



Centre for Local
Economic Strategies

bulletin

The Localism Bill

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Introduction

The coalition government, building upon the pre-election commitment of the Conservative Party, has set out strong policy commitments to reforming public services in the United Kingdom. Central to this policy approach are the concepts of localism and decentralisation. The government is keen to re-localise the running of services with a particular emphasis upon communities deciding upon and running services in their neighbourhoods, in effect creating a big society. Key to this desire is an ambition to change the structure of control in the UK and decentralise activities away from central government and towards local government and communities.

To date, these aspirations have been little more than rhetoric, with limited detail of how high level policies would resonate in communities. The Localism Bill¹, published on 13th December 2010 and running to some 406 pages sets out proposals to enable this power shift to happen. This CLES bulletin provides an overview of the core proposals of the Bill together with commentary and critique.

The themes of the Localism Bill

The Localism Bill is based on the objective of 'decentralisation: giving power back to people and communities'. It has six core themes:

1. reduce bureaucracy;
2. enable communities and local government to take action;
3. increase local control of public finance;
4. open up public services to a broader range of suppliers;
5. open up government finances to public scrutiny;
6. strengthen accountability to local people.

¹ HM Government (2010) *Localism Bill*. <http://services.parliament.uk/bills/2010-11/localism.html>

Theme 1: Reduce bureaucracy

The Localism Bill seeks to reduce the burden of bureaucracy placed by central government upon local government and the voluntary and community sector. Key actions under this theme include:

- ***Abolition of targets***

It comes as no surprise that one of the government's key aspirations put forward in the Localism Bill is to minimise target-setting and monitoring. This follows the abolition of the Audit Commission, Local Area Agreements and the Comprehensive Area Assessment.

CLES Critique

- ***A localism bill light on local government***

The rhetoric of the Localism Bill suggests a move in power away from the centre and towards local government and local communities. Whilst there is much in the Bill about decentralising to local communities, the powers allocated to local government are less clear. If anything, the Bill appears to marginalise the enabling, facilitation and advisory role of local authorities within place. As with much emerging government policy, including the Work Programme, there is a real lack of an 'honest broker' in decentralisation aspirations. Questions remain as to: who promotes service delivery opportunities; who provides capacity building support for community groups; who procures services; and who supports communities to deliver. For CLES, decentralisation needs to be intrinsically linked to the function of local economic development and particularly the understanding this function has of the needs of place. The resilience of place requires inter-relationships between the public, commercial and social economies. The place stewardship role of local government is crucial to the resilience of place now and in the future and needs to have far greater emphasis than detailed in the Localism Bill.

- ***Is the reduction of monitoring and target culture a good thing?***

The last Local Government White Paper in 2006 and associated Local Government and Public Involvement in Health Bill set out a raft of measures to improve the relationship between central government and local place including a National Indicator Set and the roll out of Local Area Agreements (LAAs). This effectively scaled up the importance of the Local Strategic Partnership (LSP) as both a strategic and delivery vehicle. With no LAAs or central monitoring, there is no real need for LSPs, hence no need for Sustainable Community Strategies and local priority setting. Surely, if communities are going to deliver services they need to understand the needs of place and communities. There is therefore, a need for some form of governance mechanism at the local level which sets priorities and monitors change.

- ***Eradication of Regional Strategies***

With the Localism Bill, the government announces that regional targets, captured in Regional Strategies, will be eradicated with the aim of restoring 'local decision-making' and that excessive documentation will be replaced with 'focused local plans that reflect the local area's vision'.

- ***Relaxation of the predetermination rule***

The Bill also signals the abolition of the 'predetermination rule' which inhibits candidates standing for election from referring to controversial local issues, such as a proposed development, during an election campaign to prevent themselves from being barred on the issue if elected.

Theme 2: Enable communities and local government to take action

The second theme of the Bill aims to enable communities to take action and deliver services in their own neighbourhoods. Key actions under this theme include:

- ***General Power of Competence***

The Localism Bill proposes that local authorities are granted a General Power of Competence that will allow them to do anything which is not prohibited by law. The aim of this new power is to give local authorities greater opportunity to develop rapid, innovative responses to local challenges. This government sees this as enabling local authorities to develop and run services independently of Whitehall and encourage cross-boundary collaboration and new ways of working. The government is also introducing a new duty to cooperate with the aim of ensuring that local authorities and public sector bodies work together.

CLES Critique

- ***What about true devolution for local government?***

Whilst the Localism Bill is strong on decentralising control, this is very different from the devolution of true powers to the local level. For years, local government, and particularly economic development departments have been calling for greater powers to retain rates and taxation and over key strategic functions such as infrastructure. The Bill presented an opportunity to devolve powers to newly formed structures such as Local Enterprise Partnerships (LEPs) and engage communities through these mechanisms. If you look at the decentralisation 'swingometer' detailed in the Bill, we are still a way from moving significantly from 'big government' and towards 'big society'. This is particularly evident in the objective 'to increase local control of public finance', which despite place-based budgeting is still very much in the realm of central government settlements for local authorities. Indeed central government still control 75% of all expenditure. The rhetoric of decentralisation needs to be matched with further resource restructuring to enable a more effective central to local balance.

