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| Review of ‘Revitalising Local Government’ in the light of UK experience  by  Jane Lethbridge  j.lethbridge@gre.ac.uk  March 2014  A report commissioned by The United Services Union (USU), New South Wales, Australia  The Public Services International Research Unit (PSIRU) investigates the impact of privatisation and liberalisation on public services, with a specific focus on water, energy, waste management, health and social care sectors. Other research topics include the function and structure of public services, the strategies of multinational companies and influence of international finance institutions on public services. PSIRU is based in the Business Faculty, University of Greenwich, London, UK. Researchers:  Prof. Steve Thomas, Jane Lethbridge (Director), Emanuele Lobina, David Hall, Sandra Van Niekerk |

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Review of ‘Revitalising Local Government’ in the light of UK experience

**Introduction**

‘Revitalising Local Government’ is the Final Report of the NSW Independent Local Government Review Panel, published in October 2013. This review of the Final Report is written from the perspective of the experience of the UK, particularly England. It has been commissioned by the United Services Union (USU), New South Wales, Australia.

Local government remains an important part of the local democratic process and a commissioner and provider of public services. It is also a significant employer. The introduction of commissioning and contracting out of public services has been an important change in recent decades. Demographic and economic changes also present local government with challenges to existing structures.

There are a number of issues emerging from ‘Revitalising Local Government’ which will be addressed below. They are:

* Role and importance of local government (Section 2)
* Localism (Section 2.3)
* Place based leadership (Section 2.5)
* Financial Sustainability (Section 3.3)
* Mergers, structural reform and regional joint organisations (Sections 9,10,11)
* Rural Councils and Community Boards (Section 12)

**Role and Importance of Local government (Section 2)**

Although the report argues for the need of a range of governance options to meet the needs of the diversity of geographical factors, population size and density, cultural mix, economic prospects, the Panel did not consider it feasible or appropriate to define core functions of local government. Local government did not want any recommendations that were too prescriptive.

Although this position of not wanting to be too prescriptive is understandable, some caution should be taken in avoiding the definition of core responsibilities. In the period since the 1980s, there has been a process of public sector reform which has changed the nature and role of the state and local government within it. The role of the private sector has become more influential. Having a definition of core functions could provide some protection for local government so that it does not become a ‘hollowed-out’ structure, which the outsourcing of services could lead to.

**Localism (Section 2.3)**

The report refers to the experience in the UK and the use of the term ‘localism’, which has been used to introduce ways of reducing central government control. Although in England the Localism Act 2011 promised to introduce a decentralisation process which would give more control to local government, there is a contradiction in the process of implementation. The Localism Act “*gives local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited; they will not, for example, be able to impose new taxes, as an individual has no power to tax*”. [[1]](#endnote-1) The ability to raise taxes and generate their own income is crucial for local authorities if they are to be independent from central government control. This is the first of several examples that show that UK/England central government commitment to localism has its limits.

The 2011 Localism Act gives community organisations, parish councils and local authority employees the right to express an interest in taking over the running of a local authority service. The local authority has to consider and respond to a challenge from these groups. If it accepts the challenges, the local authority has to run a procurement process for the service in which the challenging organisation can bid. This has significant implications for public services because they are opened up to a procurement process in which the community organisation may not be successful in winning. It provides an opportunity for the for- profit sector to enter the competition. Dissatisfaction with public services should be addressed in other ways. It also shows that the concept of localism has to be treated with care because it can be used to undermine the functioning of local government by drawing in local groups to challenge and undermine public services delivered by local authorities.

The period since 2010 under the Conservative-led coalition government has been characterised by increased central government control over the actions of local authorities, partly through limiting or readjusting the grant allocation for local authorities, which provides funding to address social and economic problems. There is still a system of rate capping in place, which limits the power of local authorities to increase the local council tax, a form of property tax. Local authorities have been given more freedom to give business rate discounts in order to attract companies, but not to raise money. Business rate discounts will reduce income rather than increase it. This shows that central government commitment to strong local government is limited and that the promotion of the concept of localism is not linked to strengthening local government.

Ministers can transfer local public functions from central government or quangos to local authorities, combined authorities and economic prosperity boards. However, it is Ministers who can make these decisions rather than local communities demanding these functions. This shows that central government still has a significant influence on local authorities. An illustration of the tension between local and central government can be seen in the 2013 Growth and Infrastructure Bill, which could give the Secretary of State for Communities and Local Government the power to make decisions if local authorities are considered to be making "*unnecessarily slow decisions*". [[2]](#endnote-2) This provides a stark contrast to the Localism Act (2011) which aimed to provide local communities with more power to influence local decision making. It will also be significant if the political control of central government is different to that of local authorities. The commitment of central government to localism is really about using local groups to challenge local government. There is no integrated plan for helping local government to address their problems of budgets and resources, which is what a commitment to localism should involve.

