

# HOUSE OF COMMONS

## COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE

### THE BALANCE OF POWER: CENTRAL AND LOCAL GOVERNMENT

Memorandum from the Department for Communities and Local Government

#### Summary

1. This evidence is from Communities and Local Government.
2. Substantial progress has been made in recent years in shifting power and influence from central government to local government, through policy and legislation. Local authorities have gained significant powers, responsibilities and financial freedoms. The relationship between central government and local government has been recast and there is new-found confidence in the sector. This draws on measurable improvements in performance and a new role in strategic and democratic leadership in local areas. This new relationship is enshrined in the Central-Local Concordat, signed in December 2007.
3. Our guiding principle is that there should be a presumption that powers are best exercised at the lowest effective and practical level. We are confident that devolving power can often represent the most efficient and effective means of improving places, public services and civic and democratic life. Local government has improved substantially in the past 10 years. This has given us confidence to devolve powers in recent White Papers. But continued devolution depends on local government, working with the third and private sectors and other agencies to deliver continued improvement and efficiency at the local level. We believe there is still more to do and many of the challenges faced by central and local government must be addressed in a way that builds on this progress.
4. We look forward to the Committee's inquiry.

#### **Introduction**

5. This submission sets out evidence from Communities and Local Government.

#### **Our organisation and approach**

6. Communities and Local Government has policy responsibility in Government for local government, empowerment, planning, housing, economic development and regeneration, community cohesion and fire and resilience.

7. Our guiding principle is that there should be a presumption that powers are best exercised at the lowest effective and practical level. We are confident that devolving power can often represent the most efficient and effective means of improving places, public services and civic and democratic life. Local government has improved substantially in the past 10 years. This has given us confidence to devolve powers in recent White Papers. But continued devolution depends on local government, working with the third and private sectors and other agencies to deliver continued improvement and efficiency at the local level.

8. This involves not only devolving from Westminster and Whitehall to regions, sub-regions and local authorities but also from all layers of government to local institutions (e.g. schools and hospitals), to neighbourhood and community groups and to individuals. It is the role of central government to set national priorities and delivery frameworks and minimum standards, while providing support within an overall system for delivery and a fair distribution of resources.

9. Devolution should not, however, merely be construed as a process to shift responsibility from central agencies to local agencies. Rather it should be seen as a shift in power and responsibility which changes the emphasis towards locally-driven solutions, within an overall delivery system in which both central and local agencies play a vital role. We have worked closely with local government and others in designing the new local performance framework that supports this aim.

10. This new approach to delivering outcomes operates in different ways according to the challenges faced (e.g. climate change, obesity or improving educational attainment) and the optimum role of different central and local agencies in addressing these challenges. The optimum approach will also vary in different places, according to needs, circumstances, local political priorities and capacity. The development of the new local performance framework has emphasised the drive towards improving outcomes for local people, whilst at the same time reducing the burdens placed on local authorities and their partners, allowing them to focus on the achievement of priorities identified in Local Area Agreements. Local partnerships will be the main managers of performance, whilst central performance management will recognise success. The reduction of central prescription will allow more space for local partnerships to respond in an innovative way to local needs and make the best use of available resources.

## **Progress**

11. In 1997 the new Government's priorities were to bring about a step change in the quality of local services; to reinvigorate local democracy; and to modernise local government. It wished to put central-local relations on a wholly new and more constructive basis

12. The Local Government White Paper 1998 Modern Local Government: in touch with the people set out a strategy for reform and modernisation of local government in England. It provided the backdrop for reforming and renewing our constitution, devolving political power in Scotland, Wales and Northern Ireland, and setting up the Greater London Authority and Regional Development Agencies.

13. The White Paper also set a demanding agenda for change, with a commitment that central government would take this forward in partnership with local government. Central to this programme was the recognition that local government was uniquely placed to provide vision and leadership to their local communities.

14. The Local Government Act 1999 placed a duty of Best Value on local authorities in England and Wales to secure continuous improvement in exercising their functions, having regard to a combination of economy, efficiency and effectiveness.

15. The Local Government Act 2000 radically overhauled decision-making and accountability in local government. Central to these reforms was the clear separation between executive councillors and the majority of council members. A significant new power of well-being was introduced for local authorities - aimed at providing substantial scope to improve the economic, social and environmental condition of their areas.

