

Executive Summary

At the core of liberal democracy is a belief that individuals should have the greatest possible control over their own lives. We do not believe central government knows what is best for individuals and communities; we believe individuals and communities know what is best for themselves. We want people and communities to wield real political power on their own behalf, and this means putting people in a position where they can make decisions about services that affect them. We believe that it is the duty of the Government to give people this power. With this freedom to make local decisions based on local needs and priorities, local people are most likely to get the services they need and want.

- **We want to see strong and democratic local government across the country**, not councils as local delivery arms of central government, as they have been treated by New Labour. To deliver this, a new relationship must be forged between local and central government; one that puts local government in the driver's seat of public service delivery in this country.
- **Nationally set targets for local government should be scrapped.** We believe local government should spend less effort, time and money demonstrating to central government that it is meeting national priorities, and more time meeting the priorities of local people. We would also radically reform the current burdensome audit and inspection regime for local government, moving to an intelligent and appropriate inspection regime based on peer reviews.
- **Local people and councils know best what is right and wrong with their area.** They know the problems they face, and in most cases know how these problems could be solved. We want to see local governing boards, made up of people who use local services, working with their councils to make decisions over the management of those services. We also want to see more parish, town and community councils making decisions, rather than bureaucrats in Whitehall.
- **We want to promote stronger and better local leadership.** Styles of leadership cannot be imposed upon a council or area. That is why we would remove the requirement on councils to have an executive-scrutiny split in decision-making, and restore the requirement to hold a referendum before creating the post of directly elected mayor (also giving local people the power to abolish this post where it has been introduced). We would also encourage more good quality local representatives by reducing the barriers that dissuade people from standing as councillors.
- **Money is power.** That is why we want more of the tax people pay to be collected and spent by local councils. This doesn't mean higher taxes, just more of the money people pay in taxes going to local government rather than central government. In the long term we want to see 75% (rather than the current 25%) of total revenue raised locally. Also, taxation should be fair. We believe Local Income Tax, based on ability to pay, is fair – the current Council Tax is not and should be scrapped.

- **We want to restore power taken by Westminster and the Regions to local councils.** New Labour has spent the last 10 years stripping away power and freedom from elected local councils, concentrating this instead in the hands of Whitehall officials and unelected quangos. We want to reverse this trend. We would devolve real power back down to communities and local councils, bring quangos under democratic control and reduce central bureaucracy. We support directly elected regional government in those regions that want it, taking powers and functions from central government. Outside these areas we would reform the existing regional chambers, making them more democratic and accountable to the people they serve. We would also review the existing regional boundaries to ensure they reflect true regional distinctions rather than just what is administratively convenient for the Government.
- **A commitment to strong democratic local government must mean a commitment to a fair voting system for local elections,** and to clear and transparent governance structures. That is why we would move to a system based on the single transferable vote (STV) for local elections and to a single principal tier of local government across the country (unless the community would prefer other arrangements), where possible based on natural and recognisable community boundaries. We would also ensure that the management arrangements of any city-region joint working arrangements are clear and transparent, so that the public know when decisions are made and by whom.

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Printed on 100% Recycled Paper

ISBN: 978-1-85187-772-0

1. Introduction

- 1.0.1 This policy paper is not about Whitehall targets and performance indicators, community calls for action or saving historic shires. It is not even about 'double devolution'. It is about individuals and their quality of life.
- 1.0.2 English local authorities over the last two hundred years have made significant improvements to individuals' lives, in many areas pioneering the way for national government. In the 19th century they provided clean water and proper sanitation for their residents, greatly extending life expectancy. In the 20th century they not only provided education for all, but also demolished slums and replaced them with better housing.
- 1.0.3 However, over the last 30 years Labour and Conservative governments have systematically stripped the power and freedom of decision-making from elected local councils, transferring it to Whitehall and appointed bodies such as Quangos. Blair, and Major and Thatcher before him, have distrusted councils, seeing them as obstacles to change. Local authorities have been suffocated by micro-management from Whitehall – endless targets, public service agreements, inspections, instructions and various other paternalistic initiatives have created an administrative burden which prevents local councils performing the tasks they were elected for.
- 1.0.4 We believe that there needs to be a fundamental change in the relationship between central and local government to reverse the concentration of power over education, health, social services planning, policing, and even waste disposal, in Whitehall, and in regional agencies responsible to Whitehall. When in opposition, Blair pledged to consign the 'quango state' to the dustbin of history. Instead, last year the number of unelected public bodies sponsored by UK government departments stood at nearly 900, with a total gross expenditure of £167.4 billion for 2005-2006.
- 1.0.5 Despite New Labour's deliberate transfer of powers from local elected councils to these unelected bodies, and the straitjacketing of local councils, Liberal Democrat-run councils have shown that local authorities can still be successful and improve the quality of their residents' lives. They have come up with creative solutions to the problems facing their communities: whether it is Chesterfield and Woking substantially increasing the amount of power generated locally by renewable energy; Islington creating Acceptable Behaviour Contracts to tackle low level anti-social behaviour; or South Shropshire providing affordable local homes for local people. In fact there are so many examples of good practice from Liberal Democrat councils that they literally fill a book – *Power Actually*, written by David Boyle and published by the LGA Liberal Democrats earlier this year.
- 1.0.6 These Liberal Democrat-run authorities have been able to improve the quality of life for their residents at a time of sustained assault by Whitehall on the independence of English town halls and the idea of communities being able to take the key decisions on issues that matter to them. The restrictions introduced during the 18

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years of Conservative rule to 1997, such as rate capping and the nationalisation of the Business Rates, have been added to by New Labour in its attempts to convert local government into a delivery arm of central government.

- 1.0.7 Individuals and communities in England face considerable challenges in the coming century to their quality of life, ranging from the consequences of global warming to the effects of increasing globalisation. Local government can meet and respond to unprecedented change – in the 19th century communities adapted to the industrial revolution and created a better quality of life for citizens as a result. We need to put individuals, the communities they live in, and the local authorities that represent them in a position where they can successfully meet the challenges of the 21st century.
- 1.0.8 The answer to this is not even more centralisation. Instead there needs to be a renaissance of local and regional government in England through a radical devolution of power, responsibilities and finance from central government to local authorities and Regional Assemblies. We need to move away from Whitehall's one-size-fits-all solutions to any problems faced by communities as diverse as those in Cornwall, Cambridge and Camden. We need to ensure local government has the freedom to be responsive, innovative and adaptable to the changing global environment and economy.
- 1.0.9 The policies in this paper would establish the legislative framework by which we believe fairly elected, accountable and transparent local government can be given the powers, responsibilities and finances it needs to make life better for the people of 21st century England.

