

# ***Your Community, Your Choice***

**Policies for Local Government in England**

## ***Policy Paper 73***





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# ***Introduction***

Over the last forty years local government has been reorganised and restructured in such a way that the electorate no longer know, or for the most part care about, who does what or why. They feel they have no part in any of it and feel that their engagement will make no difference.

After nearly a decade under Labour, ministers and Whitehall increasingly restrict local decision-making. Labour's devolution rhetoric does not match the reality. Councils operate under a centrally driven target culture, the introduction of executives and mayors have had mixed results and unelected regional assemblies have been given hugely increased powers. Quangos and consultancies have mushroomed.

The practical reality is that centralised administration from Whitehall is staggeringly ineffective. Centralised public services disempower frontline staff, alienate clients and waste large sums of money in mistakes and bureaucracy. The record of centralised quangos is one of enormous inefficiency and very little real change on the ground. Worse, the word community is increasingly hi-jacked by central government to label centralised and ineffective initiatives, which leech power even further from local control. Effective and efficient public services - whether in health, schools, crime reduction or local administration - requires a major localisation of power and responsibility.

Liberal Democrats approach local governance from first principles:

- Decisions should be made at the lowest appropriate level with locally raised finance available to support, facilitate and inform decision-making.
- A fair election system should be universal.
- Public decision-making should be open and democratically accountable.
- Citizens should be given the incentives to re-engage with their communities.
- Models for local government in different parts of the country should reflect local needs without a one-size-fits-all model imposed from the centre.

The Local Governance working group applied these Liberal Democrat principles to all forms of community, local and regional government in England. The changes outlined here are designed to be revenue neutral. But the evidence is not just that locally managed services - which share responsibility with frontline staff - are likely to be more effective, but they are also more efficient and less wasteful than centrally-managed quangos.

We have tried to avoid the prescriptive nature of previous governments' reorganisations, allowing the decision-makers to determine what would work best in their situation.

In this policy paper we seek a renaissance of local government in England. Local decision-making is best because it leads to decisions being taken which meet the needs of the people they affect. In addition local decision-making is more directly accountable and engages the citizen. We believe we can achieve many of the goals of liberal democracy through these policies: efficient local services based on an area's needs, value for money and active citizenship.

This paper seeks to reflect the long held Liberal Democrat principle that local government will only be free of central government interference when councils are able to raise the majority of their funding locally. The issue of revenue raising will be addressed in more detail in the Tax policy paper.

The issue of decision making in England above the regional level will be addressed in the Better Governance policy paper commissioned by the FPC to report to conference in 2007.

## **Executive summary**

At the core of liberal democracy is a belief that decision-making should be as close as possible to the people affected by the decisions and that active citizenship and involvement in decision making leads to better governance.

### **Community decision as the foundation of governance**

Communities should be allowed the maximum flexibility to manage their own affairs and control their own destinies. We would ensure all communities have the right to set up their own decision-making structures. There would be no one-size-fits-all approach and communities would be encouraged to adopt models that could include the following:

- **A community council** having the right to take on functions from the principal local government tier, with the opportunity for councils to work together on joint commissioning.
- **Area committees**, made up of members of the principal tier of local government for a particular community, which would handle local government functions for that community.
- **Local management** of libraries, parks, sports facilities and other local government service buildings where local people want it. This would operate in a similar way to local management of schools. Governing bodies would be responsible for day-to-day management with a devolved budget but would continue to operate within the strategic control of the principal local authority for the area that would remain democratically accountable.

### **Freeing local government**

Local government has been under siege from Westminster for decades. The current system effectively means that councils are too often the agents of central government and work towards centrally imposed targets rather than local priorities. Liberal Democrats would reverse this centralising culture and get rid of the straitjacket of centralised control.

- **We would introduce a concordat for local government** in England that defines the rights and responsibilities of local government and limits the power of central government to interfere in local decision-making.
- **We believe that in most areas a single principal tier of government, with boundaries set according to natural communities local people recognise, would foster good governance** but any changes to the current system should be approved first by local referenda which would present residents with a range of options on local council structures.
- **Councils would be given an enhanced power of general competence** so that they can address the real needs of their residents.
- **We would allow councils to draw up their own internal structures** rather than impose a limited number of models from the centre but we would require any models to follow the principles of, and meet the test of, openness, democratic accountability and clear lines of responsibility.
- **We would shift the balance of revenue raising from central to local government.** Local government will only be free of central government interference when councils are able to raise the majority of their funding locally. We would aim to do this initially through:
  - Returning control over business rates to councils;
  - Scrapping Council Tax and replacing it with a local income tax based on ability to pay. Over time, the proportion of revenue raised from income tax by central government would be reduced whilst that of local government would be increased proportionately. We would ensure a system for equalisation of funding so that areas with lower tax bases are not penalised.

