



**Government response to the
Communities and Local Government Select
Committee's Report: Localism**

Presented to Parliament by the Secretary of State
for Communities and Local Government
by Command of Her Majesty
September 2011



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Introduction

1. The Government welcomes the Committee's report on its inquiry into Localism. The Committee has taken evidence from a wide range of organisations and has produced a carefully considered report and set of recommendations.
2. Subsequent to publication of the Committee's report, the Government has published the Open Public Services White Paper¹. The white paper has an important bearing on many of the issues raised in the Select Committee's report. It puts decentralisation at the heart of the Government's modernisation agenda and sets out the important role that strong local government has to play in the new landscape of open public services. This response to the Select Committee report therefore refers, where appropriate, to the white paper. A number of the proposals in the white paper are subject to further engagement and consultation. The outcome of those processes will therefore shape the Government's approach to many of the issues raised by the Select Committee.
3. There are some key themes which run throughout the Committee's report, relating to the coherence of Government's overall approach to localism and the role of local government. The following response to the Committee's report therefore addresses the key themes up-front, before going on to address, in turn, the specific conclusions and recommendations of the Committee's report.

¹ <http://www.cabinetoffice.gov.uk/resource-library/open-public-services-white-paper>

Key Themes

Interpretation of localism

4. The Government's interpretation of localism, in contrast to the interpretation provided to the Committee by some commentators, is that power should belong at the lowest appropriate level. Depending on the activity or function in question, the lowest appropriate level may mean individual citizens, public service professionals, local neighbourhoods or local level institutions such as local authorities. For some services and functions, the lowest appropriate level may even be national government itself, either because of the strategic nature of the service or because of the significant economies of scale involved in commissioning the service.
5. Whilst the most appropriate level will vary from service to service, it is the Government's clear view that, overall, power has accreted at too high a level over the years and that a process of decentralisation is needed to give power away. All departments involved in public services have a role to play in that, and none of them is seeking to be exempt.

A clear framework

6. There are a number of approaches that can be taken to transferring power. One approach is to decide the level at which power should belong for each service and function and then to take steps to transfer power to that level across the board. There are circumstances when that will be the right approach, for example where a differentiated approach would create unacceptable spill over effects between areas. An example of this is the Universal Credit, which will greatly simplify the benefits system for citizens and eliminate disincentives to take on employment.
7. Another approach is to create rights for lower levels to draw down power from higher levels, but not to mandate that such a transfer of power should happen or the precise form it should take – to give communities the right to do things differently, thereby creating flexibility and promoting innovation. So, for example, the Localism Bill sets out a series of rights which communities can choose to exercise, for example the opportunity to establish a neighbourhood plan and the Community Right to Challenge local authority services. Local Enterprise Partnerships are another example, where the Government has decided that top-down Regional Development Agencies are not the best way of addressing the barriers to growth in different places and has instead left it to local areas to come forward with proposals that best suit the circumstances and economic geography of the area.

8. The Government believes that both of the above approaches have their place, depending on the nature of the activity in question. Government does not have a monopoly of wisdom as to which service should belong at which level or what the mechanism should be for transferring power. That is why the Open Public Services White Paper has established a process of engagement to gain views on such issues.
9. The Open Public Services White Paper does, however, set out a clear framework within which public services can be opened up. In particular, it distinguishes between individual services, neighbourhood services and commissioned services. The roles that different parties will play – individuals, providers, regulators and commissioners (including central and local government) – will vary according to the nature of the service in question. In particular, the exercise of choice will be a powerful mechanism for improving services and holding service providers to account, in the case of individual services, whereas the emphasis is on other methods of accountability (including, but not limited to, democratic mechanisms) for commissioned services.
10. The white paper sets out a series of safeguards that should apply across services. So, for example, choice mechanisms alone may not always provide fair access to all users and may not be meaningful unless there is transparent information for service users and a minimum standard of service applicable to all accredited providers. Transparency will be a useful tool for measuring whether change is being implemented. Similarly, it recognises that proportionate intervention will be required in cases of service failure.
11. The Open Public Services White Paper therefore represents a clear framework within which public services will be opened up, with a strong emphasis on decentralising services to the lowest appropriate level and within a set of safeguards that reflect the important continuing role of central government.

The role of local government

12. The Government believes that strong local government has a vital role to play in a landscape of open public services – both as a direct commissioner of services and as champion of all public services across the locality. The Government also recognises the crucial role that local authorities play as democratically accountable leaders and representatives of local communities.
13. This Government has already transferred substantial power to local government. Abolishing the Regional Strategies, the Comprehensive Area Assessment, the National Indicator Set and 4,700 top-down targets associated with Local Area Agreements and dismantling most ring-fencing of local government funding have freed up local government to focus on the needs of local communities rather than on meeting the demands of overbearing central bureaucracy.