2. Empowering individuals and communities

- 2.0.1 Everyone is part of a community, whether it is a geographical community such as a street, village, town, or city, or a community based on background, interest or belief. These communities shape people's daily lives and experiences. They are individuals' first and closest link with wider society and can be a key part of people's identity. People are often genuinely concerned about what is happening in their neighbourhood and to their community, and want to be informed about, as well as to have a say in, decisions affecting them.
- 2.0.2 As Liberal Democrats we therefore believe the provision of services and solutions to problems should take place as close to the individual citizen as the nature of the relevant process allows. That means communities, through their local authorities, should be self-governing; able to create a sense of vision for their area and find their own solutions to the issues they face. They should have the freedom to set and implement local policies. All too often, however, decisions affecting individuals in England are no longer taken by members of their own community, meeting in public near to where they live, but by managers and bureaucrats behind closed doors in departments many miles away.
- 2.0.3 Remote and unaccountable decision-making is the result of central government progressively stripping communities of the ability to decide both what is best for them and then how to meet the needs they have identified. English local government has seen its responsibilities reduced, its flexibility curtailed and an increasing number of restrictions placed on it. Local communities, through local government, pioneered the delivery of public services in the 19th century to tackle local poverty, illness, crime and sewage by providing education, healthcare, policing and sanitation. Yet, in spite of this, local authorities, and in particular Liberal Democrat councils, have provided innovative solutions to the problems facing their communities.
- 2.0.4 Power, however, cannot be returned to communities without strong democratic local government. Strong democratic local government will only exist when there is a fundamental change in the relationship between central and local government. The Liberal Democrats would therefore reform the system of local governance to empower communities. We believe that requires a settlement between central and local government which constrains the power of Whitehall to interfere with, and dictate to, local councils. It means dispersing powers, responsibilities and finances not only from government departments but also from quangos, to town halls, communities and individuals. Only then will people be directly involved in the management of their neighbourhood and the services they use.

2.1 A new relationship between local and regional government and Whitehall

- 2.1.1 Just as we believe that the powers of central government in relation to individuals should be defined and limited by a written constitution, so we believe the same principle should be applied to local government. We would therefore introduce a

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covenant or agreement between central and local government in England, which would incorporate the provisions of the European Charter of Local Self-Government.

- 2.1.2 This covenant would be an agreement between central government on one side and local and regional government on the other. At the core of the covenant would be the notion that the local authority, as the democratic embodiment of its community, is the basic building block of government and public service delivery in England. This means there would be a presumption all public services should be delivered as near to the community concerned as possible, unless there is a clear justification for doing differently. In the case of decisions and services affecting a large number of communities, or those spread over a large area, this would mean central government handing over powers and responsibilities to regional government.
- 2.1.3 The covenant would not only include this principle and the associated presumption, but would use these to establish the rights, responsibilities and powers of central, local and regional government in relation to each other. It would also include a service level agreement between central and local government, setting out the timescales in which Whitehall departments had to respond to requests and queries from councils and Regional Assemblies. The covenant would therefore protect local and regional government powers from central government interference, while recognising the need to ensure individuals receive a minimum level of service in certain fundamental areas. 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 A radical devolution of powers and finance

- 2.2.1 Re-establishing the principle of self-government by communities and individuals requires, we believe, a radical devolution of powers, responsibilities and finance from central government down to regional government, local authorities and communities. Only then will local government be able to build up a truly local vision for their community and set about realising it.
- 2.2.2 Real self-government, with the ability to provide the services local residents wish for, is ultimately dependent on the freedom to raise and spend money. It is also important for local communities, when discussing their priorities, to have a clear idea of what the taxes they pay can actually buy in terms of services.
- 2.2.3 However, local government finance is mainly in the hands of central government, with the result that it is often unclear who is responsible for tax increases or service cuts. Britain has an extremely centralised taxation system compared with the rest of the European Union. Local taxation raises less than 5% of public revenue, compared to 13% in France, 18% in Germany and 50% in Sweden and Denmark. In England local government only raises about 25% of the money it spends from the area it serves.

- 2.2.4 The predominance of funding from central government gives it the ability to interfere and manipulate. Increasingly there are services, such as education, where local government is thought to be responsible for their costs, but has no or little control. The Dedicated Schools Grant sets out the ringfenced budgets for individual schools, and the Local Education Authority's role has been reduced to that of an agent of the Department for Education and Skills, making sure the money is passed on to the schools.
- 2.2.5 Other budgets covering issues as diverse as social care, planning, buses and teenage pregnancies are also ringfenced. According to the Department of Communities and Local Government (CLG) in 2007/08 ringfenced and specific grants to local authorities will total £40 billion compared to the £26 billion councils have some say in. Even then the discretion to spend this money as a council wishes is still largely restricted as it finances services which are required by law.
- 2.2.6 Until councils control their own purse strings it will not be clear who is responsible for tax increases or service cuts, nor will communities be able to establish their own priorities. Liberal Democrats propose a change in the proportion of taxes raised centrally and locally, and in the way local government is financed. We would introduce an equalisation system so that poorer areas are not faced with having to increase taxes or deliver sub-standard services. With a higher proportion of taxes raised locally, there will be a fall in national taxation.

2.3 Cutting through red tape

- 2.3.1 Increasing government control of local authorities has not just been seen in local government finance. Councils have been subjected to growing levels of regulation through prescriptive legislation and guidance. The best example of this is nationally set performance targets and indicators, which can be as many as 1,000 for each local authority, although the *Strong and Prosperous Communities* White Paper published in October 2006 promised a substantial reduction in their number.
- 2.3.2 The current target-led culture in local government means councillors and officers spend their time worrying about meeting targets instead of delivering services local residents actually want. A whole industry has been built on the back of performance indicators, with the cost to central government of auditing local authorities amounting, according to Sir Peter Gershon, to some £2.5 billion.
- 2.3.3 An essential element of Liberal Democrat proposals is to move away from the Labour government's obsession with a one-size-fits-all approach to local government, which lies behind the targets and performance indicators they so readily set. The issues facing communities are not uniform. The housing market issues facing communities in South Yorkshire are very different from those faced by rural South Shropshire.
- 2.3.4 As well as placing councils in control of their own finances, the Liberal Democrats would also scrap nationally set targets and performance indicators. Communities would be free to set their own priorities and targets, agreed with other public sector

partners. These policy proposals would allow much wider local discretion to vary services in the light of a vision for the locality and local priorities. Too many commentators complain about postcode lotteries, using the phrase as a way of denying local choice. Liberal Democrats support the idea of basic minimum standards, but anything beyond that should be a matter for local determination and local voters.

