

Localism - Rt. Hon. Greg Clark MP

Purpose of report

For noting.

Summary

Greg Clark MP is speaking to the Councillors' Forum about the Government's localism agenda. In particular the Minister will discuss the six actions for decentralisation proposed in CLG's *Decentralisation and the Localism Bill: an Essential Guide*. The LG Group recently responded to the guide through our publication *Essential Localism*. In it the Group highlighted what needed to happen at both national and local level to untangle bureaucracy and change the way the over-centralised system currently works. Key amongst these was culture change, localisation of finances and a roll-out of community budgets.

The Minister may also touch on, and Members may wish to raise, the Localism Bill which will soon be having its Report Stage debate in the House of Commons. The LGA has been lobbying for amendments in several areas and we hope that he will take on these suggestions and improve the Bill by Report. Members may also wish to raise the local government resource review and the forthcoming White Paper on public service reform.

Recommendation

Members are asked to note the presentation and raise issues for local government.

Action

As directed by the Forum.

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Essential Localism

Key Messages

1. The Government has proposed six actions for decentralisation in its document *Decentralisation and the Localism Bill: An Essential Guide*. These are:
 - 1.1 Lift the burden of bureaucracy
 - 1.2 Empower communities to do things their way
 - 1.3 Increase local control of public finance
 - 1.4 Diversify the supply of public services
 - 1.5 Open up Government to public scrutiny
 - 1.6 Strengthen accountability to local people
2. The LG Group have responded to each of the actions in our publication *Essential Localism*. The Group's response to each action is summarised below.

Lifting the Bureaucracy

3. While there have been positive moves by the Government, such as the new General Power of Competence, abolition of CAA, and allowing councils to set planning fees, some recently introduced policies demonstrate that Whitehall is struggling with the idea of ending "command and control" politics. The hundreds of reserve powers in the Localism Bill for Ministers to determine exactly how localism will work on the ground are in stark contrast to the liberating rhetoric we have heard.
4. True localism must allow councils freedom from Whitehall to innovate. The LG Group will seek to break the current dependency culture by supporting councils to use their new powers, highlighting barriers to localism enshrined in current legislation, and supporting and providing sector-led challenge.

Empower Communities to Do Things Their Way

5. Democratic local government must be an enabler of the Big Society, with councillors having a unique role in leading their communities. Encouraging more community involvement, through reforms to the planning system and new community rights to buy and bid to run services, are good ideas but threaten to be bogged down in bureaucracy and inflexibility. **These community rights need to be extended across the public sector.** Other Whitehall departments need to fully buy in to the localism agenda for it to work. For example, the Home Office should allow licence fees to be set locally rather than centrally, and DWP should acknowledge the importance of localising the Work Programme to make it efficient and flexible.

6. The LG Group is developing support for local enterprise partnerships on new financial mechanisms and enabling business growth. Councils are working in a variety of locally-specific ways to empower their communities – through ward budgeting, community-led plans, asset-transfer, and asset purchase amongst other things.

Increase Control of Public Finances

7. The de-ringfencing of grants and roll-out of community budgeting schemes is a step towards full local financial freedom. The commitment to introduce Tax Increment Financing is welcome, though other ideas, such as local power over council tax rises and reform of housing finance are rendered non-localist by the controlling tendrils of Whitehall. Localism must be an ongoing process of increased financial devolution, including the localisation of business rates, looking at local tax options, **increasing the roll-out of community budgets** across all facets of local public spending and considering where Quango funds can be better allocated from the local level.
8. The LG Group will be supporting the roll-out of community budgets and encouraging councils to share information and best practice. We are spreading information about the TIF model amongst members, and look forward to helping with the Local Government resource Review.

Diversify the supply of public services

9. Councils are already looking at ways in which services can be delivered through community groups, charities and other organisations. The Localism Bill sets out the Community Right to Challenge which is sound in principle but must be flexible to local needs, not prescribed by Whitehall. The Department of Health's Right to Request policy is a good example of a localist framework from central Government. The capacity of social enterprises and voluntary bodies must be built up, **with full local discretion** on how these groups are supported. Procurement processes must be simplified and the community budgeting model taken forward.
10. The LG Group has a key role in spreading best practice and guiding and encouraging third sector commissioning, as well as supporting public bodies and social enterprises to improve diversity. The experiences of local government are crucial when determining what can be done to encourage greater diversity of provision.