16. The 2001 White Paper Strong Local Leadership - Quality Public Services aimed to incentivise performance through Local Public Service Agreements (LPSAs) and build in strategic decision-making with local partners through Local Strategic Partnerships (LSPs). The introduction of Comprehensive Performance Assessment (CPA) brought about a sharper focus on outcomes and performance.

17. The devolved decision making review of 2004 established the importance of a devolved approach and identified reforms to increase local autonomy to enable continuous improvements in public services. and local authorities on progress The review set out the aim of matching ambitious national standards with vigorous local autonomy and flexibility, in order to maximise efficiency and equity. The review set out the case for a devolution of responsibilities from Whitehall and the need for greater transparency, incentives and local flexibility and managerial autonomy

18. The Local Government White Paper Strong and Prosperous Communities 2006 (LGWP) set out ways to give local authorities and their partners more freedom and powers to meet the needs of their citizens and communities and enable citizens and communities to play their part.

19. Government offered:

§ a stronger role for local authorities to lead their communities, shape their areas and bring local public services together

§ more space for local authorities and other local service providers to innovate and respond to local needs

§ stronger focus on top priorities

§ a new local performance framework giving greater responsibilities to local authorities and partners in securing service improvements; and strengthening accountability to local citizens and communities

§ streamlining of inspection to provide a more coherent approach to assessment, based more proportionately on risk

In exchange for:

§ more bottom-up accountability

§ stronger local authority leadership

§ better and more efficient services

§ stronger support and engagement when things go wrong.

20. In March 2007, Sir Michael Lyons published his final report *Place-shaping: a shared ambition for the future of local government* that argued a developmental approach to reform was required, in order to build relationships and trust and increase public confidence in local government over time. The Government welcomed the Lyons report and have taken forward ideas and proposals set out in the report.

21. The *Governance of Britain Green Paper*, published in July 2007, set out the Government's vision and proposals for constitutional renewal: a new relationship between Government and citizens. It argued for power to be devolved from national government to national Parliament but also stated that power must rest with communities.

22. The *Sub-National Review of Economic Development and Regeneration*, published in July 2007 as part of the *Comprehensive Spending Review*, set out a framework enabling central and local

government to work together more effectively to maximise economic prosperity in England (see para. 31(d)). It recommended a mixture of devolution of decision making and delivery and streamlining of existing sub-national structures. The SNR reforms form part of a wider devolutionary programme which will help to ensure that decisions are taken at the right level to be effective and that decision makers have the right tools at their disposal.

23. The Sustainable Communities Act 2007 aims to promote the sustainability of local communities. The first invitation to local authorities to make proposals under this Act will be issued in October 2008.

24. The Local Government and Public Involvement in Health Act 2007 included provisions to:

- § provide statutory underpinning for local partnerships by placing duties on local authorities and named partners to co-operate to agree Local Area Agreement targets and to have regard to those targets once agreed

- § introduce a new duty on Best Value authorities to involve local people in local services

- § enable councils to submit proposals for restructuring

- § enable overview and scrutiny committees to review and scrutinise the actions of key local public service providers

- § reform the regime for the conduct of local authority members

- § enable councils to adopt all out elections and single member wards; introduce stronger leadership models for councils to choose between a directly-elected mayor and an indirectly elected leader

- § introduce measures to improve community governance including extending the power to promote well-being to certain parish councils

- § empower councillors to raise issues with overview and scrutiny committees as part of expanding the Councillor Call for Action to cover all local government services.

25. The 2007 Act also introduced a new duty on Best Value authorities to involve local people in local services, and policies to improve community governance including extending the power to promote well-being to certain parish councils.

26. The National Efficiency and Improvement Strategy, published in January 2008, set out proposals to agree priorities for improvement and development in councils and local partnerships. Central and local resources should be focussed on those priorities to support value for money and improvement. Regional Improvement and Efficiency Partnerships, working closely with the IDeA, through Regional Associates and Government Offices will ensure that a wide range of support is

available for local areas to help them deliver better outcomes for local people, with an emphasis on self-improvement led by the sector itself.

27. The independent Councillors Commission established by Communities and Local Government looked at the role of councillors and communication between councillors, councils and citizens, as part of its review of the incentives and barriers to a wider range of people taking up the role. Many of the recommendations made by the Councillors Commission in December 2007 have been taken forward through the White Paper Communities in Control: real people, real power.