2.4 Encouraging innovation and promoting flexibility

- 2.4.1 To provide the services their local residents really want, and to solve the unique problems facing their communities, local authorities have to have the flexibility to come up with creative solutions. Under the Local Government Act 2000 councils have the power to promote the economic, social and environmental well-being of their communities. This power has not been used as extensively as it could be, and there is a case for saying that councils should further explore their powers under this piece of legislation before any additional changes are made. Part of the reluctance to use this power arises from legal uncertainties over what is, and is not, possible under it. For this reason we would provide English councils with a power of general competence. This would equip them to serve and champion their communities to the best of their abilities.
- 2.4.2 Local communities and local authorities cannot always successfully address the issues facing them on their own. Working with other public service providers and other local authorities can bring many benefits. The Government has recognised this and tried to promote greater cooperation. However, in its usual attempts to control every aspect of the process, it has done this in a heavily prescribed way, with the latest vehicle being Local Area Agreements (LAAs). Statutory control often gets in the way of successful collaboration. For instance, Liberal Democrat-run Richmond-upon-Thames would like to leave the West London Waste Authority and join the collaborative body being established by Kingston and other south London authorities. However, it is prevented from doing so by the legislation that established the waste disposal authorities in London.
- 2.4.3 Councils should be able to come together as they wish to procure and commission services, allowing decisions to be taken at different levels. In many cases communities can procure better quality services, offering greater value for money by working with other communities. Economies of scale, especially in specialist services, or the strategic nature of some services means they would be better delivered by councils coming together. The large infrastructure projects, major economic developments and strategic planning needed to ensure local economies in England remain competitive would have to be delivered by councils collaborating and coordinating. Liberal Democrats would therefore scrap any legislative restrictions which either force councils to cooperate or prevent them from doing so.
- 2.4.4 Some of these issues could be dealt with by directly-elected Regional Assemblies. The legal basis for these remains on the statute book, and where communities wish to establish a Regional Assembly they would be able to use this legislation to do so. For those communities that do not wish to establish a Regional Assembly, or reject

one in a referendum, alternative ways forward need to be found, and some options are set out in section 4.6 of this paper.

- 2.4.5 We would oppose, however, any move that allowed regional government to take powers, responsibilities or funding away from councils. The Greater London Authority under Mayor Livingstone has been looking to acquire powers and responsibilities, particularly those relating to planning, at the expense of the London boroughs. Regional government should be about the devolution of powers from Whitehall and not snatching them from communities.

2.5 Involving individuals and communities in the decision-making process

- 2.5.1 Empowering councils is a key step in empowering individuals and communities. Local authorities themselves though have a role in letting their residents take part in the political process, making choices and determining the public services delivered in their area.
- 2.5.2 Liberal Democrat councils have been at the forefront of increasing the involvement of their citizens in the decision-making process. For example, in Kingston-upon-Thames any hundred citizens, whoever they are, and it could be a hundred school children, can call in any council decision and ask the council to look at it again. In Stockport and Birmingham Liberal Democrats have adopted the same approach, looking to hand power down to councillors representing particular communities. The ‘constituencies’ being established in Birmingham will, between them, spend £100 million and have 2,500 staff.
- 2.5.3 Individuals can also be active in their local communities through the voluntary sector and local voluntary groups. These bodies play a key role in all local communities, particularly in fostering a sense of community spirit. All too often in the past, council involvement with the voluntary sector and voluntary groups has been about patronage. In contrast, Liberal Democrats see the role of councils as assisting the voluntary sector to help individuals help themselves. Again, Liberal Democrat councils have led by example on this, such as in Islington which has supported local groups in creating ‘pocket parks’ providing much needed green space open to all. Support for the voluntary sector must also go beyond help with particular projects. Councils have a vital role to play in providing the core funding local voluntary organisations need, so they can plan the provision of services in the longer term, and not just over the course of a year.
- 2.5.4 It is because Liberal Democrats believe in, and want to, increase the democratic participation of all citizens that, when in power, they have taken the actions described above. We would like to see democratic participation extended further than just Liberal Democrat-run local authorities. No matter what people’s interests are – sports facilities, library services, education, combating crime – we want 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.

- 2.5.5 One way of involving local people in the management of local services would be to have governing boards, perhaps for a library. The board could include members elected by registered users and staff representatives, as well as local authority appointees, and would be responsible for the day to day management under a budget agreed by the local authority. The council would be responsible for strategic coordination to ensure that different, and perhaps conflicting, objectives could be resolved, and would set minimum service requirements. Regular service users could register as supporters, thereby gaining the right to elect representatives. The final decision to place a local service under the management of a governing board would be taken by the local authority, but people or community groups would have the right to petition the council to do so.
- 2.5.6 If we are to widen the pool of people willing and able to take on such responsibilities, it is vital that training and support should be available. This is especially important for members of under-represented groups in public life. We recognise that there is a risk that volunteer groups taking over a local facility may work well at first during an initial burst of enthusiasm, for example when restoring a derelict building, but that subsequently commitment may flag. There is also the risk of fragmentation in services. We therefore think that any community involvement on this basis should include the possibility of facilities returning to direct council management if necessary at a later date, and would ensure local management does not make holistic services impossible to deliver.

2.6 Accountable and open local government

- 2.6.1 Strong local democracy also requires accountability and transparency, otherwise returning powers to local communities only produces local tyranny. Local accountability is poorly served by the first-past-the-post election system, whereas a proportional system, such as STV, would break down monopolies of power and ensure that every voter has a say in the running of their local community. Liberal Democrats would therefore reform the election system for local government, introducing a proportional system to ensure that every vote counts.
- 2.6.2 We would also ensure that there was transparent decision-making at all levels of local government, including where there are voluntary partnerships. This would include opening up Regional Assemblies, which at the moment are not subject to the Freedom of Information Act.

2.7 A different local government landscape

- 2.7.1 Liberal Democrats believe that by providing a significantly different landscape for local authorities to operate in there will be a change in the dynamic of the relationship between local and central government. It will change from one where councils are kept in a straitjacket by Whitehall, thereby constraining improvements in public services, to one that ensures England has innovative, adaptable local authorities that can respond to the local, national and global challenges of the 21st century.

3. Why Labour's local government agenda hasn't delivered

- 3.0.1 Since 1997 there have been 10 pieces of legislation directly applicable to local government in England, and many others that have affected it. Furthermore, the list is going to grow once the new local government legislation introduced by the Government in the 2006/07 session has worked its way through Parliament. The purported original purpose of this steady stream of parliamentary acts was to remove central government constraints on local government. Instead, the actual result has been increased control and authoritarian supervision of our councils by Whitehall.
- 3.0.2 Local government has, in the mind of central government, moved from being a rebellious alternative power base to the Conservative government in the 1980s and 1990s that needed to be brought under control, to a delivery arm of central government under Labour. In its efforts to make local authorities executive agencies of large central government departments, Labour's local government legislative programme has imposed a regulatory regime, forcing it to concentrate on delivering national targets at the expense of local discretion.

