument against that circumstance, could there? Under the Treasury argument you are increasing public spending but then that means you are not safeguarding the population from the council tax; you are doing something else altogether.

Hazel Blears: I think first of all you have to have a fairly robust regime that says, "We want to protect people from excessive council tax rises", and I will argue and protect that. I think the legal framework now provides that you can have referenda and it also provides that the Secretary of State, I think, in determining what the principles of "excessive" might be, should take into account the views of local people in terms of reaching a view on whether or not that is excessive and therefore complies with the principles that you set. There is provision to have that say and I am not aware of a situation that has arisen of the kind that you have set out. In fact, there have been some referenda around council tax rates and in most of them, I think I am right to say, people have either gone for the middle option or very often they have gone for the cheapest option when they have been asked in the referendum what they would like to pay.

Q658 Mr Betts: Is it not all too difficult really, trying to reform local government finance? That is the impression. One of the obvious things that could be done and that is not very difficult would have been the transfer of the business rate setting back to local councils and link them together, as the old domestic and non-domestic rates were, so you cannot increase business rates without the council tax being increased. In fact, would it not be relatively simple to do and halve the gearing effect overnight?

Hazel Blears: I think it is difficult to make decisions in this area. All the decisions have different implications and in the modelling that goes on you see winners, losers, people who would be hard hit as a result of changes and you would have to be constantly aware of destabilising the system. At the moment we have something like 97 per cent council tax collection, which is pretty high and pretty good. Clearly, we are in difficult economic circumstances at the moment but having that destabilisation I think would be quite a problem. In terms of business rates, obviously, we have got our Supplementary Business Rates Bill in the House as we speak, so there will be some more flexibility around that. If you simply allow business rate to lie where it falls then again you come up against the issue of equity in that places which perhaps do not have the capacity to draw in as much business as other places will find themselves in a worse position. Again, I see the attractiveness of saying, "You have got the business, you have got the fumes, you have got the industrial capacity", but for those places that are not able to do that they would lose out.

Q659 Chair: Just asking about another aspect of local authority finances, which is local authority reserves, which I believe are about £25 billion-£30 billion, do you have a view as to whether those reserves might not be more usefully deployed in putting a Keynesian boost into the economy, for example?

Hazel Blears: Some local authorities have already decided to go down that route in terms of the assistance that they can offer to their communities. Part of the purpose of my visits to various places across the country will be to explore what local authorities and their partners are able to do to

mitigate that and assist people during the downturn in terms of homes and jobs. I am sure some places will be looking at some kind of fiscal boost if they can. The reserves are clearly an issue. They are required by auditors to be prudent and to have an appropriate level of reserves, and they have a three-year settlement now, and therefore they do need to have some contingency and flexibility to meet requirements. That is a good thing about the three-year settlement, that they are able to do that, but I would want to discuss with people what more they can do to try and help people during this economic situation because I think that is probably the biggest responsibility that all of us have.

Q660 Mr Betts: When we went to Denmark and Sweden we saw two models of local authority that you could argue have got more local accountability and democracy and are less centralised than ours. The Swedish local authority seemed to have the ability to spend at levels they felt were appropriate in their community, both individually and collectively. Denmark had a slightly different approach, where the local government association sat down with central government each year and recognised that central government had a right from a macroeconomic policy point of view to determine the overall amount that local government spent or to influence it very strongly, and they reached an agreement about the totality of local government spending, and the local authority association went away with its members and looked at how that should affect the budgets of each individual council throughout the country. Do you think that might be a more grown-up way of doing things than we do in this country?

Hazel Blears: I was just about to say that sounds like a very mature system that has probably developed over a fairly lengthy period of time. I would hope that the direction of travel that we are now embarked upon is about that growing maturity. I hope members of the Committee will have seen in recent times much more joint activity between government and particularly the LGA, the IDeA, the other organisations that come under the umbrella of the LGA, and I think you are seeing a different kind of relationship. I cannot say to you that next year we are going to get the LGA to set the budgets of individual councils because I do not think we are anywhere near that stage, but I genuinely do have a sense that the LGA are moving on from simply being a lobbying organisation to being much more about partners in delivery. I welcome that enormously and I think that is a sign of the maturity of the sector and I am very keen to do more work in that area. If you look at the Concordat, I have taken the opportunity to refresh myself on that, and I think it is paragraph 9 of the Concordat which asked central government to do certain things when we signed it a year ago in terms of reducing inspection regimes or reducing the performance indicator requirements and freeing up flexibility on ring-fenced grants, all of which we have managed to do. I think it is quite important that we take a look at regular intervals at that Concordat and see just how far we can move to perhaps a more mature relationship. I would love to go to Sweden and Denmark and have a look for myself. I will have to see if I can get out of the office.