## **Councils cooperating across boundaries**

There are a wide range of services currently run by quangos, boards, agencies and trusts whose accountability is not to the service users but instead to central government.

We apply the rule that these services should be run at the lowest possible level. There needs to be strong justification for not operating a service at the local council level or below. We believe that responsibility for services including planning, police, economic development and health should rest with local government as the only directly accountable local bodies in England outside London. They should come within the sovereignty of local government.

However, we recognise that many functions are too big for some individual councils to operate. Much of what needs to be done to revitalise England, such as large transport infrastructure projects, major economic development and strategic planning, needs co-ordination and collaboration between councils.

Some of these problems could be solved by the creation of directly elected Regional Assemblies in England and the legal basis for these remains on the statute book. However, we recognise that the 'No' vote in the North East Referendum means that we need to find alternative ways forward. We believe that councils should be free to work in partnerships across areas to operate functions jointly.

Whilst councils are ultimately responsible for the service delivery, the structures they adopt to deliver them should be for the local councils concerned to decide, subject to the systems being open, transparent and representative of the constituent authorities. In some instances, local authorities may wish to set up a directly elected body such as a city region. As this involves the transfer of responsibility over functions to another directly accountable body, a referendum should be held before any such change can be permitted.

# ***Communities as decision makers***

1.0.1 We all live in communities whether they be villages, towns, or cities, outskirts or central, urban, rural or suburban. They shape our daily lives and experiences. They are our first and closest link with a wider society. And they can be part of our very identity.

1.0.2 Distinct communities have their own distinct needs and ambitions. People are often genuinely concerned about what happens in their neighbourhood, and want to be informed and involved in the decisions that affect them. But too often these ambitions are thwarted by the managerialism and centralisation of public services.

1.0.3 Liberal Democrats would therefore reform the system of local governance to empower communities. We would grant decision-making powers to all communities that want them. Our aim is to disperse power to communities and individuals, not just to councils. We want to engage people in active citizenship: involving them directly in the management of their neighbourhood and the services they use.

## **1.1 Community councils**

1.1.1 Every community, urban (including London), suburban or rural, would have the right to establish a community council. The arrangements for establishing such councils will be based on the existing powers to petition for a parish council in England outside London. Community councils would be able to have more powers and responsibilities than existing parish councils. Local people would be able to hold a referendum to establish a community council, while existing parish councils would be given the opportunity to take on more powers. Community councils would have a statutory right to take on more decision-making powers from the principal local authority than ever before.

1.1.2 Budgets for individual services, and the power to decide service levels, could be delegated from principal authorities to community councils (together with appropriate management support) where community councils wanted to take on these responsibilities. In some areas, community councils could work together to buy in services

jointly - thus ensuring economy of scale, while retaining community control. Two neighbouring communities could join together to buy in, for instance, additional community policing services - like extra patrols, community wardens or police support officers.

## **1.2 Area committees**

1.2.1 In areas that don't want separately elected community councils, neighbourhoods should still be able to exercise discretion over local services. Communities would have the power to petition their council for a neighbourhood board or area committee made up of the councillors that represent the area.

1.2.2 Area committees would have devolved budgets for specific services, or capital projects, and the power to decide how to spend them. For instance, a neighbourhood could be granted a portion of the environment budget and decide locally which parks to upgrade, where to install a playground, or whether to replace the street lights.

## **1.3 Shared interest communities**

1.3.1 Community governance would help build communities. Local people working together can build relationships and support networks that foster community spirit. The more people are encouraged to get involved, the stronger that spirit would be.

1.3.2 Liberal Democrats believe in the democratic participation of all citizens. No matter what people's local interests are - sports facilities, library services, education, combating anti-social behaviour - we want to find ways to involve them in local decision-making. Creating systems of community governance that require major time commitments - like being elected to the council - are not the only answer. We would develop models of governance that allow young parents, busy professionals and senior citizens alike to get involved.