3.1 Greater regulation of local government

- 3.1.1 The Best Value regime introduced by the Local Government Act 1999 was supposed to provide councils with more freedoms by allowing them to choose the best quality service provider, rather than the cheapest. Instead, it has provided government departments with a tool to constrain further what councils do. A DCLG study from July 2006 calculated that the costs to a typical local authority in just reporting to central government on 566 performance indicators was £1.8 million a year.
- 3.1.2 This monitoring regime has been enhanced by the introduction from 2002 of Comprehensive Performance Assessments (CPA), which is due to be replaced by Comprehensive Area Assessments from 2009. Councils are now graded (like NHS trusts) on their performance and ranked in league tables, with those graded with no stars being subject to regular scrutiny by civil servants and increased inspections from various government agencies. Those with four stars are supposedly given freedoms, but only ones all councils enjoyed decades ago. The result has been that both councillors and local government officers have to focus their time, efforts and resources on ensuring their CPA score creeps up, instead of addressing the issues local residents elected them to deal with. Given that star grading NHS trusts has not prevented many trusts getting into deficits, there is little hard evidence to suggest the inspection regime has made services better.
- 3.1.3 Where local government has been able to innovate and lead the way, Whitehall still threatens to stifle anything it has not been responsible for. Local authorities have been instrumental in providing more sustainable communities. The 'Merton Rule', which has now been adopted by a number of councils, is a planning policy requiring

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new developments over a certain size to provide a minimum amount of energy from renewable sources. It was created by the local authority referred to in its name, but the Government is considering restricting councils' ability to develop policies like this. In the name of uniformity, central government could end up setting limits on what councils can do to tackle climate change, stifling the innovation shown by many local authorities on this issue. Councils need to be allowed to innovate to build the sustainable communities needed for the 21st century.

3.2 Delivering national targets

3.2.1 Further moves to ensure local government and local communities do not stand in the way of central government objectives led to the introduction of Local Strategic Partnerships (LSPs), to encourage councils and other public service providers to meet government targets. Local Public Service Agreements, which were supposed to be about a more equal relationship between central and local government, were again focused on meeting national, not local, priorities. Unsurprisingly, they were not adopted with great enthusiasm and have been replaced with LAAs, which are yet again focused on national priorities.

3.3 Financial controls

3.3.1 Keeping local government on a tight leash has also meant other promised changes, such as an end to the capping regime introduced under Mrs Thatcher and returning Business Rates to local authority control, have been dropped by the Government. As has already been detailed in previous sections, ringfencing of budgets greatly limits what local government can spend its money on, while the finance system ensures it only raises a small proportion of what is spent locally. Local government finances have remained resolutely in the hands of central government. Indeed, for the Council Tax setting round in 2007/08 the Government stated they expected to see increases of no more than 5% and that they were prepared to take capping action to deal with excessive increases.

3.4 Compulsory executive leadership

3.4.1 Central government curbs on local government have extended to the way councils operate. Under the guise of providing local communities with stronger leadership, the Local Government Act 2000 replaced the previous committee system for decision-making and managing an authority's affairs, and introduced elected mayors and the cabinet-scrutiny system.

3.4.2 These changes have been both anti-democratic and have undermined good leadership. Strong community leadership is not about big boss government, with a single figurehead dictating to his or her fellow residents what should happen. It is about democratically elected members taking their communities with them behind a vision for the future of their local area. The quality of leadership provided by elected mayors is entirely dependent on the quality of the individual elected to the post, with, as is to be expected, mixed results. There are also too few checks and balances on them to hold them effectively to account for decisions the majority of

the community opposed. With councillors still elected under the first-past-the-post system, directly elected mayors are often supported by a majority group on the council from their own party. These flaws can mean decisions are made against the wishes of local residents – so much so that residents in many places with elected mayors, such as Lewisham and Newham, are actively campaigning to scrap their elected mayors.

- 3.4.3 Creating executive members does not appear to have led to better leadership. The previous committee system provided a way for all councillors to gain an in-depth knowledge and expertise in how their council functioned, and experience in running services. The scrutiny system provides much less of a mechanism for non-executive councillors to gain a clear view of the strengths and weaknesses of council departments, and provides no experience in running those services. The proposals in the 2006 Local Government White Paper to provide councillors with more of a role in their wards, possibly through ward budgets, is the result of the Government's struggle to find something for councillors relegated to the backbenches to do. Even the Government's own rigorous vetting of performance has failed to detect any difference in outcomes of different leadership models.

3.5 'Strong and prosperous communities'

- 3.5.1 The issues faced by local government outlined in this chapter led to the Government in 2006 proposing a rebalancing of the relationship between central and local government. The *Strong and Prosperous Communities* White Paper published in October 2006 unfortunately does not provide the new framework needed to ensure England has flexible and innovative local authorities addressing the needs of their communities in the 21st century. Despite statements that central government needed to have the courage to let go, and that challenges faced by local communities are too complex for a one-size-fits-all solution imposed from Whitehall, the White Paper provides more of the same central government restrictions.
- 3.5.2 The White Paper does not propose any significant transfer of powers and responsibilities from quangos and central government to local government. Any decision on reforming local government finance and whether councils should raise more of what they spend locally has been left to the Lyons Inquiry (section 3.6 covers the Inquiry's report in more detail). There is no reform of the election system for local government. Micromanagement, however, continues. Having lost too many referendums on whether to have elected mayors, the Government wants to by-pass popular endorsement in the future. In case mayors are not palatable there are proposals for 'enhanced leaders' who will serve four year terms. 'Backbench' councillors remain 'backbench' councillors, though scrutiny committees will gain a few more powers. Ward councillors are offered the prospect of raising issues through the so-called 'community call for action'. This is, however, an entirely toothless mechanism amounting to little more than a call for a scrutiny committee to look at an issue. The Government, though, sees it as creating 'frontline' councillors. Appropriately, the number of performance indicators will be cut, but around 200 national indicators will remain.

- 3.5.3 Local Area Agreements (LAAs), bringing together all the public service providers in one area, could provide an enhanced role for local authorities and allow communities to set their own priorities. One of the problems that councils often face in addressing local priorities is persuading central government agencies that something needs to be done. This is particularly difficult when, like the Highways Agency, they apparently have a policy of not appearing before local government committees. A better working relationship with, or more responsibility for the functions delivered by, these agencies would help. The Government could develop the scrutiny powers councils have over other public service providers in the area. While the Local Government and Public Involvement in Health Bill requires a council's partners to take note of reports and recommendations the local authority makes about services the partners provide, there is no requirement for the partners to implement any of the scrutiny committee recommendations. Scrutiny will be in much the same position as it is now, when local Primary Care Trusts (PCTs) make proposals for cuts in local health service provision and can effectively ignore the wishes of the local community.
- 3.5.4 The Government could have used LAAs as a means of piloting enhanced powers for local authorities and regional government. Instead, the Government sees the LAAs as a mechanism which allows them to ensure the policy targets they want delivered are delivered, with councils only having flexibility over the means of delivery. As a result some of the 35 targets in LAAs will reflect national priorities. Councils will therefore have no greater freedoms or flexibilities than before.