The Localism Act has not led to significant redistribution of power between central government and local authorities. Local government in London still depends on central government for 95% of its funding, which restricts the ability to grow and innovate. [[3]](#endnote-3)

**Place based leadership (Section 2.5)**

‘Revitalising Local Government’ states that the “*relationships between councils and State*

*agencies often fail to maximise the use of available resources (p.24).* One way of improving the relationships between councils and State agencies could be to draw on the experience of Local Area Agreements (2000s) in England. Local Area Agreements (LAA) were the main structures for encouraging partnership working from 2004-2010 (during the period of the New Labour government). They were also part of the local government performance management system. LAAs created formal partnership working structures between central and local government and other public sector delivery partners, which led to the creation of 3 year statutory plans. They became a way of bringing together local agencies (state and non-governmental) to plan services and their delivery for a locality. After initial pilot testing periods, when the partnerships were created and negotiated, local authorities then became responsible for negotiating an LAA with local public, private and voluntary partner organisations. There was a formal process of ‘signing off’ by the regional Government Office on behalf of the Secretary of State for Communities and Local Government. [[4]](#endnote-4) The most successful LAAs led to increased working between government agencies and local authorities which made delivery of public services more effective, for example, local public employment services working with education and welfare benefit services.

One of the important features of LAAs was that local authorities took the lead and led the development of partnership building to deliver more integrated local services. In this sense, they contributed to strengthening local government.

F**inancial sustainability (Section 3.3)**

The report states that *“Only one third of councils operating a surplus and others are operating deficits (p.26).* This threatens the future of local government. This situation is also found in the UK. One of the biggest problems facing local authorities in England, at the moment, is the depletion of their reserves. If local government generated more of its income it would provide local authorities with greater independence and could enable local people to influence local government financial planning. The argument against increased income generation by local government is that it represents an abdication by central government of its role to support local government and the democratic element within it. Fiscal decentralisation policies have been used more widely (globally) as a way of passing responsibility from central government down to local government for the provision of services. This is seen as part of the privatisation process. [[5]](#endnote-5) [[6]](#endnote-6)

However, in Sweden and Finland, municipalities have created companies which raise money for local authority activities, for example, infrastructure building. [[7]](#endnote-7) Since 2013 in England , the Local Government Association, which represents local authorities in England, has been working with a group of local authorities to form a Bonds Agency which could raise money by issuing collective bonds and then loaning the money to local authorities. [[8]](#endnote-8) However, the success of this agency will depend on whether central government (Treasury) will agree to this. The Treasury fears that the interest paid by local authorities on interest could be a loss of public money.[[9]](#endnote-9) However existing arrangements for public-private partnerships already show significant losses to the public sector. The Greater London Authority, which has successfully raised money for Crossrail (a new cross-London railway) through issuing a £600 million bond issue, is an example of a regional authority raising money for an infrastructure project without the help of central government.

**Mergers, Structural Reform and Regional Joint Organisations (Section 9,10,11)**

The English system of local authorities functions with two basic models: a unitary authority model in some districts and a dual authority model in other districts. A unitary authority is solely responsible for a range of local authority functions e.g. planning, social services. A dual authority model has local district councils, which are responsible for local functions and the local delivery of services and a County Council, whose strategic functions cover a group of local district councils. These two structures have been functioning for several decades with some adjustments.

Although London remained without a strategic authority for 14 years, the London local authorities formed an organisation to link their interests, which has continued to function. Now known as London Councils, it represents London’s 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all of its member authorities whatever their political position. It also hosts several cross London organisations which include: [London Safeguarding Children Board](http://www.londoncouncils.gov.uk:80/policylobbying/children/safeguardingchildren/default.htm) – representing London’s councils in a broader partnership with police, health and other partners to promote child safeguarding across London; [London Young People’s Education and Skills Board](http://www.londoncouncils.gov.uk:80/policylobbying/children/education14to19/default.htm) – the lead strategic body for 14-19 education and training in the capital. London Councils is the [Regional Employer](http://www.londoncouncils.gov.uk:80/committees/networks/reo/default.htm) body for London local authorities.[[10]](#endnote-10)

A more recent experience of councils combining to form a strategic organisation can be found in Manchester. In 2011, ten local authorities in Greater Manchester were the first group of local authorities to form a statutory Combined Authority to co-ordinate economic development, regeneration and transport functions (as under the Localism Act).  The Greater Manchester Combined Authority (GMCA) was established on the 1 April 2011.[[11]](#endnote-11) The Association of Greater Manchester Authorities (AGMA), which acts as a ‘voice’ for ten local authorities in Manchester (similar to London Councils) but also works in partnership with the Greater Manchester Combined Authority. The GMCA has more similarities to some of the proposed structural reforms (Section 10 Advancing Structural Reform), for example Regional ‘Joint Organisations’ proposed for statutory groupings of local authorities to be responsible for ‘high level’ strategic functions. The merger of local authorities often has implications for the size of the workforce and can be used to reduce it. If this is also considered with the current trend for shared services both within and between local authorities, which are being outsourced to companies such as Capita and Civica, the trend towards merging local authorities can be used to undermine the democratic functioning of local government.