28. The White Paper Communities in Control: real people, real power, published in July 2008, aims to pass power into the hands of local communities by generating vibrant local democracy in every part of the country, and to give real control over local decisions and services to a wider pool of active citizens. Related issues on local accountability for police and health services were considered in the Police Green Paper, From the neighbourhood to the national: policing our communities together, which was published in July 2008, and in A consultation on The National Health Service constitution, which was published in June 2008, respectively.

29. Local authorities too have made substantial progress in improving performance and delivering quality public services:

§ under the Comprehensive Performance Assessment (CPA), four out of five authorities are rated good or excellent; three out of four are improving well or strongly; and - for the second year running - none is in the lowest performing category according to the Audit Commission

§ Council Tax rose by 3.9% in 2008/09 - the second lowest since the tax was introduced 15 years ago

§ £3.2 billion of cash releasing efficiency gains have been generated over the past four years

§ Council Tax collection rates rose again, for the eight year running, to 97.1% in-year.

30. This all demonstrates that a substantial amount has been achieved in recasting the relationship between central and local government, with enhanced powers directed at economic, social and environmental improvement, being exercised at the most appropriate level. In turn this has been underpinned by a more mature and collaborative way of working between central and local government at all levels.

31. It is worth noting, however, that research and reports suggest that the extent to which the powers that are available are used varies between authorities. Research tells us:

§ councils generate £1b a year through their powers to trade, but only a quarter of the minority that use these powers aim to make a surplus

§ nine out of ten LSPs are aware of the well-being power but fewer than one in twelve are using it

§ only 60% of local authorities have used the significant new freedoms of the prudential borrowing regime introduced in 2004.

32. Councils need to use the powers available to them.

## **Key developments**

33. Our guiding principle is that there should be a presumption that powers are best exercised at the lowest effective and practical level. We are confident that devolving power can often represent the most efficient and effective means of improving places, public services and civic and democratic life. This section highlights some of the key developments in our broad ranging programme to deliver on our commitment to devolution and to locating all decisions at the right spatial level.

34. Of the many changes that have taken place, the negotiation of Local Area Agreements (LAAs) will be vital to effective delivery in the next 3 years. They require national government, local authorities and local service providers to work in partnership to deliver better services and an improved quality of life for local people. They mean finding out what local people need most, prioritising those needs and putting action in place to deliver results. They combine national and local priorities into a plan for prioritising and delivering local services through to 2011 and beyond. But no two agreements are exactly the same, because every area has different needs.

35. The new framework gives more flexibility to local areas in order to focus effort and resources on the priorities that matter most locally. In return, this should be matched by improved performance.

36. Performance will be monitored through a robust and independent system called the comprehensive area assessment (CAA). Assessment and inspection under CAA will be proportionate, risk-based and focus on outcomes. CAA will find out how well local peoples' needs are being met both by listening to their opinions and checking progress against the national performance indicators and, in particular, local priorities. Progress reports will be published so people can see how well their local service providers are performing under CAA and hold them to account for delivering results.

37. There have been six further important developments in the past year:

a) the Central-Local Concordat (attached) has helped clarify respective roles and responsibilities of central and local government. The Concordat is a powerful statement of principles for how central and local government should work together to serve the public. It consolidates the achievements of recent years and looks forward to developments in the relationship to come. It sets out reciprocal rights and responsibilities for central and local government. It acts as a clear point of reference as to how the relationship should develop in the future.

b) the first-ever three-year finance settlement has given local government the flexibility to make longer-term plans and investments. This covers not just the rising £23.5 billion core grant allocated to English local authorities each year, but also:

- sixty-one specific grants from seven departments also confirmed for three years at the same time
- forty-three grants now paid in a single sum each month through the new Area Based Grant with no strings on how the money can be spent
- moving £5.6 billion into general grants which are not ring-fenced by 2010/11
- £384 million to support improvement, innovation and efficiency in local government.

c) Publication of Business Rates Supplements - a White Paper, which proposes a new power for local authorities and the GLA to raise and retain - for spending on economic development - local supplements on the national business rate.

d) the Sub-National Review of Economic Development and Regeneration has set out a new framework for economic leadership at the local level. In particular, the recent consultation Prosperous Places: Taking Forward the Review of Sub-National Economic Development and Regeneration set out the Government's ambition to strengthen local government's economic role. Proposals include the introduction of a new duty on local authorities to assess their area's economy, further devolution of decision making and delivery activity from the regional level, and new tools for localities to collaborate to tackle issues shared across local authority boundaries, namely Multi-Area Agreements.

e) Transforming Places; changing lives: A Framework for Regeneration sets out Government's vision for regeneration and outlines ambitious proposals for reform. It takes a holistic approach - ensuring physical, social and economic regeneration are planned and delivered together to improve



outcomes for those places that are most in need. In doing so, the Government has consulted on proposals to devolve power: decisions about where to invest should be made as locally as possible

f) and crucially, publication of the White Paper Communities in Control: real people, real power.