3.6 The Lyons Review

- 3.6.1 The Lyons Inquiry Report confirms that Labour's policies have failed local communities and local authorities. The report provides a clear analysis of the negative effect centralisation has had on the quality of life in English communities, particularly the limits it has placed on their economic growth compared with their European and North American counterparts. It also sets out how the flexibility councils have to address local issues has been reduced by the ringfenced funding provided from central government and the system of financing local government.
- 3.6.2 Though the report unfortunately proposes a reform of Council Tax as the short-term way forward, there is a thorough analysis of Local Income Tax as an alternative. While the report takes the view it would take six to seven years to introduce (an analysis we do not agree with), it confirms that it is much more progressive than Council Tax and could viably replace it. Furthermore, it takes the view that there are advantages in councils benefiting from economic growth in their areas and there should be a greater link between councils and business.
- 3.6.3 Given the strength of the analysis and the conclusions about Local Income Tax, it is regrettable that the report is not bolder in its recommendations. It opts, as mentioned, for reforming Council Tax to ameliorate its worst impacts. It considers returning Business Rates to local control, but backs away from this, preferring to propose councils get the right to raise an additional levy on the Business Rates.

The report puts forward incremental changes to address the problems it identifies, many of which have already been set out in this paper.

- 3.6.4 Even then the Government has rapidly retreated from the report's recommendations, showing it only pays lip service to the principles of devolution and, when confronted with actions that would deliver devolution, prefers central control. The Government ruled out the revaluation necessary to introduce the necessary bands the report recommends to improve Council Tax, before the report had even been published. Local government will continue to be financed by the current Council Tax system for many years to come, leaving millions to continue to struggle each year to pay their bills.
- 3.6.5 The problems the Lyons Inquiry identified as holding back local communities and local authorities in England will not be addressed by a timid package of changes designed to avoid frightening the Government. There needs to be a radical devolution of power and responsibility from Whitehall, and an end to the one size fits all approach, part of the command and control approach central government developed in a war which ended 60 years ago. Councils need to be provided with the flexibility to address the different issues they face. That requires a new financial system for local government with a fair and locally determined funding at its heart.

3.7 Thinking outside government imposed boxes

- 3.7.1 The consequence of central government control of the minutiae of local government life is a culture of dependency among local government councillors and officers. Controlled at almost every step by Whitehall departments, it can be difficult for councillors and officers to make imaginative use of the resources and powers they do have. The power to promote the economic, social and environmental well-being of their communities could provide the statutory backing for the delivery of new or innovative services or projects. Similarly, the changes in the rules to allow prudential borrowing could provide the funding for new capital projects so long as the costs of borrowing are affordable. Getting councillors and officers to think of new solutions to the issues facing their communities requires a new local government culture, which provides ways of delivering what local residents want, rather than pointing out why a particular aim cannot be achieved. Much has been done by many innovative Liberal Democrat councils, but even they do not have the freedom to secure responsive public services for their local communities. This can only happen when there is a fundamental change in the powers, responsibilities and flexibilities enjoyed by local government.

4. An agenda for change

- 4.0.1 Reversing the trends of greater central government control of local government cannot be addressed by one simple measure. It requires a package of measures covering finances, the structure of local government, the operation of regional government, local leadership and support for councillors.
- 4.0.2 We have already set out some necessary first steps to putting individuals and the communities where they reside in charge of their own destinies. Set out below are more details of the package which we believe will place decision-making in the hands of local communities, rather than Whitehall, and which will provide innovative and flexible councils delivering the high quality services individuals and communities in England will need to face the challenges of the 21st century.

4.1 Finances

- 4.1.1 Whatever other freedoms are given to local councils or Regional Assemblies they will never be genuinely free to put into action their own vision for their area, or determine their own priorities, without the freedom to raise and spend money. Reforming local and regional government finance is therefore vital, with three key changes needed: allowing councils to raise more of what they spend locally; providing different ways of raising funding, with more discretion in relation to what the money can be spent on; and ensuring there are better ways of assisting poorer areas in England.
- 4.1.2 The Liberal Democrat's recent tax policy paper *Fairer, Simpler, Greener* set out how more revenue could be raised locally, with the aim of it raising the majority of what it spends. Relocalising Business Rates and replacing them with Site Value Rating, while introducing a Local Income Tax based on the ability to pay in place of the unfair and regressive Council Tax, will raise the proportion of revenue raised locally from approximately 25% on average, to 50%.
- 4.1.3 As powers devolve from national to local government (for example, by giving councils powers over local health commissioning), we would wish to see parallel devolution of tax-raising powers to local and regional government. Our longer term ambition is to increase the level of revenue raised locally to 75%. The main mechanism for achieving this would be further localisation of income tax, with equivalent cuts in the level of national income tax. Cutting 6p more off national income tax and switching it to local government would take us close to this target of 75%.
- 4.1.4 Where communities wish to have directly elected regional government they would be given the opportunity to provide the assembly with income tax-varying powers. In the longer run, further taxation powers could be provided to directly elected regional government as part of the process of devolving tax-raising powers from central government.

- 4.1.5 In addition to introducing a Local Income Tax and Site Value Rating we would consider other ways of allowing councils to raise funds for such things as improving council housing or transport projects. Part of this would be ending the Government's obsession with Private Finance Initiatives and forcing councils to transfer council housing to Housing Associations or Arms Length Management Organisations. We would provide councils with genuinely independent ways of raising capital finance. This could include allowing either councils, groups of authorities, or Regional Assemblies to issue bonds for specific projects. Alternatively, councils could agree with business an additional levy to fund an approved project.
- 4.1.6 Councils should have the freedom to spend the money they raise on local priorities. The current system of ringfenced national grants does not reflect local priorities. Our aim would be to give councils and directly elected regional government powers to vary the taxes assigned to them. But only directly elected representatives should have the power to levy taxes – so appointees who are currently voting members on joint boards or authorities would not be able to do so. Therefore, for example, the unelected members of Police Authorities would have no say in the level of their Police Authority precept.
- 4.1.7 Providing greater financial freedoms should also encourage councils to reduce costs through joint procurement and commissioning of services. Efficiencies of scale in back office functions such as finance, human resources, payroll and information technology, with councils pooling these services, would ensure the councils received better services in these areas and had more funding for the services local people really wish to see.
- 4.1.8 England is diverse in terms of wealth, income and need. If we are to transfer a greater proportion of revenue raising to local and directly elected regional 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.
- 4.1.9 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 fairer and more transparent grant system. In the longer term, when councils are raising the great majority of their revenue locally, the purpose of the central government grant system should be solely equalisation.
- 4.1.10 The total amount of public money available for equalisation is a matter for central government. The equalisation formula – including the redistribution of some business rates – should be decided by a committee of local government councillors elected on a politically and geographically representative basis. The committee would take into consideration both resources and needs in allocating funding.

4.2 Community decision-making

- 4.2.1 Every one of the thousands of communities up and down the land have their own distinct needs, issues and ambitions. As well as reforming local government funding so councils have the financial freedom they need to actually deliver local priorities,

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the Liberal Democrats would reform the system of local governance to give individuals a greater say in the political process, so they make, or influence, the decisions that affect their lives.