- ***Who makes decisions about power of competence requests?***

For CLES, the legislation in the Bill for a General Power of Competence for local authorities has key similarities to the Power of Well-Being, the freedoms and flexibilities aspect of LAAs, and the Sustainable Communities Act. Whilst the rhetoric of these measures was positive, local government still needed to 'ask' central government to grant permission to make changes. The result of this was often more bureaucracy, as opposed to less, and requests that only tended to tinker at the margins of service delivery. It remains to be seen whether the General Power of Competence will be administered centrally or whether local government will have true flexibility to do what they like.

- ***Community right to buy and to build***

The Localism Bill introduces new powers to enable communities to take greater responsibility for their local built environment. Firstly, it introduces a right to buy with the aim of giving community members the opportunity to take ownership of assets that are at risk of closure and subsequently manage them. Secondly, the Bill introduces a new right to build which gives residents the power to take forward development in their area without the need for planning permission, subject to meeting safeguards and having secured fifty percent support through referendum. The government hopes that with this new right, rural communities in particular will have increased freedom to develop the homes and amenities required for their sustainability.

CLES Critique

- ***An assumption that communities have the skills to and want to deliver services***

The Localism Bill is based upon the premise that communities want to take control of the places in which they live and want to run local services such as libraries and post offices. The problem with this is that not all places and communities will have the desire, skills or leadership to take on this challenge. As we have found, in the shift from grant funding to contracting in the voluntary and community sector, the delivery of public services is complex and often bureaucratic. Historically, communities and small community groups have not had the turnover, skills or capacity to engage with the procurement process, let alone deliver public services. There is very little detail in the Bill as to how services will be transferred to community ownership, how communities will be supported to bid for opportunities, and how local government procurement will be simplified to enable communities to deliver services. Without this capacity building, surely service contracts will become dominated by multinational, private sector monopolies.

There is also a challenge around accessibility to services if they are run by specific parts of the community where others are marginalised from the community or not part of the set up of voluntary and community organisations. There is a concern that services will simply favour those with a vested interest in the community. This could effectively exacerbate inequality.
- ***Community service delivery requires grant funding as a starting point***

The Localism Bill appears to misunderstand the wants and needs of the voluntary and community sector when it comes to funding. Many communities and groups simply do not want to jump straight into service delivery. Instead, the starting point is often community level projects addressing specific neighbourhood issues and for this communities require grant funding. CLES has recently undertaken a research study with Voluntary Sector North West (VSNW)² exploring the merits and validity of grant finance for the voluntary and community sector. As well as providing start-up capital, grants can stimulate innovation, enable an ethos to be retained, and stimulate employment and volunteering opportunities. If government is serious about community delivery, this commitment needs to be accompanied by grant and capacity building support. After all, only about 80% of all voluntary and community sector organisations actually deliver public service contracts.
- ***Where does the financial capital come from to stimulate social capital?***

The Localism Bill presents lots of opportunities for communities to take control of the places in which they live and the services on offer. The opportunity to develop neighbourhood plans, take over the running of assets, and deliver services are all key to shaping the future look and function of place. These proposals are however based upon the premise that communities have the networks, relationships, and knowledge to influence change; the key components of social capital. In many localities community empowerment and development has been driven by 'usual suspects', something CLES has all too often found in the evaluation of regeneration projects and programmes. Developing neighbourhood plans, tendering for services, and bidding for assets are all things that require financial capital. The Bill does not detail how communities finance these activities, nor does it provide any opportunities for 'seed-corn' financing.

² Centre for Local Economic Strategies and Voluntary Sector North West (2010) *Demonstrating the local economic and social value of grant-making with the vcs: think-piece.*
<http://www.cles.org.uk/files/105087/FileName/Grantmakingwiththevoluntarysector.pdf>

- ***Neighbourhood plans***

In a similar vein to the community right to buy and the community right to build, the Localism Bill introduces neighbourhood plans with the aim of reducing bureaucracy in the planning system, enabling development without the need for planning permission.

CLES Critique

Planning change could lead to a developer free-for-all

The Localism Bill vastly reduces some of the restraints facing communities in the planning system. Alongside legislation for neighbourhood plans it also seeks to reduce the time it takes to get planning permission through local government and reduce restrictions on development on specific areas of land. The aim behind this is to enable communities greater influence to shape the look of their place. The challenge is that it also opens up opportunities for large scale developers who may well take over community planning. It also raises questions about NIMBYism and development on green belt land. Potentially it risks exacerbating, as opposed to tackling inequality, as only certain communities will be equipped to engage in the planning process.