Open Up the Government to Public Scrutiny

11. The public needs to be able to access information across the public sector with full transparency over how money and resources are spent. The dismantling of many public service delivery targets is welcome and the Government should make the case for any data it wants from local government in the future, as well as opening its own books alongside councils. Community budgeting will allow for a much better understanding of the totality of spending in specific areas, improving the public's ability to scrutinise how money is being spent.

12. Councils already make information available to the public, and the LG Group will work with councils to support comparisons of performance across different places, including through a knowledge hub where councils can share data, information and expertise.

Strengthen accountability to local people

13. Localism is about better accountability, and councils continue to encourage local developments in this area, such as participatory and ward budgets. The Government is further suggesting, in the Localism Bill, a facility for a local referendum to take place on any local issue, create more directly-elected mayors as well as new directly-elected police commissioners. **To make localism a success the Government must make sure there is an absolutely clear line-of-sight between the public and public sector decision makers across the board**, and ensure that the localism agenda it is pushing is a success so people feel empowered.
14. The LG Group will continue to support councils in representing and serving their residents.

The Localism Bill

15. The headlines from the LGA's overall response to the Bill are:
 - 15.1 We welcome the thrust of the Bill and the ideas behind it. The General Power of Competence will be a useful power of first-resort for councils, and the push to get people more involved in decision-making in their local areas is commendable and right;
 - 15.2 However, the drafting of the Bill demonstrates how challenging it has been for the Whitehall machine to translate Ministers' promises to free local areas into legislation. There are many areas where it seems Whitehall is seeking to set out exactly how localism will work on the ground. **Powers for the Secretary of State to force local areas to have elected mayors, for example, are not in keeping with the rhetoric we have heard from Ministers about true local choice.** If a place chooses not to have an elected mayor, surely it should still be able to have the same power over local services that an elected mayor can – this allows for true local choice;
 - 15.3 We have identified hundreds of powers within the Bill for the Secretary of State to make regulations and issue guidance. The power for the Secretary of State to dictate what constitutes a "local issue" or an "asset of community value" is **in complete opposition to true localism** – these decisions should be made by local people. The Secretary of State will be able to control: how councils cooperate with one another; how they hold a list of assets in their area; how much they are allowed to borrow to invest in social housing; what criteria they should use to judge the suitability of proposed neighbourhood forum; and what governance system an area should have amongst a host of other things. This is not localist;
 - 15.4 **The Government must also put its money where its mouth is on financial freedoms.** The dismantling of the current housing finance system is very welcome, though the unnecessary creation of a cap on

councils borrowing to invest in social housing is a threat to future housing stock. The Government must also commit to allowing councils to keep all their Right to Buy receipts, rather than allowing the Treasury to swallow them up;

15.5 We completely oppose powers for the Secretary of State to order English councils to contribute to EU fines imposed on the UK Government. **This policy is unfair, unworkable, dangerous and unconstitutional.** This measure, which has been imposed without any consultation with the sector, imposes a new regime for Ministers to impose fines extra judicially, by executive action. It will result in significant and unjustified financial strain on local authorities that are already facing extremely testing circumstances.

16. **Specific amendments to the Bill supported by the LGA are:**

16.1 **Local Government** – deleting the power for the Secretary of State to force an area to have a mayor, deleting the post of a “shadow mayor” which must be created if the Secretary of State decrees, deleting order-making powers for the Secretary of State to determine how local referendums are conducted;

16.2 **EU fines** – we want to see this section of the Bill deleted in its entirety;

16.3 **Community Empowerment** – deleting the powers for the Secretary of State to prescribe exactly how localism should work on the ground, such as by decreeing what constitutes a “local issue”, what constitutes an “excessive” council tax rise, and what constitutes an “asset of community value”;

16.4 **Planning** – ensuring neighbourhood planning operates flexibly and in line with local preferences, ensuring that the new neighbourhood forums are representative and democratic, giving the ward councillor a stronger role in neighbourhood planning, deleting the requirement for a local referendum to always take place even if there is local agreement on a neighbourhood plan, and deleting further prescriptive powers for the Secretary of State. Also deleting the power for the Secretary of State to force councils to pass Community Infrastructure funds to any other person;

16.5 **Housing** – allowing councils to keep 100% of Right-to-Buy receipts, preventing the Secretary of State from forcing councils to pay more money to the Government after they have “bought out” of the Housing revenue Account subsidy scheme, and removing the cap on councils’ borrowing to invest in social housing.