14. The Government's reforms will not stop there. The Localism Bill, including the General Power of Competence (see paragraph 50), will hand further substantial powers to local government. Furthermore, Community Budgets (paragraph 61) and Tax Increment Financing (paragraph 56) create the conditions for local government to use resources more flexibly in order to meet the specific needs of their communities. The Open Public Services White Paper proposes further activities that might be decentralised to local level as well as setting in train a broader engagement on the opportunities for strong local government created by the open public services agenda. The Local Government Resource Review has proposed creating a fundamental shift in power by allowing local councils to retain business rates.
15. At the same time, the Government believes decentralisation should go beyond transferring power from central government to local government, important though that is. There should be a parallel decentralisation of power from central government to local government and to people and communities. Local government itself has a powerful role to play in that second leg of decentralisation, by actively pushing power to individuals and neighbourhoods and by being more accountable to local people, through greater transparency and stronger democratic mechanisms such as local referendums.

Conclusions and Recommendations

16. Set out below are the Government's responses to the Committee's conclusions and recommendations, under the headings adopted by the Report.

Defining localism and its aims

Recommendation 1: We welcome the Government's commitment to localism and decentralisation. We agree with the Government that power in England is currently too centralised, that each community should be able to influence what happens in its locality to a much greater extent, that there has been in the past too much central government interference in the affairs of local authorities, and that public services have been insufficiently accountable to their local populations. (Paragraph 15)

17. The Government welcomes the Committee's endorsement of localism and decentralisation. The case for these reforms, as the most important contribution that central government can make towards building the Big Society, is set out in *Decentralisation and the Localism Bill: an essential guide* (referred to herein as "the Guide") published in December 2010².

The Government's definition of localism

Recommendation 2: The explanations of localism and decentralisation that the Government has thus far provided invoke very diffuse aims from which it is difficult to construct a coherent picture of the end goal. There is little clarity about who will ultimately be responsible for what. Increasing the influence of local decision-making is bound to result in some unpredictable outcomes, but we recommend that the Government undertake to provide a more detailed explanation of the framework within which it envisages such changes taking place and the limits that will be set to central intervention. A constitutional settlement, overseen by a joint committee, could provide such a framework, at least insofar as it relates to the role of local government. (Paragraph 24)

² <http://www.communities.gov.uk/publications/localgovernment/decentralisationguide>

18. The Government's aims in pursuing localism and decentralisation have been clearly expressed. In the words of the Prime Minister³:

"There's the efficiency argument – that in huge hierarchies, money gets spent on bureaucracy instead of the frontline. There is the fairness argument – that centralised national blueprints don't allow for local solutions to major social problems. And there is the political argument – that centralisation creates a great distance in our democracy between the government and the governed."

19. As described in paragraphs 9 – 11 above, the Open Public Services White Paper⁴ sets out a clear framework within which services are to be opened up. It recognises the safeguards that are needed in an open service landscape such as minimum standards and continuity regimes. In setting out the principles that should apply to central intervention⁵, the white paper acknowledges that central intervention needs to be carefully designed so as to avoid returning to the default of top-down prescription.
20. The Government notes the Select Committee's suggestions for a constitutional settlement between central and local government and acknowledges the Committee's predecessors' interest in this area⁶. The Government already complies with the European Charter of Local Self Government. However, this issue will be considered further following the forthcoming report from the Political and Constitutional Reform Committee on the prospects for codifying the relationship between central and local government.

Localism in other government departments

Recommendation 3: Allowing frontline workers to exercise their professional judgement is good management practice. Facilitating service choice and reducing bureaucracy may be laudable aims in their own right as well. None of these things, however, sits comfortably within a definition of localism. The Government is stretching its uses of the term in too many, sometimes contradictory, directions. Democratic accountability is privileged by some of these developments but not others; local government is integral to some but appears peripheral elsewhere; some policies contribute to integration while others seem likely to entrench silos between services. (Paragraph 31)

³ David Cameron, *The Observer*, 12 September 2010

⁴ <http://www.cabinetoffice.gov.uk/resource-library/open-public-services-white-paper>

⁵ See, for example, paragraph 6.23 of the white paper.

⁶ *Balance of Power: Central and Local Government* (2009) <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/33/33i.pdf>

21. The Government's position is that power should reside at the lowest appropriate level. Decentralisation is the process for giving effect to that. Within that context, the Government does not agree that liberating public service professionals, promoting choice and reducing bureaucracy are at odds with, or stretch the definition of, localism. They are all decentralising techniques for improving public services.
22. In addition to these techniques, the Open Public Services White Paper makes clear the role that strong local government and democratic accountability play in opening up, and holding to account, public services. As set out in paragraph 9, however, the role of democratic accountability will vary, depending on the nature of the service in question. The Government does not agree that this need entrench silos between services. Councils play an important role in coordinating and integrating services across their area even where they are not directly responsible for those services. Paragraph 49 sets out the mechanisms through which this integrating role be further reinforced.

Recommendation 4: Some policy areas appear to have been granted an exemption from decentralisation. The priorities of the Department for Work and Pensions appear particularly resistant to the arguments for devolving power to local institutions, despite the eagerness of local authorities to be more involved in shaping the response to worklessness in their area. However valid the grounds, such exemptions will necessarily limit the radicalism of the Government's overall vision. They also give the impression that the definition of localism is a matter only of tone and of convenience for the Government as a whole, with each department permitted to ignore localism or to adopt whichever strain of the policy will facilitate its other goals. The views of those outside Government about how the policy should be defined have not obviously been taken into account. We recommend that the Government undertake a formal consultation to gather the views of local government and other stakeholders about what sort of localism *they* would like to see. (Paragraph 32)

23. No department has been granted an exemption from decentralisation. As noted in paragraph 6 above, there is not a one-size fits-all approach to decentralisation. Different activities and functions will belong at different levels, and the techniques needed to decentralise them will therefore vary in emphasis between services and between departments.
24. The Government does not agree with the Committee's conclusions regarding the Department for Work and Pensions (DWP) and worklessness. The Work Programme represents an unprecedented opportunity for local government, communities and third sector organisations to get involved in back to work support. The Work Programme is more flexible than ever before, with far less centrally imposed design.

