

# **CONTROL SHIFT** **RETURNING POWER** **TO LOCAL** **COMMUNITIES**

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**Responsibility Agenda**  
Policy Green Paper No.9



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# Foreword

We face the greatest test to our economy for a generation – but this is not an isolated emergency. Alongside the economic crisis we face the crisis of our broken society and a crisis of confidence in our political system. A common thread runs through these failures: an imbalance of responsibility and power.

Our economy was particularly vulnerable to global shocks because it was unbalanced – concentrated in the South East and relying too heavily on financial services, housing, and government spending. Our society has been undermined by an over-centralised state that saps responsibility and initiative from people. Our political system has been imbalanced as more and more power and control has been sucked to the centre at Westminster, leaving voters with a yawning gap between the changes they want to see and those they can directly affect.

So an essential step towards tackling these great challenges of the day – rebuilding our battered economy, repairing our broken society and restoring hope in our political system – is decentralising responsibility and power. I am a strong localist, for one simple reason. I know that the small, the personal and the local work with the grain of human nature and not against it. But this is not some romantic attachment to the patterns of our past. Localism holds the key to economic, social and political success in the future.

By giving power and financial incentives to local authorities to foster growth, we can start to move towards a national economy that is built from strong, vibrant, local economies – an economy that is far less vulnerable to global shocks or the failures of a few dominant industries.

By giving people more power and control over the services that are delivered in their areas, we can inspire a new spirit of civic pride in our communities. It's simple psychology – when people know their actions can make a real difference they are far more motivated to get involved.

And by making local government more accountable and bringing people closer to the levers of power we can start to restore the trust that's been lost in our political system. If voters want to see something done in their area, they'll be able to force it on to the agenda. If people are unhappy about council tax increases, they can club together and vote them down.

The plans in this paper are bold because we want nothing less than radical decentralisation, to reach every corner of the country. Britain became great when power was distributed, not centralised. Local government was once the place where innovation thrived and great political careers had their genesis. Joseph Chamberlain built his reputation in Birmingham, where he modernised the city with housing, power, public health and public learning. Countless others have left a lasting mark on their communities.

In localities across Britain today there is immense untapped human capital. Conservative-led councils continue to be the font of powerful ideas, yet they are frustrated in their attempts to make local life better by a target-driven, top-down government which is trapped in the bureaucratic age and micro-manages all they do. Our plans for decentralising responsibility and power, set out in this paper, will trust people to manage their affairs in a way that responds to local needs. Our vision of a more decentralised economy, society and politics is an essential part of our progressive Conservative vision for the good life and the good society.



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# Executive Summary

Conservatives want to build a stronger, safer society where opportunity and power are spread much more widely and fairly. We believe communities are strongest when everyone has a free and fair say in the decisions that affect them. From local council services and planning decisions, to local policing priorities, people should have as much power and choice as possible.

Under Labour, the rise of top-down central and regional government control has undermined local councils and allowed people too little say over decisions that directly affect them locally. Without real local democracy, communities are made weaker: social responsibility, civic involvement and the inclusion of vulnerable people in social life are all being inhibited.

This Green Paper outlines our new programme of political decentralisation to revitalise democracy and strengthen community life; a five-pillar strategy to shift power away from the central state and firmly back to local people:

## 1. Giving local communities a share in local growth

Under Labour, central government has tried to drive house-building and development through top-down targets. But councils that encourage house building and new business activity are not guaranteed any financial reward, and can even lose out. Instead of top-down targets, we need a new financial framework which rewards this essential activity. We will:

- enable local authorities to benefit financially when they deliver the housing that local people need;
- give local authorities the right to retain the financial benefits arising from new business activity in their areas;
- give local authorities a new discretionary power to levy business rate discounts; and
- make the local government funding settlement more transparent.

## 2. Freeing local government from central control

We will free councils from the central and regional bureaucracy which drives up our council tax, and ensure local services are delivered according to local need, not the requirements of distant government officials. We will:

- end Whitehall capping powers and give local residents the power to veto high council tax rises via local referendum;
- drastically reduce the centrally imposed bureaucratic burdens that drive up council tax;
- enlarge the freedom of local councils to act in the best interests of residents, by giving them a ‘general power of competence’;
- give local councils greater freedom to determine how they carry out their statutory regulatory duties;
- abolish all process targets applied to local authorities, and free councils from intrusive and ineffective inspection regimes by abolishing the Comprehensive Area Assessment; and
- end all forced amalgamations of local authorities.