Q661 Mr Betts: One of the recommendations from Lyons that has been put to us in some evidence is that, given that central government is likely at least to pursue in future to determine what you said, the vast majority of what local government spends, there should be at least some sort of independent oversight of that, probably greater transparency, a greater ability to provide independent and unbiased evidence to Parliament about what is precisely going on, so I think for some sort of independent commission to be established which might even go so far as to determine the settlement between authorities but certainly would give Parliament an unbiased and

authoritative view about precisely what was going on in terms of extra burdens on local authorities and what the real effects of the financial settlements were. Would you support that?

Hazel Blears: I would much rather the parliamentary system, including select committees like your own, had the opportunity to have a minister in front of them and not the head of an appointed commission. I fundamentally believe that it is right for Parliament to scrutinise people like myself who are elected to make decisions, other secretaries of state, and be able to inquire in that way. The more transparency we can get the better and I think the local government finance system is a bit Byzantine to most people, so making it more straightforward I think is right, but I think the accountability absolutely should be with ministers.

Q662 Andrew George: Moving on to constitutional issues, given that the Government signed up to the European Charter for Local Self-Government in 1997 and they ratified it in 1998, to what extent would you say that the Government is compliant with that charter?

Hazel Blears: I think we are pretty compliant with the charter. I went along to what I think was a Council of Europe meeting in Valencia last year which was looking at the implementation around the charter, both in terms of regional government but also in terms of local government and citizen involvement, and I think on all of those criteria we were making quite significant progress.

Q663 Andrew George: The Council of European Municipalities and Regions and others also in their evidence have suggested that we are not compliant with Articles 2, 4, 8 and 9. Would it be possible for you to perhaps provide a note to us to demonstrate the extent to which the Government is compliant with those articles in particular?

Hazel Blears: I am certainly more than happy to do that. I think there are different interpretations about what compliance looks like, depending on your perspective, but I would be more than happy to supply the Committee with that.

Q664 Chair: Can I ask finally about whether you see Parliament as having a role in monitoring the relationship between central and local government? There have, for example, been suggestions of maybe a joint Commons/Lords committee which would, like the Regulatory Reform Committee, monitor what was going on and make sure that no new legislation was shifting the balance of power in the wrong direction, from local to central government, so would protect the current settlement though allow more devolution if the Government wished to do it. Do you think there is a role for that?

Hazel Blears: I think I remain to be convinced. I am never in favour of more committees unless there is a real reason for doing it because sometimes I worry that that takes resource and focus that ought to be properly being used to deliver things to people and sometimes I think ordinary citizens get a bit frustrated if everything is about process. It takes me right back to the beginning: it should be about delivering better jobs, more skills, better health services, so I remain to be convinced of the merits of that suggestion but I would be perfectly to look at it.

Q665 Mr Betts: But there is something different, is there not? The Scottish people know that they have a devolution settlement which in reality even the UK Parliament or central government really could not change without the consent of the Scottish people. In this country, in England, say, with local government, for all your nice words today, which many of us might agree with, it could all be

reversed at the switch of a departmental decision. The Treasury could have a look and change it, the Secretary of State could change many of those things and just reverse the process without the consent of local government, without the consent of local communities. Is there anything we can do to ensure that there is more permanence to the sorts of changes that you are bringing about and want to see developed in the future?

Hazel Blears: I think it is always a fascinating debate, and I say that in a genuine way because I wrestle with some of this. We have a system in this country of parliamentary sovereignty. We do not have a written constitution. Governments that are elected and take a mandate from the people have virtually untrammelled power other than European frameworks of human rights, but within that they have fairly untrammelled power to change the way in which this country runs and to do that by passing Acts of Parliament. It is not just the decision of a secretary of state. You have to take your legislation through Parliament, you have to argue through it and you have to win it. That, I think, is quite precious in our system. If we had a written constitution that set out people's rights, responsibilities and our institutions, then I would want to see local government as part of that framework. I think the Concordat that we have signed is the first time that there has been an external statement of principles signed between national government and local government, and if we had a written constitution then I would want to see a strong place for that devolutionary settlement but we do not have that in this country and at the moment I think where we are is that governments that get elected by the people have the right to change things in the way the system works.

Q666 Chair: We have a slight interact with our signing the European Charter of Local Self-Government, for example, because if you are saying that Parliament has untrammelled powers would the signing of the European Charter of Local Self-Government actually limit Parliament's powers to, should it wish, convert us into a totally centralised state?

Hazel Blears: I am not going to get drawn into speculation but the parallel would be the European Convention on Human Rights. If you want to come out of that the implication is that you have to come out of the EU. I am not sure whether coming out of the European Charter of Local Self-Government would have the same implications and I shall look into it.

Chair: Thank you very much indeed, Secretary of State.