- 4.2.2 We have already outlined how we would allow citizens a greater role in the management of services. In addition we would disperse power to communities and individuals by granting decision-making powers to communities that want them. There is no particular blueprint on how decision-making powers would be devolved to communities. It would be up to communities to come up with a package that suited them best. This could involve parish councils, area committees, or both.
- 4.2.3 Parish councils, introduced by a Liberal government in 1894, already provide a model for democratic decision-making at a community level. We therefore welcome the provisions in the Local Government and Public Involvement in Health Bill which adopts long standing Liberal Democrat policy to permit the easier creation of parish and town councils (including in London) and for them to vary in name to reflect their particular community circumstances.
- 4.2.4 Not all parish councils are perfectly democratic, in the sense that in some areas parish councillors are elected unopposed. There has also been concern that new community councils might be established at the behest of one particular section of the community, and then act in a sectarian or divisive way. Parish councils are already required to comply with the Race Relations Amendment Act 2000 and the duties under this would be reviewed to ensure that any community council promoted social inclusion and the principles of community cohesion.
- 4.2.5 Furthermore, those parish councils without properly contested elections do not meet the Government's Quality Parish Council status – one of the seven criteria for achieving it being the level of contest at election time. Having said that, in many larger parishes elections are contested with the same vigour as those for district and county elections. We would provide financial support from central government towards the cost of parish and community council elections, to encourage a greater proportion of contested elections.
- 4.2.6 Parish councils currently have a limited range of powers prescribed by various local government statutes and, other than allowing them to make certain byelaws, the Local Government and Public Involvement in Health Bill provides few other powers. We would provide parish, town and community councils with more powers. The Liberal Democrats would extend the power of general competence to parish and community councils, and give them the statutory right to demand the devolution of services and funding from principal authorities, subject to fulfilling a proof of competence test.
- 4.2.7 That would mean that budgets for individual services, and the power to decide service levels, could be devolved from principal authorities to community councils (together with appropriate management support) where community councils wanted to take on those responsibilities. Not all parish or community councils will wish for devolution of services, but many want greater involvement in the services delivered by principal councils. We will therefore ensure that principal councils have to give

proper consideration to parish plans and encourage parish representation on joint service arrangements.

- 4.2.8 Some parish councils, however, are such small geographic and demographic units that there is not the capacity to manage any increased powers effectively. Liberal Democrats would encourage smaller parishes to collaborate on the sharing of clerks and facilities for the common good. These clustering arrangements could also allow those parish and community councils which share similar aspirations to share capacity, and achieve economies and efficiencies in the procurement and management of services. There is no reason why some of the back office functions such as payroll, human resources and information technology could not be provided by a principal authority or through any collaborative arrangements local principal authorities have made for the delivery of these services.
- 4.2.9 Many of the communities people belong to are not geographically based, and this has been the case for centuries. People quite often identify themselves as a member of a particular community of interest as much as they do with a particular locality. Some bodies have suggested that a further model of community governance could be through the use of community-of-identity fora such as youth councils. While these fora can play a key role in involving people in the political process, devolving services and decision-making to them also carries the risk of fragmenting services and undermining community cohesion. The Liberal Democrats would therefore pilot models of community-of-identities fora to see on what basis they could be established and how they would work together and with local authorities in the area.
- 4.2.10 In areas without parish or community councils, and with no wish to establish one, local communities could still be involved in the decision-making process. Communities would have the power to petition their council for a neighbourhood board or area committee made up of the councillors representing the area, including both county, district and parish/community councillors where there was more than one tier of authority.
- 4.2.11 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.
- 4.2.12 Whatever format is used to involve local people in decision-making local community views can still be silenced by the increasing restrictions imposed by wider interpretations of the common law principle of pre-determination. This is particularly the case with planning applications. Candidates in elections who have campaigned for or against an application in their ward can then find they are unable to speak, let alone vote, at the committee meeting which considers the matter. The Liberal Democrats would therefore restore the rights councillors once enjoyed by putting into law their right to speak and vote on issues, even where, prior to the meeting, they have clearly stated a view for or against that particular matter.

4.3 The structure of English local government

- 4.3.1 If individuals and communities are genuinely to be given control over the decisions affecting them, with councils truly representing the people they serve, then council boundaries need to be based on natural communities as far as possible.
- 4.3.2 Within England there are five different types of local authority above parish/community councils. In urban areas there is typically one tier and in rural areas there are typically two, the district and county councils. Having several tiers of government can not only lead to confusion over which council is responsible for what (such as highways and street parking), but can also mean that some councils seem very remote from the communities they serve. As a result, it is difficult for residents to identify which council is responsible for the particular issue they need resolving, and to establish why things have gone wrong.
- 4.3.3 The Liberal Democrats therefore believe that there should be a single principal tier of local government, unless the local community would prefer other arrangements. The boundaries for principal authorities should, as much as possible, reflect natural communities people recognise. The final structure, however, must be a decision for the people living in an area, with any move to a single tier authority being preceded by a local referendum, not imposed by central government. Such a referendum should be independently monitored to ensure the campaign around it is properly conducted.

4.4 Joint working on shared issues

- 4.4.1 Some issues are not confined to one community or local authority and can be shared by neighbouring authorities. Similarly, some services are either too specialised or too strategic for them to be run effectively at an individual council level. In particular, services related to improving the economic prosperity of an area such as major infrastructure or economic development projects need collaboration and co-ordination between councils for them to be delivered on time and budget.
- 4.4.2 At the core of the Liberal Democrat programme is handing over power and responsibilities to local communities and their local authorities. Part of this process involves providing local communities with the flexibility to come up with their own solutions to the issues they face. Liberal Democrats have never seen the need for perfect uniformity. Tidiness is not an end in itself. We agree with the Lyons Report that the important thing is that services are run effectively, efficiently and democratically, not that they are run the same way at different ends of the country.
- 4.4.3 We envisage councils entering into a variety of collaborative arrangements. They could work with one set of partners on one issue, and a different set of partners on another (although there could be overlaps in membership). Our proposals, therefore, would allow councils to create their own internal governance structures and arrangements. Just as we are suggesting parish/community councils can establish joint working arrangements, principal councils would be able to do the same. These arrangements would not only cover the pooling of back office

functions as is already happening, but partnerships in the delivery of larger, strategic services. Under these arrangements final sovereignty would rest with the individual councils that have established the joint working arrangements.

- 4.4.4 There are already joint working arrangements involving many councils, including joint waste disposal authorities in London. There are also a wide range of individual projects established between local authorities, even those of different political persuasions, because of the benefits of joint working.
- 4.4.5 Any joint working arrangements would have to be open and accountable, and we propose that all the meetings of joint boards would be open to the public, with documents fully accessible under the Freedom of Information Act. There would, however, be changes to the requirements relating to joint arrangements so that, for example, separate sets of accounts were no longer required from the members of joint arrangements. The current requirement for separate accounts limits the amount that can be saved from joint arrangements.