Our providers have been given broad discretion to work with communities and local government to tailor the support they provide to local priorities, and local links were a key factor when awarding contracts. The Work Programme will be funded using the benefit savings that providers generate and the mechanism that allows this level of investment is by necessity a national one. However, there is more to localism than devolving funding and the opportunity to engage with providers on the long term, stable basis is one that has already been taken up by a large number of local authorities.

25. Furthermore, DWP's Universal Credit will substantially reduce bureaucracy within the current benefits system and DWP will seek to develop a more localised support network for individuals who require it.
26. The Government recognises the importance of seeking views from outside Government about how its policy should be defined. The Government has been doing this in a number of ways, both formal and informal. In particular:
 - Following publication of the Decentralisation Guide in December 2010, officials from the Department for Communities and Local Government (DCLG) undertook a series of seminars on decentralisation with local government representatives around the country;
 - There has been detailed engagement, including through formal consultations, on the Localism Bill;
 - A listening exercise is underway following publication of the Open Public Services White Paper;
 - The Government is also crowd sourcing ideas on how the aims of existing regulation can be fulfilled in the least burdensome way possible through the Red Tape Challenge;
 - In the Open Public Services White Paper, the Government announced that public sector workers would be invited to bring forward suggestions on how to remove burdens and bureaucracy as part of the Government's programme on public sector deregulation.

Recommendation 5: We welcome the appointment of a Minister for Decentralisation. We expect that it will be part of the Minister's role to bring coherence and a sense of priorities to the Government's localism agenda, and we look forward to the outcome of his first report to the Prime Minister about progress in each department. In the light of the evidence we have received, a clean bill of health for every department would be a surprising outcome. We anticipate taking the opportunity to scrutinise this and subsequent reports, and questioning Ministers on it at future evidence sessions. The response of other departments to the Minister's analysis will

be seen as a barometer of both the seriousness with which the Government is pursuing localism, and the capacity of the Department for Communities and Local Government to exert influence within Whitehall. (Paragraph 34)

Recommendation 6: The Minister for Decentralisation will need to make more clearly demonstrable progress in influencing other government departments than he has done so far if questions about his role and his position in DCLG are to be answered positively. If such progress cannot be demonstrated, the Government will need to reflect seriously on whether the role needs to be moved to another, more influential, department such as the Cabinet Office. (Paragraph 36)

27. The Open Public Services White Paper explains how decentralisation and localism underpin the Government's public service modernisation, reflecting the importance that the Government is placing on decentralisation.
28. As Minister for Decentralisation, the Rt Hon Greg Clark MP has a remit to engage with departments across Whitehall, ensuring that decentralisation is central to policy development across Government. Greg Clark has recently been given an additional Ministerial responsibility, as Minister for Cities, to work with cities to harness their potential to drive growth and prosperity. This role will bring further opportunities to apply decentralised approaches to policy making across Whitehall.

Localism and efficiency

Recommendation 7: The Government must be wary of assuming that decentralisation will reduce public sector costs in the short or medium term. It should not be quick to declare localism a failed experiment if efficiency savings do not instantly materialise. Indeed, the chances of localism transforming the way the country is governed may be hampered at the outset by a lack of resources to prime the pump by building community capacity. Localism is a goal worth pursuing no matter what the fiscal circumstances, but realism is needed about how fundamental change will be achieved without resources to support it. (Paragraph 48)

29. The Government is committed to decentralisation because of the benefits decentralisation can bring – boosting economic growth, improving public services and promoting a happier and more responsible society. There is a very real and pressing need to make savings in public expenditure but that is not why the Government is seeking to decentralise power.

30. However, the Government is committed to delivering significant efficiency savings where central co-ordination can demonstrably deliver them. This is the “Tight Loose” approach led by the Rt Hon Francis Maude in the Cabinet Office, which means that the centre should tightly manage corporate areas, such as HR, procurement, finance and property, where co-ordinated action can increase transparency and achieve the largest economies of scale. For example, the new HMRC print contract, awarded in July this year, will be available to all Government departments, replacing 140 contracts with a single contract and generating expected savings of £21 million⁷.
31. Tight Loose also means that the centre should devolve to the lowest appropriate level those individual policy decisions which are best taken locally. This too can realise efficiencies, by allowing those at the front line to innovate and tailor their services to local circumstances. There should also be savings in data collection and reporting as local managers focus on gathering the information they and their users need, rather than the information required by top-down performance management systems.
32. One example of this is the results from 11 council led pilot projects, known as Capital and Assets Pathfinders. On average, these pilots identified that savings of 20 per cent could be achieved by rationalising public assets or co-locating local services based on customer needs⁸. For example, Cambridgeshire predicts that a reduction in building floor space and carbon emissions should translate into savings of up to £200million over 10 years. This illustrates that decentralising measures of removing ring fencing and empowering local partners to work together can enable local government to manage expenditure reductions as innovatively and efficiently as possible.
33. The issue of pump priming community capacity is addressed in paragraph 70 below.