Current Status of the Bill

17. The Bill is currently awaiting its House of Commons Report Stage, at which Greg Clark will present a revised version of the Bill to the House. We are continuing to lobby for the changes above and would **encourage member councillors to write to their MPs to highlight the changes that they want to see.** Further information can be found on our Localism Bill page on the LGA website.

Potential Questions

18. Below are a number of questions that could be asked of the Minister on the localism agenda and the Localism Bill.

On General Localism

19. Would the Minister agree that without further financial devolution the localism agenda will inevitably fail? Will he give his assurances that the Government is committed to rolling the community budgeting model out across local services?
20. Would the Minister agree that the hundreds of order-making powers for the Secretary of State in the Localism Bill are in contradiction to true localism and the Secretary of State's promise that "the years of government interference and micromanagement are over"?
21. In particular, would the Minister acknowledge the irony, and lack of localism, of giving the Secretary of State the power to:
 - 21.1 Decree what constitutes a "local issue" in a local referendum;
 - 21.2 Tell councils how they should decide whether a proposed neighbourhood forum is up to the job;
 - 21.3 Define what is a "strategic element of a local plan";
 - 21.4 Define through guidance what co-operation looks like locally and when it is appropriate;
 - 21.5 Decree what constitutes an "asset of community value"?
22. Making getting involved in decision making easy and accessible is key to building a Big Society. How does the Minister respond to claims that the detailed procedures set out in the Bill and through regulation and guidance will actually make local involvement more complicated, and make it less likely that people will want to get involved in the Big Society?
23. Could the Minister explain what he believes is localist about the power for the Secretary of State to enforce a mayoral model upon a local authority and have that model subjected to a confirmatory referendum?
24. Could the Minister explain why he feels that the powers that can be conferred onto elected mayors, as per the above question, could not also be conferred onto council leaders in areas that have chosen to operate a leader and cabinet system?
25. We believe that it is for local people to determine whether a proposed council tax rise is excessive. Can the Minister explain how the provisions in the Localism Bill, which give the Secretary of State the power to determine whether a council tax rise is excessive, and to decide when referendums are to take place, are localist?

On Financial Freedoms

26. As the Minister agrees that greater financial autonomy is a key driver to localism, will he commit to reassessing the housing finance section of the Localism Bill and deleting the power for Ministers the power to impose arbitrary limits on councils' housing borrowing, as well as ensuring councils can keep 100% of their Right to Buy receipts?
27. Increased flexibility to set fees and charges that are locally appropriate are more important than ever in the current financial climate. The Department's moves to allow local planning authorities to charge the full economic cost of planning fees are welcome in this regard. Would the Minister be able to identify if this approach is being considered for other areas where fees and charges may be appropriate?
28. The tough settlement means that increased flexibility through community budgets are crucial to allow us to deliver more with less. How can we work together to ensure community budgets are drawn as widely as possible across departmental budgets?
29. The Local Government Resource Review would allow the Government to explore a number of avenues for making local taxation genuinely local and more democratic. Can you provide us with a sense of the scope of the review?
30. The Localism Bill suggests that local public bodies will be directed to respond to staff and community groups according to a process determined centrally. But without local discretion and appropriate support for these groups, there is a risk that the majority of emerging tendering opportunities will be dominated by private providers. What in the Minister's opinion are the key elements of support, entitlements and enablers required to mitigate this risk?

On Other Whitehall Departments

31. Nine months into your new role how would you rate Whitehall Departments' efforts to decentralise? What are the remaining big issues that are on your agenda to tackle, and how can we support you in this?

Rt. Hon. Greg Clark MP, Decentralisation Minister



Greg Clark has been the Conservative MP for Tunbridge Wells since 2005 and became Minister for Decentralisation in May 2010. Before being elected to Parliament he worked as a business consultant, Special Advisor to the Department for Trade and Industry, and Director of Policy for the Conservative Party. After his election to Parliament he was promoted to the Shadow Minister for Charities in 2006 and the Shadow Energy and Climate Change Secretary in 2008. He is now responsible for decentralisation, the "Big Society", and planning policy within DCLG and is the Minister in charge of the Localism Bill. He will be reporting to the Prime Minister in summer on how other Whitehall departments are progressing with the Government's decentralisation agenda.