1.3.3 Local management of schools by governing boards - comprising parents, teachers and local representatives - was first developed by the Liberal Democrats in Cambridgeshire. Thanks



to this innovation, thousands of people act as school governors who would otherwise not be involved in decision-making. We would use this model to build participation in wider local services including libraries, parks and sports centres.

1.3.4 A library's governing board could comprise members elected by registered users, staff representatives, and local authority appointees. The budget would be delegated and the governors responsible for the day-to-day management, while the council concentrated on strategic library issues. Similarly, a sports centre governing board could include representatives of local sports clubs as well as staff. Regular users

could register as supporters, and gain voting rights to elect representatives. Consultative and fundraising 'Friends Of' groups could work as an alternative to, or first step towards, establishing a governing board. The final decision to place a local service under the management of a governing board would be taken by the local authority, but local people or community groups would have the power to petition the council to do so.

1.3.5 With day-to-day management of communities dispersed at grassroots level, the local authority can concentrate on giving strategic direction and ensuring governance is joined up within a coherent and accountable framework.

# ***Local government in England***

2.0.1 Central government has been stripping powers from local government for generations. Public services like education, healthcare, policing and sanitation were pioneered by local government, but the only control councils now have is as a stakeholder in decision-making. Liberal Democrats would dismantle the high-handed and authoritarian micro-management of local government by central government.

2.0.2 We believe that local councils should not be simply the executive agencies of Whitehall departments. They are an independently elected and democratically legitimate tier of government. We cannot return power to communities without strong democratic local government, because devolution without democracy is just tyranny on a local scale.

2.0.3 More power for local authorities must go hand in hand with more accountability. Local councils should empower people and communities. This requires clarity of responsibility - it should be easier for people to know who is responsible for which local services. Councils should be open to scrutiny for their decisions and actions. They should be innovative, receptive to new ideas and willing to share best practice.

2.0.4 That does not mean we need a single structure imposed on councils from above. They should be benchmarked by how they serve their communities, not by how they match up to external target setting.

## **2.1 A concordat on powers and responsibilities**

2.1.1 Liberal Democrats believe that the powers of central government, and of government at the European level, should be defined and limited in written constitutions. We wish to apply the same principle to the field of local government. We would introduce a concordat between central and local government in England. This would be an agreement arrived at by both central and local government that defines the rights, responsibilities and powers of each in relation to the other.

2.1.2 The concordat would protect local government powers from central government interference. Ministers would no longer be able to interfere in the affairs of councils, except where a council is working, by agreement, as an agent of national government.

## **2.2 Tackling the quangocracy**

2.2.1 The current system of local governance in England is democratically deficient. Many decisions that directly affect local people are not carried out by democratically elected councillors, but by a quangocracy of trusts, agencies and committees. (For example Learning and Skills Councils and the Strategic Health Authorities) are only accountable to the Secretary of State in Westminster. Together, these undemocratic agencies outspend councils by a huge margin. In Liverpool for example, for every £1 spent by the council, £8 is spent by unelected officials.

2.2.2 Sovereignty over these functions must be brought back within elected local government. Where regional quangos are operating, councils must work together to assume their powers. Where local teams and partnerships have been set up, democratic accountability should rest within the structures of local government.

2.2.3 The National Health Service is run almost entirely by quangos with local decisions taken by unelected appointees. The only elected person responsible is the Secretary of State. Liberal Democrats would place the health commissioning powers of Primary Care Trusts under local democratic control, subject to a duty to have regard to equity, effectiveness and efficiency (the Health policy working group commissioned to report to the September 2007 conference will further develop the detail of this policy).

## **2.3 Structure and boundaries**

2.3.1 In order for councils truly to represent the people they serve, boundaries must be based on natural communities. Big is not always beautiful: the creation of giant councils serving up to a million people can often mean decisions are taken too far away from the people they affect, diminishing accountability. The two-tier structure

of local government in many areas can also impair transparency. Residents do not know who to turn to with problems, or who to blame when things go wrong.

2.3.2 We believe that in most areas, a single principal tier of government, with boundaries set according to natural communities local people recognise, would foster good governance. However, the final structure must be a decision for the people living in an area. Any move from two-tier to single tier must be preceded by a local referendum, not imposed by central government.

2.3.3 The option of city regions - creating a two-tier system of local governance in major areas - should also be made available, subject to a referendum in which all affected areas would need to give their consent. But powers must be transferred down from national government to the city region, not upwards from local councils. Powers taken down from central government might include for example powers over transport infrastructure.