Central government in a localist system

Recommendation 8: Ministers must rein in their interventionist instincts if the Government’s localism agenda is to be credible. Central government cannot have it both ways – on the one hand giving local authorities the freedom to make their own choices, and on the other maintaining that only one of those choices is the ‘sensible’ one. The Government must make its own choice: does it wish local authorities to exercise local discretion, or does it want to continue to prescribe and recommend courses of action centrally? The litmus test of localism will be the Government’s reaction to local decisions with which it disagrees. The concept of ‘guided localism’ is an unhappy compromise which is neither helpful to local authorities nor as radical as the Government seems content to believe. (Paragraph 57)

⁷ <http://www.cabinetoffice.gov.uk/news/first-centralised-procurement-contract-awarded>

⁸ See www.communities.gov.uk/localgovernment/decentralisation/capitalassets/ and www.local.gov.uk/capital-and-asset-productivity for further information.

34. As described in paragraph 13, the Government has already transferred substantial power to local government and is taking further steps to transfer more power. These reforms will leave local government freer from central control than in the past and more able to focus on the needs and priorities of the local communities to whom they are accountable.
35. Whilst local government will be freer of central control, this does not mean that Ministers, as nationally elected politicians, should be denied the right to express their opinion on matters which affect public life, including decisions made by local authorities. This is the sign of a healthy democracy, in which all participants – including local government – have a voice.

Recommendation 9: Ministers are not alone in needing to curb their appetite for intervention. Changing the cultures of the civil service and of Parliament to support a more localist system will be crucial. The former will be decisive in ensuring that Ministers' intentions are put into practice, and the latter in altering the parameters of debate to reflect the distribution of powers to local agencies. Opposition spokesmen, too, bear some responsibility for ensuring that central government is not tempted to interfere beyond its proper remit. (Paragraph 58)

36. The Government agrees that the civil service will need to adapt to the new, decentralised landscape. The Open Public Services White Paper recognises that opening up public services and decentralising power to the local level implies significant change for the future role of Whitehall, and commits to a future consultation on core Government roles.
37. It is relevant to note that the Public Administration Select Committee (PASC), in its 18 July report Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform, calls for more strategic central leadership and governance to support departments in managing their change programmes. The Government agrees that more could be done from the centre to support successful Civil Service reform, and has appointed two Executive Directors in Cabinet Office to take forward this work. One key aspect of that reform programme will be to ensure that Departments have the necessary skills, capabilities and structures to deliver the Government's priorities, including on localism and open public services.
38. The Government welcomes the Select Committee's contribution to a healthy debate in the role of Parliament in promoting this agenda. Parliament will continue to have a legitimate interest in local services, but the Government agrees strongly that it will be important that the way in which Parliament and its select committees holds Ministers and Accounting Officers to account reflects the changing distribution of power and responsibilities.

Setting limits to localism

Recommendation 10: Localism has its critics, and they have legitimate concerns: about fairness, about the need to safeguard vulnerable people, and about services underperforming. Some stakeholders and sections of the community evidently do not trust the present forms of local democratic accountability to look after their interests when the apparatus of centralised, bureaucratic accountability is dismantled. We recommend that the Government consider how best to help these groups use the available means for holding their local service providers to account, beyond the ballot box. In particular, the Government must address the contribution to accountability that can be made by robust—and if necessary enhanced—local authority scrutiny functions. (Paragraph 74)

Recommendation 11: We accept the case for some form of minimum national standards in services such as adult social care and child protection, where the needs of the most vulnerable must be protected. We recommend that where such standards are adopted they are formulated in consultation with local government, in order to ensure that they reflect the level of central government oversight appropriate to a localist system and do not simply recreate an overly-interventionist performance regime. (Paragraph 75)

39. The Government takes the issues of fairness, protecting the vulnerable and underperformance extremely seriously. That is why the principles of ensuring fair access and accountability of public services are at the heart of the Open Public Services White Paper. Indeed, the white paper points to the failures of the previous centralised approach to public services to address these concerns as key reasons for opening up public services.
40. The white paper sets out a range of mechanisms to ensure fair access to public services and to hold service providers and commissioners accountable to (among others) vulnerable groups. In addition to democratic accountability and local authority scrutiny, these mechanisms include the targeting of funding to the poorest, payment by results and proportionate systems of audit and inspection. The consultation resulting from the white paper will help to address the concerns of groups such as those who gave evidence to the Committee.
41. Turning to the specific recommendations of the Committee, the Government recognises the importance of accountability mechanisms including, but also going beyond the ballot box. The Open Public Services White Paper proposes an enhanced role for elected and independent bodies in championing individuals' rights⁹. It also

⁹ Open Public Services White Paper, paragraphs 3.28–3.29.

sets out Government's intention to consult on enhancing the role of local councillors as citizen champions, including extending their powers of overview and scrutiny, and on exploring how service providers can enable greater user participation¹⁰.