38. The percentage of citizens who believe they can influence decisions in their local area has fallen since 2001. Public attitudes to traditional systems of government are changing. Expectations on service standards are rising, including in demands for information and high quality personalised services. Opportunities for influence and control should be available for all, but some groups (for example young people or disadvantaged groups) may need more support to take advantage of these.

39. Citizens rightly demand and expect more information, improved engagement, more say on decisions, and more scope to demand answers and action when things go wrong. They want to be able to call those making decisions to account directly - and have others to do so on their behalf. They expect systems of government, public service provision and local democracy to match their lifestyles and expectations.

40. Local democracy is central to strong communities. Local government is often the point at which people can best connect with politics. However, there is evidence that people in Britain are less active in politics now:

§ only 59% of the electorate voted at the 2001 general election, the lowest recorded turnout since 1945

§ when local elections are not held concurrently with a general election, local election turnout - including for Mayoral polls outside London - has varied between 30% and 40%

§ political party membership is now at a record low; in Europe only France and Italy have seen a more significant decline in the last twenty years.

But at the same time, underlying interest in politics has remained relatively stable since 2003.

41. There is a broad spectrum of ways in which citizens can become active and seek to exert influence. What is right for one person or group may not be right for another. People's interest, motivation and capacity will vary. But there are clear benefits from encouraging more people to become more involved in local communities, local democracy and local public services.

42. So, in transferring power to citizens and communities this means we need to:

- § acknowledge that people won't always want to participate or will want to take part in different ways

- § recognise that different solutions apply in different situations

- § support participative and representative democracy

- § develop a variety of mechanisms

- § give professionals more freedom to use their skills and experience to tailor services to individual needs.

43. The pace of change has been dramatic and devolution is working. Today we have a framework that has changed beyond recognition, giving local government new opportunities to do local things that local people want them to do.

### **Future challenges and opportunities for local government**

44. There are likely to be significant future challenges and opportunities for local government and its partners; these will vary from place to place. By empowering local councils and their partners we hope to support local solutions to these challenges and to ensure the right tools are in place to help local areas to embrace the challenges and opportunities facing their local area. The available evidence suggests key changes may include:

#### **§ Demographics**

- o a growing and ageing UK population

- o healthy life expectancy not rising as fast as life expectancy

#### **§ Economics**

- o global economic circumstances will have a considerable influence on local economies

## § Science and technology

- o technology is changing individuals and communities' behaviour and allowing them to personalise consumption

## § Environmental and resource issues

- o responding to environmental constraints will be increasingly critical to managing delivery and costs

- o extreme weather events will become more frequent, and services will need to adapt

## § Citizenship and democracy

- o citizens may have a greater role to play in mitigating problems and making positive lifestyle choices

- o a step change may be needed to encourage greater public engagement in the political process

45. Taken together, the evidence and trends suggest that prominent future strategic challenges for local government will be:

- § Mitigating the consequences of the economic downturn on business and on individuals

- § Meeting, within available resources, complex new challenges such as climate change and other issues, such as adult social care

- § capturing the potential of new technology in shaping how people live and work - and meeting their needs and priorities effectively and efficiently

- § rebuilding trust in political and government institutions to strengthen accountability and citizenship

- § ensuring that improvements in local public services is self sustaining - and that improvement in services and reputation can only be delivered by continued improvement in service delivery across agencies and engagement and transparency in decision making.

## **The future**

6. The 2006 White Paper set high aspirations on which central and local government have delivered. For example, the new performance framework represents a powerful and flexible new tool for central and local government to work together on delivering and improving local services and outcomes. Government has reduced the number of performance indicators from over 1,200 to less than 200 and all 150 LAAs were agreed and signed off in June 2008.

47. What we have put in place over the past year is a good base. The next period will determine how much further we can build on that base and many developments are in train. The new White Paper - Communities in Control: real people, real power - sets out how Whitehall is committed to supporting councils in putting more power in the hands of their residents. This is important because evidence shows that giving people a greater say helps them feel more satisfied, improves the delivery of services in collaboration between providers and recipients, and helps revitalise local democracy. Moreover, many of the challenges we face need active support from individuals and communities to change their behaviour or expectations.