2.3.4 Smaller councils may opt to be commissioners rather than providers of services or work with neighbouring councils to generate efficiencies of scale.

## **2.4 Elections**

2.4.1 The democratically deficient first past the post system generates too many out-of-touch authorities, and councillors who fail to engage with their electorates. Many areas are effectively one-party states, where the same party has ruled for decades with no real opposition. This is unhealthy for democracy, encourages the feeling that voting never changes anything, and has diminished the standing of local government.

2.4.2 Liberal Democrats would establish a system of elections based on the Single Transferable Vote (STV) system for local elections. STV retains the system of wards based on communities, and produces results that are broadly proportional.

## **2.5 Internal structures**

2.5.1 With accountable structures and transparent decision-making, councils would be well equipped for a major transfer of power. As well as strategic control over local services - like healthcare and policing - councils also need an enhanced power of general competence. This would equip them to serve and champion the community to the best of their ability.

2.5.2 Since the Local Government Act 2000 all but the smallest councils have had to delegate powers to an executive body, while other councillors carry out a scrutiny role. The smallest councils were allowed to retain the traditional committee structure that many councils prefer. Some councils' executives are in the shape of directly elected mayors, though establishing a mayoralty has to be approved in a local referendum.

2.5.3 Liberal Democrats believe that central government should not dictate the internal decision-making structures of local government. Labour's approach in the Local Government Act 2000 was narrow and prescriptive. We believe councils should be able to set up constitutions and decision-making structures of their own, subject to the systems being open, transparent and democratic.

2.5.4 There are many structures that could be used. Liberal Democrats have concerns about the routine concentration of power in the hands of one person as in the executive mayor model. There should be more checks and balances in the system, with all decisions open to scrutiny. Residents could elect the whole executive rather than just a mayor. Some councils could choose to return to a committee system. Others may opt to keep the leader and cabinet system.

2.5.5 Where councils opt to concentrate power in the hands of one person, such as a mayor, the people should have the power to remove them in specific circumstances, with a recall system like that used in many US states.

# ***Collaborative working***

3.0.1 At the core of our programme is a radical decentralisation of power to local government, and to communities. But many services are simply too large, specialised or strategic to be run by an individual council. Much of what needs to be done to revitalise England, such as large transport infrastructure projects, major economic development and strategic planning, needs co-ordination and collaboration between councils.

3.0.2 Some of these problems could be solved by the creation of directly elected Regional Assemblies in England. The legal basis for these remains on the statute book, and we continue to regard this as a potential option in the long term. However we recognise that the 'No' vote in the North East Referendum means that we need to find alternative ways forward. Where regions are large and disparate - like the South West - there is in any case scope for devolving power much further.

## **3.1 Existing regional structures**

3.1.1 Labour is pressing ahead with regionalising decision making, taking power away from local communities and placing it in the hands of appointed regional chambers. Many of the representatives are councillors, but others have been appointed from quangos such as Learning and Skills Councils and Regional Development Agencies, while others are local businesspeople. There are a host of other regional quangos such as Strategic Health Authorities, which make major decisions about specialist care, and medical training. Other organisations such as Sport England and the Environment Agency operate on a regional structure.

## **3.2 Voluntary collaboration**

3.2.1 Regional and sub-regional collaborative working would satisfy our ambition to devolve power from the centre while retaining sovereignty at the local level.

3.2.2 Liberal Democrats have never seen the need for perfect uniformity. Tidiness is not an end in itself. The important thing is that services are run effectively, efficiently and democratically, not that they are run the same way at each end of the country.

3.2.3 Different arrangements would suit different areas. The flexibility we propose would allow structures to be created between local and national government but without clouding accountability because sovereignty would be held by local councillors.

3.2.4 Liberal Democrats believe that councils could take on larger, strategic services and decision-making if they establish joint working arrangements at a high enough level to make it viable. Under such a system final sovereignty would rest with directly elected local authorities.

3.2.5 Many councils already operate with joint boards running fire services, waste disposal and more. Others have entered into collaboration on individual projects like planning and transportation. Councils, even those of different political persuasions, recognise the benefits of joint working. The impetus to collaborate in this way would be even greater if it was a route to reclaiming more powers and responsibility from national government.

3.2.6 We envisage maximum flexibility on this issue, as many areas would wish to bring together different functions - training, economic development and housing for example, or police, fire and ambulance services. Councils may wish to work with different groups of authorities for different services.