42. The Open Public Services White Paper sets out the role that minimum standards play in ensuring that users of services have meaningful choices available to them. In order to give effect to such standards, providers of individual services who receive public money will, in future, be licensed or registered by the appropriate regulator. In a number of service areas minimum standards (such as floor standards in schools) already apply. It is the Government's normal practice to work with relevant parties, including local government, in developing any new national minimum standards.

Recommendation 12: We recommend that the Government make clear the principles on which it will determine at what level different decisions will be made, and the grounds on which intervention in local services will be deemed necessary. These questions should not be decided purely on a case-by-case basis. Communities need clarity about which decision-makers they should be seeking to influence, and an explicit statement of the Government's intent would help to forestall campaigning groups' reliance on national government to enforce acceptable standards of service. A constitutional commitment to decentralisation would be one way of achieving this clarity; in the shorter term, we will expect the forthcoming progress report on localism in each department to be an opportunity to flesh out the principles on which the departments are expected to act. (Paragraph 76)

43. As set out in paragraph 9, the Open Public Services White Paper sets out key principles for determining at which level decisions will be made, by distinguishing between individual services, neighbourhood services and commissioned services, and setting out the different responsibilities that apply to these types of services. However, as noted in paragraph 7 above, the Government does not agree that the allocation of decision-making should always be identical from service to service, as a rights-based approach will be appropriate to some services.
44. The Open Public Services White Paper sets out the principles for intervening in the case of institutional failure, which will be used by Government as the basis for developing continuity regimes¹¹. In the case of local authorities, intervention on corporate governance should be used as a last resort, where a local authority, working with the service provider, has been unable to address its own performance issues.

¹⁰ *Ibid*, paragraph 5.30.

¹¹ Open Public Services White Paper, paragraphs 6.23 – 6.26.

45. As noted in paragraph 20, the Government will consider recommendations for codifying the relationship between central and local government following the forthcoming report from the Political and Constitutional Reform Committee.

Localism without local government?

Recommendation 13: The Government's attitude to local government is inconsistent, and local authorities' role in localism unclear. A parallel democratic structure is being established for policing, schools are to be further removed from council control, and there are to be binding referendums on council tax increases above a certain level. Assets of the former regional development agencies are to be transferred to central rather than local government or Local Enterprise Partnerships. All these developments imply that the Government may be more interested in circumventing local government than further empowering it. On the other hand, local authorities will have a new general power of competence and new responsibilities for public health. The Government must decide what it wants the role of local authorities to be and how it should develop, what powers they will have and how they will exercise them in relation to other bodies. We recommend that each department set out how it will devolve further powers to local government, and we look forward to seeing clear evidence of this in the Minister for Decentralisation's progress report. (Paragraph 101)

46. The Government's commitment to the role of local government is set out in paragraphs 12 to 15 above.
47. As noted in paragraph 4, the Government's approach is to decentralise power to the lowest appropriate level, and this will not always be local government. It is entirely consistent with that principle that some responsibilities which currently sit with local government might be transferred to lower levels or that new elected offices (such as Police and Commissioners) might be created to make other bodies (i.e. police forces) democratically accountable.
48. The Government does not accept that this approach means Government is more interested in circumventing local government than empowering it. Moreover, it does not follow (referring to paragraph 155 of the Select Committee's report) that fragmentation will be the result. Councils play an important role in coordinating and integrating services across their area even where they are not directly responsible for those services. Places are already able to pool resources, for example, and the essence of decentralisation is to give local institutions freedom to do more of this without express permission rather than imposing integration from above.

49. Nonetheless, mechanisms such as Community Budgets (see paragraphs 61 to 64) provide an important vehicle for supporting integration of services and this will be further reinforced by the proposals in the Open Public Services White Paper for local authorities to be the people's champions for all public services in their area and to have their proposals for doing things differently considered seriously by central government.

Recommendation 14: We recommend that the Government work with the Local Government Association to set out examples of specific ways in which the general power of competence will enable local authorities to extend their role beyond that conferred by the well-being powers. In particular, it is unclear what activities currently carried out by central government might be taken over by local authorities using the new power. We recommend also that the Government undertake an assessment of the extent to which exercise of the general power of competence will be restricted by existing regulation and statute. If there is in practice little room for local government to expand into, the power is likely to have very minimal impact. (Paragraph 102)

50. The general power of competence will turn the current situation on its head. Rather than looking to Whitehall to hand down specific powers, the new power is drafted on the basis that local authorities will be able to do anything that an individual with full capacity (a 'natural person') might do, whereas the well-being power was a power to do specified things. The general power of competence is intended to give local authorities confidence in their legal capacity to act both directly for their communities and in their wider interests to generate efficiencies and savings. It will provide councils with more freedom to innovate and work together with others to drive down costs. It will give them increased confidence to run new services and manage assets.
51. As suggested in the Government's earlier response to the Select Committee on the operation of the general power, some of the ways in which the Government expect the new power to be used will make it easier for councils to set up banks, develop property, run new services and manage assets. However, it is not for Government to make specific suggestions as to how the power might be used – how councils choose to use the power is up to them.
52. The impact of the general power does not just depend on local government finding space to expand into. It is more about looking at different ways of taking action, without – as at present – needing a specific power to do so.