Theme 3: Increase local control of public finance

The aim in this strand of the Bill is to give local communities greater control over how public money is spent. Key actions under this theme include:

- ***Community Infrastructure Levy***

The Bill introduces the requirement for local authorities to allocate a proportion of Community Infrastructure Levy revenues back to the neighbourhood from which it was raised. Revenue may be spent on new and existing infrastructure and the Bill introduces the opportunity for local authorities to set their charging levels.

- ***Council tax referendums***

The public will be given the opportunity to approve or veto council tax increases that go above a ceiling set by the Secretary of State and approved by the House of Commons. Local authorities wishing to exceed the ceiling rate will be required to prove the case to the electorate with a view to increasing accountability and transparency.

- ***Business rate discounts***

The Bill will give local authorities the power to discount business rates in response to local and national challenges.

Theme 4: Open up public services to a broader range of suppliers

The fourth theme of the Localism Bill is to move away from the state monopoly of public services and open up service delivery opportunities to business, faith groups, charities and social enterprises. Key actions under this theme include:

- ***Community right to challenge***

Under the Bill communities will have the right to challenge how local authority services are run with the aim of giving people greater opportunity to become involved in the design and delivery of public services.

- **Community right to buy**

As outlined under theme two, the Localism Bill sets out the government's intention that the voluntary and community sector be given greater opportunity to identify and bid for assets. Asset transfer is not a new concept. What sets this government's vision apart from the previous Labour government's approach is the idea that assets will be transferred with the intention that they become sites from which communities design and deliver public services.

CLES Critique

A need to change the whole culture of procurement

Action 4 of the Localism and Decentralisation Bill is to 'diversify the supply of public services'. This suggests that procurers in both central and local government have both the flexibility and creativity to support local economic benefit and SMEs and voluntary and community sector organisations to bid and deliver. Far too many procurers are however stuck in a culture of silo working, European Procurement Law restraints and are risk averse. To enable greater community involvement and delivery, government needs to break the shackles on the function of procurement by encouraging social and economic clauses, by supporting diverse suppliers to bid, and by influencing the activities of the supply chain around their own employment and supplier choices. Manchester City Council is one authority which has begun to move towards this progressive approach to procurement³.

Theme 5: Open up government finances to public scrutiny

The fifth theme of the Localism Bill is to increase transparency in the financial affairs of both central and local government.

Financial transparency

The Localism Bill introduces a requirement on local authorities to produce an annual statement which sets out their policy on the pay of their chief officers. Any deviation from the policy will require the approval of the full council. This complements existing measures to enhance transparency in government. For example, all Whitehall departments are now required to publish spend and tender data for all products or services of £25,000 or more, whilst from 2011 local authorities will be required to publish every item of expenditure over £500.

CLES Critique

Do communities want information about the operations of government?

The fifth action of the Localism Bill is to 'open up government to public scrutiny' through providing better information about Government spending, for example. This is fine, but surely it is information about services in their locality which communities are really interested in. They want to know when their refuse is being collected and what the police are doing to tackle anti-social behaviour as opposed to how much CLG spent on computers. Information provision therefore needs to be more localised, more linked to the role of the elected member, and also representative of potential service delivery opportunities available within a place.

Theme 6: Strengthen accountability to local people

The sixth theme of the Localism Bill is to strengthen to accountability of central and local government to local communities. Key actions under this theme include:

³ Centre for Local Economic Strategies (2010) *The power of procurement*.
[http://www.cles.org.uk/files/106367/FileName/Procurementfinal\(web\).pdf](http://www.cles.org.uk/files/106367/FileName/Procurementfinal(web).pdf)

- **Referendums**

Residents, councils and councillors will be able to instigate referendums on any local issue. These referendums will be non-binding; however public authorities will be required to 'take their outcomes into account' in their decision-making processes. What this will mean in practice remains unclear.

- **Directly Elected Mayors**

The Conservative Party has been championing the introduction of Directly Elected Mayors for some time, so it is unsurprising that the Localism Bill introduces a right for all areas to elect a mayor to act as a figurehead for local government. Twelve designated cities⁴ will hold mayoral referendums on Local Election Day in May 2010 along with any other area that calls for one.

CLES Critique

An elected mayor model of governance needs power

The positives and negatives of an elected mayoral model of democratic accountability have been long debated. Our message at CLES remains clear, an elected mayor cannot just be a figurehead for a locality, with local government about the representation of place rather than the personality of an individual. Our economic argument around elected mayors is that they actually threaten a narrowing of democracy unless they are accompanied with significant powers over the function of place including over economic development, transport, inward investment, skills, and business support.

Bulletin is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is the leading membership organisation in the UK dedicated to economic development, regeneration and local governance. CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also manages the monthly New Start digital magazine, through its new CLES online service, which provides comprehensive analysis and commentary on current policy and good practice.

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⁴ The 12 cities are Birmingham, Bradford, Bristol, Coventry, Leeds, Leicester, Liverpool, Manchester, Newcastle upon Tyne, Nottingham, Sheffield and Wakefield