4.5 City-regions

- 4.5.1 We see joint working arrangements described in the section above as being adopted in particular in city-regions. Recent discussions on the future of city-regions have made them seem like something new. Some have seen them as an alternative to Regional Assemblies. Others have seen them as creating a new local government structure for some of England's cities. We believe their crucial purpose is to make English cities more competitive with their European and Western counterparts. The key element in city-regions therefore is bringing councils in the same economic area (often defined as the travel to work area for the city) together to provide greater prosperity. They are not, however, a new idea. Indeed, the old metropolitan counties created in 1974 fulfilled many of the functions being talked about for city-regions, even though their boundaries were often arbitrary.
- 4.5.2 City-regions do not require the creation of a new tier of government, nor new governance arrangements such as directly elected city wide mayors. City-regions can be created voluntarily by consenting councils, simply deepening the partnership arrangements set out above. In doing so the councils involved would in effect be setting up their own particular city-region arrangements. In making their own joint working arrangements there would only be one requirement imposed on the councils behind these new city-regions: the management arrangements would have to be clear and transparent. The public need to know when decisions are taken and to witness their leaders taking them, so that they know whom to remove from office and whom to support. As with other joint working arrangements, any governance structures established for a city-region would have to meet in public, with any documents covered by Freedom of Information.
- 4.5.3 To ensure that these collaborative mechanisms for running city-regions could address all the key issues facing them, the Liberal Democrats would give the boards, or other structures established to provide city-region governance, the right to demand devolution of services from central and regional government, such as powers and funding relating to transport infrastructure.

4.6 Regional Government

- 4.6.1 Of course, some decisions and services affect such a large number of communities in a particular area, or have an impact on communities such a considerable distance away, that some form of regional decision-making is appropriate. For example, decisions on transport and economic development along the M4 corridor running from the western edge of London have an impact on the prosperity and quality of life of not just those communities in the corridor but others across large parts of the country including the South East, South West and Wales.
- 4.6.2 Furthermore, there are real differences in issues between the English regions. Whitehall's traditional one size fits all approach has had very damaging effects. Conservative economic policies in the 1980s favoured the financial and service industries in the City of London and the South East ahead of England's manufacturing industries in the Midlands and the North. Liberal Democrats have long advocated regional government for just these reasons – that there are differing issues facing different regions, and a policy that benefits one can be actively harmful in another.
- 4.6.3 Even the Conservatives recognised that tackling unemployment and the loss of industries in places like Sheffield and Leeds required a more regional approach and so started the process of trying to coordinate Whitehall activity at a regional level. Where the Conservatives led, New Labour has willingly followed, so that regional government offices and regional agencies are responsible for delivering central government objectives at a regional level. The result is a whole host of regional quangos making decisions at a regional level, but who are essentially responsible to Whitehall. The Liberal Democrats believe that, due to the differences between the regions, there is a clear need for regional government. However, this should not be in the form of unelected and unaccountable regional government offices.
- 4.6.4 Other Western countries have regional structures for just the same reasons – the different issues they face - often with considerable powers whether they are a US state, a Canadian province or the German Länder. There need not be a uniform regional structure either. In Spain the central government has, since the end of the Franco regime, handed over differing powers to the differing autonomous communities across the country. Basques and Catalans have considerable autonomy in their own affairs, while Galicians and Andalusians have taken on fewer powers from Madrid.
- 4.6.5 In those English areas that want it, the Liberal Democrats remain committed to providing directly elected Regional Assemblies. The ability to create democratic regional government remains on the statute book, and those wishing to use the legislation to establish directly elected Regional Assemblies, with further powers devolved to their area from central government, will be able to campaign for this. A directly elected Regional Assembly would have a wide range of powers and functions devolved to it from central government, though it would not be able to take powers from local authorities. In that way a directly elected Regional Assembly

could set priorities for their areas and bring decision-making closer to the people affected. They should be given the opportunity to take any of the devolved government functions within the region, presently carried out by non-elected quangos and regional government officials. In the future, directly elected Regional Assemblies could have powers over primary and secondary legislation if approved by people of the region. The exact powers available would depend on whether there was an English Parliament (which the Better Governance policy working group commissioned to report to the September 2007 conference is considering).

- 4.6.6 Where, outside London, the majority of councils in a region decide they wish to retain the existing regional chamber arrangements (i.e. the existing indirectly elected/appointed Regional Assemblies), we propose reforming the regional governance arrangements to make them more democratic, accountable and transparent to the individuals and communities they serve.
- 4.6.7 The current regional governance boundaries were designed by central government for their purposes. There should be a thorough review of the regional boundaries to ensure they reflect actual regional areas, rather than areas that help central government administratively. That may result in an increase in the number of Regional Assemblies or even the creation of what are, in effect, sub-regions, especially in the South East.
- 4.6.8 Members of any retained indirectly elected regional chamber would be elected every three years from the councillors covered by the region, by the councillors of the region, in a secret ballot using the STV system. Regional chambers, however, would be allowed to ask local people in a referendum whether they wished to introduce a system for directly electing the councillors to serve on the Regional Assembly. There would be no facility to revert to indirect elections once there had been a move to direct elections.
- 4.6.9 Those members of indirectly elected regional chambers who are currently not democratically accountable (such as business appointees) would continue to have a role in the regional chamber, principally as a regional consultative group, with powers to scrutinise and challenge, but without a vote on committee or other regional chamber meetings.
- 4.6.10 Regional chambers would have the power to manage and raise finance for regional transport networks including public transport, where this had not been devolved to councils or groups of councils such as those in a city-region. They would distribute transport related grant to local government. Otherwise, funding for the chamber would have to come from the local authorities in the region on a formula agreed by the councils concerned. Additionally, they would be able to appoint members of the Regional Development Agencies (RDAs) and other regional bodies, such as regional health authorities, and also be able to scrutinise the activities of other regional bodies.
- 4.6.11 Regional chambers would also be required to develop Regional Area Agreements. This would be a concordat between central government, the regional chamber and other regional agencies to determine regional priorities and the exercise of regional

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spending. The regional chamber would be in charge of this agreement, taking it forward by a regional partnership board chaired by the regional chamber. The board would have representatives from the Regional Development Agency, the Government Office, key regional agencies and local authorities in the region.

- 4.6.12 Regional Assemblies and chambers would not be able to take power from local authorities. We would introduce a statutory presumption against Regional Assemblies or chambers exercising functions currently exercised by councils. Indeed, we would also establish a statutory obligation on assemblies and chambers to consider 'passporting' to councils any devolved powers received from Whitehall and, if such powers are not passported, to produce reasons for not doing so. One of the powers to be handed back to local government from Regional Assemblies and chambers would be structure planning powers, although other aspects of regional planning could be retained by the Regional Assembly or chamber.
- 4.6.13 These arrangements might not suit every region. Some of the regional functions could be carried out by groups of councils working together, with, for example, the Learning and Skills Councils' responsibilities handed over to local authorities, while the now more limited regional chamber dealt with the remaining topics such as transport and environmental protection.