53. The Local Government Group has committed within their 2011/12 business plan to support councils in implementing the Bill. Building upon their recent discussion seminar and conference on localism in practice, they are working with the sector to scope out what support they will provide to members and officers to aid local implementation and innovation.

Recommendation 15: Greater financial self-sufficiency for councils is a crucial foundation for localism. If the Government truly wishes to promote far-reaching decentralisation, we expect that the more radical options for reforming local government finance will be considered as part of the resource review. In particular, the case for increasing and broadening the tax and revenue-raising powers of local authorities, and their ability to borrow, must be central to the review. Decisions reached on these matters must be justified in terms of localism. (Paragraph 103)

54. The Government believes that a new system is needed to fundamentally shift councils away from their dependence on central grants, and end a long-standing problem where councils have no direct growth incentive, to build stronger relationships with business and to put councils in charge of their own financial circumstances. The Local Government Resource Review considered options to allow local authorities to retain at least a proportion of their business rates.
55. The Government published its proposals in a consultation document on 18 July, supplemented by eight technical papers published on 19 August. These are currently subject to consultation which will last until 24 October. The proposals lead the way for fundamental change in the funding of local government, giving councils much greater control over their resources, helping them to break free from dependency on central government funding and giving them a strong financial incentive to drive local economic growth.
56. DCLG has also confirmed the introduction of powers to allow Tax Increment Financing enabling councils to fund key infrastructure projects by borrowing against future increases in business rates. Tax Incremental Financing and the retention of business rates will be introduced through the forthcoming Local Government Finance Bill.

How will local authorities have to adapt?

Recommendation 16: If variations in local services are to be embraced as the expressions of local choices, the legitimacy of the process by which those choices are made is paramount. Local authorities are accountable at the ballot box. They are visible to local people, and if they are not accessible, they can be punished for that at election time. Their democratic mandate puts them in a uniquely strong position to be leaders of the community, and it is their job to take a whole-area view, adjudicating between competing groups and safeguarding minority interests. As the scope of local decision-making is extended, therefore, the Government must seek to strengthen and support rather than marginalise the role of local authorities. (Paragraph 134)

57. The Government recognises the essential community leadership role of local authorities. Indeed, given the fundamental shift it is seeking in terms of decentralisation of power, the Government agrees with the Committee that this role will need to be strengthened and supported by a range of enabling measures. The Government will engage with local authorities on the opportunities and possibilities for stronger local government created by the Open Public Services agenda. As noted in paragraph 41, this will include consulting on enhancing the role of local councillors as citizens' champions to ensure proper accountability of providers from all sectors¹² and the potential of local authorities to secure fair and open access to a choice of quality services in the local area.

Recommendation 17: It is obvious however that some local authorities are better than others at engaging with, understanding, and representing their communities. The Government's immediate solution to this is to put in place through the Localism Bill new mechanisms that can be triggered by any community, regardless of whether their council wants it or not. It is our recommendation that, alongside such mechanisms, the Government and the local government sector consider together how to enhance the effectiveness of the democratic tools already at the disposal of communities. While the Government should not be seeking to dictate how councils engage with their communities, it could play a role in promoting standards and skills for effective engagement. This includes working with the Local Government Association to disseminate best practice and explore ways in which elected members can operate effectively within a decentralised system. (Paragraph 135)

¹² See Open Public Services White Paper, paragraphs 5.24 – 5.30 and 7.4.

58. The starting point for good, local commissioning is public engagement and accountability – so that the public’s priorities drive the type of service which is commissioned. Public engagement and transparent service data provide greater opportunity for individuals and communities to voice their opinions and exercise their democratic rights. Transparency will also be a useful tool for measuring whether change is being implemented. Furthermore, elected representatives should be able to scrutinise providers more effectively on people’s behalf. The Open Public Services White Paper invites responses as to how people can be made aware of, and can exercise, their right to choice effectively in specific services, and how elected and unelected office-holders can champion individuals’ rights, ensuring availability of services and providing overview and scrutiny.
59. The Government believes that local government is best placed to identify and disseminate best practice in engaging local people and already provides considerable support for elected members. DCLG provides Revenue Support Grant top-slice funding to the Local Government Group to support this kind of improvement and skills development, using tools such as online networking and knowledge sharing, peer reviews, and training opportunities. Their offer was published last year¹³.

Integration or fragmentation?