In England in 1994, 9 Government regional offices were set up to represent 12 Government departments in the different English regions. They were abolished in 2010, with the government spending review introduced by the Conservative-led coalition government. [[12]](#endnote-12) They provided planning and statistical services to English regions. At the same time, some regions set up Regional Assemblies which were supposed to anticipate the creation of English regional Governments, proposed by the New Labour Administration after 1997. Local regional referenda in 2004 voted against the creation of regional governments. However, the continued inequalities between London and the North of England, have led to renewed calls for some form of regional government. This example shows that the proposals to create regional organisations or regional groupings of local authorities are strongly influenced by local, regional and federal/central level politics and policies. Local government structures are not politically neutral technocratic issues, but draw in current political issues.

There have been recent attempts to merger groups of local authorities in England with limited success. For example, Breckland Council proposed to merge with Yarmouth Borough Council (East Anglia) in 2012 , with a proposed savings of £100,000. This merger failed because Labour won control of Yarmouth Borough Council. The information that was gathered about the costs of the failed bid showed that at least £10,000 was spent on staff time in each council. Even failed mergers cost money and time. [[13]](#endnote-13)

In 2010 in Somerset (SW England), councillors in Langport initiated a community governance review when it sent a 250 signature petition to South Somerset District Council asking for a merger with Episcopi Parish Council. However less than 20% of the population supported the idea. There had been a lack of communication between the two councils. [[14]](#endnote-14)

These two examples show that mergers may be triggered by the interests of one council, but not necessarily shared by both councils. The political reasons for merger may change with a change in political leadership, suggesting that the reasons for merger are less about working more effectively but more about meeting political agendas.

There has been extensive discussion about future reforms of local government in Wales. Prof Malcolm Prowle, Professor of Business Performance Nottingham Business School and writer on public finance issues highlighted some of the potential problems of mergers. There are often unrealistic cost savings because of the time taken to complete a merger. Mergers cause disruption to the way in which councils operate and to service delivery. If two weak organisations are merged, this often leads to the creation of another weak organisation. Research also shows that there is little to link the size of local authority with performance. Larger authorities are not necessarily more efficient. **[[15]](#endnote-15)**

In addition, Colin Copus, Professor of Local Politics and Public Policy (De Montfort University, Leicester, reported that there is no consistent evidence to show that larger local government units are more efficient. What has emerged though is that the larger the unit of local government, the greater the loss of trust in councillors and council officers. As councils become larger, people find it harder to identify with them. Mergers of local authorities and increased size of local authorities are driven by the need to save money rather than the interests of good democratic local government. [[16]](#endnote-16)

**Rural Councils and Community Boards (Section 12)**

In England there has been a system of Parish or Town Councils since 1894, when they were created by the 1894 Local Government Act. They are the first tier of local government. There are around 10,000 local councils in England and Wales, made up of nearly 100,000 councillors.[[17]](#endnote-17) They are found across England and Wales, except in large metropolitan urban areas. They represent about 35% of the population or 15 million people. Over 150 new parish and town councils have been created since 1997. They aim to protect the interests of local communities and represent them to national government.[[18]](#endnote-18)

One way of increasing community participation can be to involve local communities in deciding how local budgets will be spent. This has been tried recently in England. [[19]](#endnote-19) An evaluation of participatory budgeting provides some insights into how this has worked. The report, commissioned by the Department of Communities and Local Government, found that [[20]](#endnote-20) participatory budgeting worked most effectively when used in conjunction with other forms of community participation. It is also important that there is evidence of good projects that result from this form of decision-making. Participatory budgeting also contributed to new types of projects being developed and for increasing the amount of information given to providers of public services. The discussions triggered by participatory budgeting highlighted the need for better inter-agency and inter-departmental coordination.[[21]](#endnote-21)

**Conclusion**

The balance of power between central government and local authorities has traditionally been an uneasy one in England and many other countries. The importance of local accountability and locally elected representatives remains central to a democracy. How this local democracy can be funded and managed remains a problem. The need to reform local government is often necessitated by demographic and economic changes. However these reasons should not be used to introduce public sector reform and so reduce the size of local government. Mergers of local authorities are often driven by the need to save money rather than to promote improved local democratic accountability which should underpin local government. The experience of decentralisation policies, which have been promoted widely in the last thirty years as part of public sector reform, has often seen responsibilities transferred to local level without adequate funding or capacity to maintain them. The balance of local government responsibilities, adequately funded and supported by local participation , with central/federal/state government collaboration on key strategic issues is an important goal.

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