3.2.7 If the existing Regional Chamber had support, a region could keep it as the vehicle for taking power to the region. Reforms would be necessary, however: members would need to be councillors, not appointees, and membership would have to take into account the political composition of the region. As sovereignty is held at local level, funding for the Chamber would come from local authorities on a formula agreed by them. The Chamber could bring the existing quangos including the Regional Development Agency, Learning and Skills Council and the Strategic Health Authority, under one roof and work to scrutinise and co-ordinate their functions.

3.2.8 These arrangements would not suit every region. A larger region might set up a Chamber to deal with transport and environmental protection, but transfer the functions of the RDA and LSCs to

several smaller groups of councils working together. Some pairs or small groups of councils could collaborate on cultural activities, providing affordable housing, or other services, as they see fit.

3.2.9 The largest regions might not retain any organisation at the existing regional level. A region could split into two or three sub-regions and take most decisions at the sub-regional level. But it could choose to operate transport separately because major roads and railway lines cross the sub-regional boundaries and it makes sense for councils to group themselves differently for transport.

3.2.10 The future shape and scope of quangos would be for local government to decide. They would have power to scrap quangos or reduce or transfer powers and functions directly to local councils or to accountable bodies better suited to carry out functions. Local councils may, for example, wish to scrap the RDA and transfer its functions to councils. In other areas, councils may opt to keep a development agency but because funding, accountability and scrutiny would come from local not national government, it would be the agency of local people not Whitehall.

# ***Financing local government***

4.0.1 Freedom for local government is ultimately dependent on freedom to raise and spend money. Until councils have control over their purse strings, central government will continue to call the shots.

4.0.2 On taxation, Britain is the most centralised state of all the member states of the European Union: 94.3 per cent of taxation is raised by central government. Of all 25 EU member states, only Malta raises a higher proportion through central government - 100 per cent - but its population is only a little larger than the London borough of Croydon.

4.0.3 Local government only raises about 25% of its money locally. That leads to problems with gearing, where small budget increases lead to huge tax rises. And it gives Whitehall the authority to micromanage and interfere, simply because it pays the bills.

4.0.4 Liberal Democrats propose the radical decentralisation of power. That means councils taking responsibility for a far higher proportion of public spending. If that responsibility is to be meaningful, a higher proportion of revenue raising should be transferred from national to local government. This means that as the amount of taxation raised locally rises, national taxation will fall.

## **4.1 Local taxes**

4.1.0 The Liberal Democrat tax policy paper reporting concurrently is responsible for the issue of revenue raising in local councils and those proposals are not repeated here. However, this paper reflects the Liberal Democrat principle that local government will only be free of central government interference when councils are able to raise the majority of their funding locally.

4.1.1 Liberal Democrat policy includes proposals to relocalise business rates, and subsequently reform the basis on which they are levied to Site Value Rating, and to introduce a Local Income Tax, based on the ability to pay, in place of the unfair and regressive Council Tax.

Such measures would go some way to increasing the power of Councils to determine their own spending priorities.

4.1.2 Liberal Democrats would aim over time to ensure that local government is responsible for raising the majority of its spending locally. Our long-term ambition is to raise the level to 75%, dependent on the pace of devolution of powers.

4.1.3 Councils should have tax-varying powers over the taxes assigned to them: ring fencing tax income decided nationally is not enough. Our aim would be to give councils powers to vary the taxes assigned to them. But only directly elected authorities should have the power to levy taxes, not joint boards or authorities that have appointees as voting members.

## **4.2 Equalisation**

4.2.1 England is a diverse country in terms of wealth, income and need. If we are to transfer a greater proportion of revenue raising to local government in order to fund local services, equalisation systems are required so that poorer areas are not forced to have either punitively high tax rates or sub standard services.

4.2.2 Equalisation grants are a vital part of local government finance. But England's existing system is possibly the most impenetrable, opaque and confusing grant mechanism in the world. We need a simpler, more transparent grant system. In the long-term when Councils are raising the great majority of their revenue locally, the purpose of the grant system should be solely equalisation, not revenue support.

4.2.3 The total amount of public money available for equalisation is a matter for the central government. The equalisation formula - including the redistribution of some business rates - should be decided by a committee of local government representatives chosen on a politically and geographically representative basis. The committee would take into consideration both resources and needs in allocating funding.

*This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party, except in appropriate areas where any national party policy would take precedence.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

### **Working group on local governance**

*Note: Membership of the working group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this paper.*

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