Recommendation 18: Across departments, policy developments that may individually be inspired by the ethos of localism risk entrenching silos rather than enabling creative responses to local problems. Alternative power and delivery structures such as GP commissioning, elected police commissioners and free schools may fragment accountability, and make it more difficult to corral public resources in any one area into a Total Place-type vision. We recommend that the Minister for Decentralisation include in his progress report on the departments an assessment of how far their individual policies facilitate or inhibit local service integration. (Paragraph 155)

60. This recommendation is addressed in paragraphs 23 and 48 to 49.

Recommendation 19: There is palpable enthusiasm for community budgets on the part of the DCLG ministerial team, and the Department of Health has also been praised for its engagement. However, the ministers we spoke to from the Home Office and the DWP gave the impression not only of not being so enthusiastic, but of being barely aware that they might be expected to contribute to such an initiative. We hope that this does not presage a damp squib. We recommend that the Government publish regular reports on the progress of the community budgets programme, specifically

¹³ www.lga.gov.uk/lga/aio/14340861

the progress that is being made by individual departments in identifying their contributions, and how those contributions match up to requests made by local authorities. This is a crucial programme that demands a great deal more concrete commitment from government departments than has thus far been demonstrated. (Paragraph 156)

61. On the 15 August the Prime Minister reiterated the Government's ambition to try to turn round every troubled family by the end of the Parliament. All Whitehall Departments are fully committed to this agenda. Community Budgets for families facing multiple problems are an important tool to help deliver this. They are already up and running in 16 areas, some 20 per cent of English top tier councils. These areas have plans that put them on track to turn around the lives of all troubled families in their areas as well as getting the most disadvantaged children and young people learning and back into school and getting parents help to overcome their problems and get work. Community Budgets are also releasing funding wasted through ineffective 'single agency' responses to these families' problems.
62. Departments actively participate with the community budget agenda through a variety of fora, namely: a cross Government Ministerial Group chaired by the Secretary of State; a senior officials group chaired by Lord Michael Bichard; and 16 Whitehall Champions (i.e. one for each of the 16 pilot areas).
63. The terms of reference for the Second Phase of the Local Government Resource Review¹⁴, which is about Community Budgets, demonstrates that all of Whitehall is on board and taking practical steps to explore a very radical approach to Community Budgets. The Review will test how a neighbourhood level Community Budget can give communities more power and control over local services and budgets and how a single area budget, comprising all local funding for public services, can underpin better outcomes and service redesign.
64. Overall responsibility for the programme sits with DCLG and the key actions and milestones are set out in DCLG's Structural Reform Plan¹⁵. The Department will continue to publish monthly updates¹⁶ on its Structural Reform Plan on the DCLG website. This will ensure that anyone can check that the Government is meeting its commitments. We do not intend to publish reports identifying progress made by individual Departments in identifying their contributions, and how those contributions match up to requests made by local authorities. However, Departments have been working closely with the 16 areas on barriers to effective implementation and the Local Government Group plan to publish a manual responding to a set of specific issues to support the next phases of Community Budget areas in the autumn.

¹⁴ www.communities.gov.uk/documents/localgovernment/pdf/1933423.pdf

¹⁵ www.communities.gov.uk/publications/corporate/businessplan2011

¹⁶ <http://www.communities.gov.uk/publications/corporate/structuralreformplan>

Recommendation 20: As long as localism remains in the gift of central government it remains insecure. There is a risk that only the Department for Communities and Local Government will participate fully and that other departments will be allowed, to varying degrees, to ignore the agenda. The Localism Bill contains measures intended to give communities a right to challenge local authorities that are reluctant to relinquish power; we were encouraged to hear the Minister agree in principle that local authorities should have an analogous right to challenge the centre for services it believes it can deliver better. We recommend that the Government develop a process to facilitate this and legislate to give it effect. There should be a role for Parliament in assessing whether the local government ‘right to challenge’ has been properly administered and we would welcome further discussion with DCLG about how this could be implemented. (Paragraph 159)

65. As noted earlier, decentralisation is a principle that underpins this Government’s approach to public services and is not limited to specific departments.
66. The Government recognises the principle that local areas should have the ability to make the case to do things differently if they are currently limited or prescribed by national policy frameworks. The Sustainable Communities Act 2007 (SCA) aims to promote the sustainability of local communities. It provides a channel for local people via local government to ask central government for help in taking action to improve their areas, where there are barriers to the action being taken locally. The scope of the SCA is very broad and covers economic, social and environmental issues. Furthermore, the Open Public Service White Paper¹⁷ announced that, where local areas come forward with credible proposals to do things differently, Government will seriously consider these.
67. The Government has undertaken a consultation on a number of powers to specify further detail underpinning the Community Right to Challenge provisions in the Localism Bill in regulations. This included consultation on whether the definition of relevant authority under the Right should be expanded further to incorporate other public bodies and central Government. Respondents were positive about extending the Right, including to public bodies and Government Departments. We are discussing with key interested parties in order to form a view on which bodies the Right may be extended to in future.

¹⁷ Open Public Service White Paper, paragraph 5.18.

Who will deliver localism?

Recommendation 21: The Government must acknowledge that the 'Big Society' already exists to some extent, and therefore must be realistic about how much further it can grow. It has not explained how it expects to achieve a substantial increase in the number of volunteers and community bodies willing to take on the provision of services. (Paragraph 187)

68. The Government acknowledges that the Big Society is already happening in many local communities. However, Government believes that more can be done so that people, in their everyday lives, can feel both free and powerful enough to help themselves and their own communities. Big Society is about releasing power, information and resources down to neighbourhoods. It is an invitation to citizens and neighbourhood groups to help build the Big Society in their own different contexts.
69. This requires a fundamental shift in both legislation and attitude. The Prime Minister's description of the Big Society includes:
- social action – people taking an active role in our communities, engaging in positive social action, and helping others;
 - public sector reform – public services open to new providers such as charities, social enterprises and private companies to make them more innovative, diverse and responsive to public need; and
 - community empowerment – neighbourhoods in charge of their own destiny, and feeling able to shape the world around them.