4.7 Quangos and bringing them under democratic control

- 4.7.1 One of the roles of Regional Assemblies would be to bring under democratic control some of the large sums of money spent in England which are currently outside of any local or regional democratic control. Local communities and their councillors in a wide range of areas and issues are subject to decisions in which they have no say. The quangocracy of trusts, agencies and committees are not only unaccountable locally (Learning and Skills Councils, Strategic Health Authorities and Primary Care Trusts report only to the Secretary of State in Westminster) but also outspend councils by a considerable margin. For example, for every £1 spent in Liverpool by the council, £8 is spent by unelected public bodies.
- 4.7.2 Democratic control must be reasserted over the quangocracy, and the proposals in this section should be read in conjunction with those in the Better Governance policy working group's report to the September 2007 conference. The future shape and scope of quangos must be for local government to decide. They would have the power to scrap quangos or reduce or transfer their powers and functions to councils or to accountable bodies like Regional Assemblies. For example, RDAs could become a functional agency of a Regional Assembly, with its membership appointed by the assembly. The assembly could, in doing this, decide to maintain the existing 2:1 split between the business and voluntary sectors and councillors. The workings of RDAs would also be made more transparent with agendas and minutes available to be scrutinised by the assembly, meetings held in public, and there being a duty to demonstrate sub-regional working including being scrutinised by local authorities. Similarly, there would be a transfer of Government Offices' powers, funding and staff to Regional Assemblies or local government.

4.8 Elections and accountability

- 4.8.1 Local government itself cannot, in its present state, escape criticism for being democratically deficient. The first-past-the-post election system generates too many out of touch authorities and councillors who fail to engage with their electorates.
- 4.8.2 Liberal Democrats would establish a system of elections based on the STV system for local elections, as is now being used in Scotland. STV retains the system of wards based on communities, and produces results that are broadly proportional.

4.9 Auditing, inspection and performance

- 4.9.1 While inspection regimes such as CPA have been used to establish greater central government control over local authorities and their activities, there has been a benefit to local residents, their communities and even their councillors in being able to gauge how their council's performance compares with others.
- 4.9.2 The Liberal Democrats do not favour league tables, especially when they come on the back of yet more government intervention in the running of councils, and would abolish them. We do believe, however, that an objective assessment of how a council is performing is useful for local residents in holding the council and their councillors to account. We would reform the auditing and inspection regime for local government, bringing it in line with the principles in the European Charter of Self-Government. We would ensure there is an intelligent and appropriate inspection regime, with inspectors drawn from councillors, and including in this new regime an objective assessment of councils' performance. The assessment would be based on peer reviews, drawing on the experiences from the similar style reviews conducted by the Improvement and Development Agency.

4.10 Local leadership

- 4.10.1 With greater control of their finances, more powers and therefore an enhanced capability to resolve local issues and find solutions to local problems, councils will be able to provide real leadership for their areas. This leadership role will be made all the greater by an election system that provides genuine accountability of councillors to their residents.
- 4.10.2 Local leadership is not something that can be imposed on a council or an area. Different communities will develop their own particular styles of leadership that work for them. Liberal Democrats would therefore repeal the provisions introduced in the Local Government Act 2000 (and due to be reformed in the Local Government and Public Involvement in Health Bill) limiting councils to establishing an executive body with all other councillors in a scrutiny role.
- 4.10.3 We have particular concerns about the routine concentration of power in the hands of one person as in the executive mayor model, especially in ensuring the leadership of a council reflects, as far as possible, the community it represents. Not only would the Liberal Democrats restore the requirement to hold a referendum

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before creating the post of a directly elected mayor, we would also provide local people with the power to abolish the post of directly elected mayor where it has been introduced.

4.11 Internal structures

4.11.1 Just as we do not believe central government should be dictating to local authorities how leadership is exercised locally, we do not believe that central government should decide on council constitutions. Liberal Democrats believe councils should be able to set up their own constitutional arrangements subject to meeting basic requirements on openness, transparency, accountability and democracy.

4.11.2 Liberal Democrats would abolish the need for councils to have an executive-scrutiny split in decision-making. Councils that wished to could return to the committee decision-making structure, which provided an opportunity for all councillors to be involved in decision-making.

4.12 Support for councillors

4.12.1 Effectively holding those who make decisions to account depends just as much on the quality of the elected representatives serving their community as it does on political structures. But even the best elected representative will struggle to hold a decision-maker to account unless they have the time and support to do so. The Liberal Democrats therefore believe more needs to be done to assist all councillors, to make being a councillor more attractive, and to expand the range of backgrounds and ages councillors are drawn from.

4.12.2 To make becoming a councillor more attractive we would reform the relationship between benefits and councillors' allowances. There needs to be a simple and clear system that means potential councillors will know exactly what their position will be if they are elected. In order that those on benefits are not discouraged from standing, councillors should not see a reduction in their benefits or lose their benefits if they are only in receipt of the basic councillor allowance. This could be achieved by treating the basic allowance as expenses rather than partly as earnings. This should be a right in principle rather than being tied to individual benefits which can be subject to regular change.

4.12.3 Being a councillor can involve considerable time commitments. While it would be attractive to make better provision for time off for public duties, this measure is unlikely to encourage more people to stand as councillors. Career and promotion considerations mean that even if there was a legal provision allowing people to take time off for public duties, many would be unlikely to use it. Furthermore, this would not assist the self-employed.

4.12.4 We would therefore review the allowances paid to councillors to ensure that if they do take time off from work they do not lose out financially. We would also review what happens when councillors retire or are defeated. One deterrent from becoming a councillor, or from taking on particular responsibilities, is what happens

at the end of a councillor's term. Those that have chosen to work part-time to allow themselves more time to fulfil their council commitments might be hit particularly hard if they then lose their seat. One option would be to consider a proportionate 'redundancy' pay-off, dependent on length of service and level of responsibility. We would also consider introducing an accreditation system for councillors where experience and training in working with budgets or on HR matters could be recognised, thereby making a councillor a more valuable employee due to the range of experience they have had.

- 4.12.5 Under the allowances system councils can already provide allowances to cover carers' responsibilities. We would change the allowance system so that allowances for childcare and dependents care is no longer discretionary but has to be offered by all principal councils.

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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. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland 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 and regional governance in England

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.

Judith Jolly (Chair)	Andrew Stunell MP
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Cllr Jill Hope	Cllr Chris White
Cllr Richard Kemp	
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The group is also grateful for the contribution made to the work of this group by the Rev Julian Cummins who sadly died earlier this year.

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ISBN: 978-1-85187-772-0

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Cover design by Ruthe Isden