48. Our guiding principle is that there should be a presumption that powers are best exercised at the lowest effective and practical level and thus we seek to devolve power where this represents the most efficient and effective means of improving places, public services and civic and democratic life.

49. But there are three conditions for effective devolution:

- § efficiency and effectiveness

- § capacity and capability

- § where the need for consistency and minimum standards outweighs the benefits of devolution.

50. This in turn leads to three conclusions:

- § we accept that applying these criteria lead to differing levels of devolution in different services and in different places

- § in devolving power, we promote and extend clear, visible models of political accountability and leadership that are most suitable to the local area

- § devolution is an ongoing and evolutionary process. As local capacity and confidence grows, we can devolve more power.

51. Many substantial challenges do not respect borough boundaries, for example housing, transport, education and skills performance, worklessness and child poverty. We believe local government should be able to work together better to tackle these issues. As a result, Multi-Area Agreements (MAAs) have been signed in seven places across England. We will be watching closely their progress and sharing good practice with others negotiating MAAs or looking to work across boundaries. Proposals outlined within the SNR consultation Prosperous Places would further enhance collaborative action, providing local government with additional tools and abilities to work on cross-boundary issues.

52. The Prime Minister announced plans for a Community Empowerment, Housing and Economic Regeneration Bill in the Draft Legislative Programme for the coming Session. The Bill will give a statutory basis to the policies announced in the recently published White Paper Communities in control: real people, real power and policy proposals from Prosperous Places.

53. Through a range of measures, this Bill will give citizens a real influence over decisions taken in their areas and which affect their lives. By giving people more incentives to get involved, by removing barriers to participation created by outdated legislation and by encouraging local elected representatives and officials to involve communities in decision making, this Bill will demonstrate that the Government is listening to citizens.

54. The proposed new duty on local authorities to promote democracy will mean that local councils are placed in their proper context: not as units of local administration, but as lively, vibrant hubs of democracy. This will strengthen their role in leading and shaping their area, established under the Local Government and Public Involvement in Health Act 2007.

55. We are also proposing to extend the "duty to involve" introduced in the 2006 White Paper and 2007 Act to a new range of public bodies: the Homes and Communities Agency, the Environment Agency, Job Centre Plus, Regional Development Agencies, the Arts Council, the Youth Offending Teams, and others. This means that these significant publicly-funded public bodies will be under a duty to listen to, engage with, and be accountable to the public they serve.

56. We want to see local government everywhere involving local people in the decisions that make a difference to their lives. Equally we want to see local government getting better at giving people the opportunity to become more directly involved in making their community a better place - for example, through building a stronger relationship with third sector organisations and social enterprises, or by handing over under-used assets to community groups.

57. The current comprehensive performance assessment (CPA) measures local government performance and covers both organisational capacity and the range of council services. From 1 April 2009, CPA and most rolling programmes of inspection will be replaced by a new performance assessment framework - Comprehensive Area Assessment (CAA).

58. The Audit Commission is working with six other local services inspectorates to develop and implement a methodology to deliver CAA. Key aspects of CAA are:

§ the needs and aspirations of local people are at its heart

§ there is a stronger focus on the experiences and view of local citizens, particularly the vulnerable

§ the delivery of better outcomes for each local area by local authorities working alone or in partnership, rather than the performance of an individual institution

§ the rationalisation of current approaches to reduce the potential for overlap and duplication.

## **Conclusion**

59. No part of government - department or agency - can deal with the challenges it faces or deliver the services it is charged with, on its own or without active collaboration and involvement of citizens and communities. No part of government can deliver a centralised and standardised service if it is to successfully meet the needs, aspirations and performance required in widely differing local areas. And no part of government can deliver successfully without considering the role and contribution of local government.

60. As councils step forward, central government can further reduce the burden of appraisal and approval regimes, the ring-fencing of funds and prescriptive guidance while ensuring minimum standards; building capacity and providing strategic leadership - helping us strike the right balance of national and local roles, and the optimum sharing of responsibility for meeting challenges ahead.

61. The more councils are able to step up to their strategic and community leadership role, the more they improve their performance and efficiency, and the more they involve the people they represent, the more devolution becomes a practical and political reality.

October 2008