Recommendation 22: The voluntary and community sector will require practical help to scale up its activities. We welcome the Government's commitment to reviewing commissioning processes to ensure that small-scale groups are not habitually at a disadvantage. Funding cuts, and a potential reduction in grant funding as opposed to contracts, will inevitably undermine the potential of some groups to participate. We note the Government's intention to publish statutory guidance to local authorities not to pass on 'disproportionate' funding reductions to the third sector. However, this is another instance of two types of localism coming into conflict: local government must be given the flexibility to manage its resources according to local decisions, even in instances where those decisions might threaten the development of a 'Big Society' along the lines envisaged by the Government. (Paragraph 188)

70. The Government is providing considerable support to improve the effectiveness of the voluntary and community sector. For example:
- Government is working with Business in the Community (BITC) on Business Connectors to leverage support from the business sector;
 - Government is reducing burdens on voluntary and community sector organisations by taking forward recommendations from the Lord Hodgson review into Red Tape and burdens on the sector;
 - Voluntary and community sector organisations can also make use of the Red Tape Challenge website and DCLG Barrier Busting approach to provide comments on burdensome regulations and rules they have to deal with on a regular basis;
 - The *Big Society Bank (BSB)* which will play a crucial role in developing and shaping a sustainable market for social investment in the UK, giving social sector organisations access to new sources of finance to help increase their social impact. The BSB will also act as social investment champion with the public, stakeholders and investors;
 - £107 million Transition Fund whereby approximately 1,000 civil society organisations which deliver high quality public services adapt to a different funding environment when they are at risk from reductions in public spending.
71. Through the Open Public Services White Paper, the Government will consult with local authorities and the wider public sector about how to go further in opening up locally commissioned services.
72. Government believes that the voluntary and community sector should not bear a disproportionate burden from the reductions in public spending. In that context, the Government has consulted on, and published short statutory guidance on the Best Value Duty setting out some reasonable expectations of the way authorities should work with voluntary and community groups and small businesses when facing difficult funding decisions. It allows them the flexibility to exercise appropriate discretion in considering the circumstances of individual cases, without Government trying to predict every possible variable.

The accountability of delivery bodies

Recommendation 23: Even if the capacity of communities to take over services was infinite, we consider that there would still be vital roles for democratically-elected local authorities to play. Prime among these is holding service deliverers to account. Local authorities are also needed as enablers, market-shapers and failsafes, evening out inconsistencies or gaps in service provision, and helping community groups and the voluntary sector to grow their own capacity. We urge the Government not to assume that a diversification of provision can occur spontaneously, nor can it occur without a coherent strategy to manage the risk of failure in service delivery. (Paragraph 195)

Recommendation 24: Councils might have roles in ensuring community service providers are transparent and also to step in where there is failure. But there must be limits to this—there can be no serious localism if councils are expected both to transfer powers to localist institutions but still take the blame for failures in services thus provided. In some cases services will simply fail and the Government must accept this. (Paragraph 196)

73. The important role that local government has to play in opening up public services, and the proposals in the Open Public Services White Paper to explore the opportunities this brings, have been referred to elsewhere.
74. The Government recognises that actions are needed to stimulate diversification of provision and to manage the risk of failure in service delivery. These too are described in the Open Public Services White Paper¹⁸.
75. Local government will have varying roles and responsibilities in relation to the activities described in the Committee's recommendations. Where local authorities are themselves the commissioner of services, then they should hold service providers to account (including dealing with the service provider's failure, where necessary) and should, in turn, be accountable to local people for their performance as service commissioner. Local authorities are already experienced in commissioning, and can continue to develop excellence in commissioning through new techniques such as payment by results and new forms of transparency.
76. Local government also has a role to play, as noted above, in providing oversight and scrutiny and acting as the champion for its community. However, the Government agrees that local government should not be held accountable for failures in services for which it is not responsible.

¹⁸ Open Public Services White Paper, section 6.

Recommendation 25: We recommend that the forthcoming White Paper on public service reform address the issues of the role of local government, the practical help that can be given to community groups to expand their activities, reform of commissioning processes, accountability arrangements for delivery bodies and those that take on the management of assets of community value, and how the risk of failure will be handled. It should include an assessment of how current models of contracting can be made more effective as tools of accountability, not just for the spending of public money but for the quality of service users' experience. (Paragraph 197)

Recommendation 26: In the spirit of localism, we would not expect the White Paper to dictate detailed solutions to these challenges at national government level, but to set out the principles on which solutions can be developed locally. Nonetheless, the Government must acknowledge that some of those potential solutions will be difficult to implement without sufficient funding to support them. (Paragraph 198)

77. The Open Public Services White Paper was published on 11 July 2011¹⁹. It puts decentralisation at the heart of the Government's public service reform agenda and sets out the important role that local government has to play in the new landscape of open, high-quality services provided by the public sector, the voluntary and community sector and the private sector. Relevant references to the white paper are included throughout this response to the Select Committee.

¹⁹ <http://www.cabinetoffice.gov.uk/resource-library/open-public-services-white-paper>



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