## 3. Giving local people more power over local government

We will put more power in the hands of local people and make councillors more accountable to their citizens. We want people to be able to see clearly, and exercise real influence over, what their elected representatives are doing with the power they are trusted with. We will:

- provide citizens in all large cities with the opportunity to choose to have an elected mayor;
- give people the power to instigate referendums on local issues;
- make the police accountable to the people they serve through directly elected commissioners, crime maps and quarterly beat meetings;
- put the power to judge the behaviour of councillors back in the hands of their citizens by abolishing the Standards Board, and repealing rules that prevent councillors representing their constituents’ views on local issues;
- permit local authorities to devolve unlimited funding to ward councillors; and
- let local people choose the organisational structures of their local councils.

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## 4. Giving local people more ability to determine spending priorities

We will give local councils the freedom to spend money on the things that matter to local people, and give local communities more power over how money is spent locally. We will:

- give local people greater control over how central government funds are spent in their area;
- phase out ring fencing, so that decisions about how councils spend their budgets are taken by councils and their citizens alone; and
- make it easier for local government to raise money for local projects on the bond market.

## 5. Removing regional government

Under Labour, a distant and remote tier of ineffective regional government has been given increasing control over people's lives. We want to devolve power from regional quangos back down to local councils. We will:

- abolish all regional planning and housing powers exercised by regional government;
- abolish the Government Office for London and devolve its functions to London boroughs or the Mayoralty and Greater London Authority, as appropriate;
- strip the Regional Development Agencies of their powers over planning; and give local governments the power to establish their own local enterprise partnerships to take over development functions from RDAs;
- abandon plans to regionalise fire control (while providing new measures to enhance resilience in the case of a national emergency); and
- replace the Infrastructure Planning Commission with speeded up public enquiries for infrastructure development or private/hybrid legislation for major projects.

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# Introduction

## A century of centralisation

Over the last century, Britain has become one of the most centralised countries in the developed world. Under Labour, this trend has accelerated. Top-down, central control is the hallmark of the current Government's approach – the last vestiges of a bureaucratic age, founded on the assumptions that Whitehall knows best and that only uniformity can guarantee fairness.

But, without Government noticing, we are moving into a 'post-bureaucratic' age. Technological advances have put information and capability within reach of every citizen. People now expect greater power over the things that matter to them and influence their lives, and they expect institutions to share knowledge and information freely and without constraint.

Government has failed to adapt to this new world of power and opportunity for people and communities. The apparatus of civic and social organisation remains under central control. Nowhere is this truer than in local government, which, despite its rich history, is today a creature of central authority, to be twisted and controlled according to the latest directives from Whitehall.

Part of the reason this matters is that it impedes our economic development, as witnessed by the economic performance of English cities outside London. A century ago, Birmingham, Manchester, Liverpool and Newcastle were the economic powerhouses of the world. Now they have only half the GDP per head of major European cities. After London, the next English city in the European league table of economic performance is Bristol – at 34th place.<sup>1</sup>

It is not surprising that wealth in England is disproportionately concentrated in London and the South East, when power is concentrated there too. Across the range of policy, all too often decisions which affect local communities are taken by remote officials in Whitehall departments and unelected quangos and then simply implemented, with limited powers of variation, by officials in town halls.

## Labour's culture of control

The present Government has paid lip service to localism – the need to devolve power to a more local level – but has done little to loosen its grip on local government. Instead it has created a new regional tier of government, directed by the centre, to control local affairs. It has acquired considerable powers over such aspects of policy as fire services, transport, culture, sport, planning and house building, social housing and environmental management, many of which were previously under local democratic control. The centre has grown bigger under Labour.

The sad fact is that local councils today lack the power to fight urban decay, crime, and social breakdown. Less than a tenth of the money spent every year on regeneration is spent by local government – the rest comes from Regional Development Agencies, Learning and Skills Councils, the Homes & Communities Agency and other regional agencies<sup>2</sup> – bodies far removed from the consequences of their actions and outside the control of local people. What is more, councils lack the freedom to take decisions which deviate from central prescription but which could increase the social value of their communities; actions such as stepping in to save post offices or small shops, or protecting residents from new bars and nightclubs that might bring in economic benefits but lead to greater social costs.

Labour's 1997 manifesto stated that "Local decision-making should be less constrained by central government, and also more accountable to local people". But they have completely failed to live up to this pledge. In 2007 the Ministry of Justice published a 'Governance of Britain' green paper which (correctly) stated that, "power remains too centralised and too concentrated in government hands".<sup>3</sup>

Rather than devolving power downwards, the Labour Government's default approach has been to do the opposite and assert more control over councils. As Sir Michael Lyons concluded in his recent Inquiry into local government, "... the Government's approach has involved taking a number of directive and interventionist steps towards local government. There has been more detailed engagement in local policy decisions...the use of inspections and targets has been expanded substantially".<sup>4</sup>

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## Local dissatisfaction

The inevitable result of this relentless centralisation has been disenchantment with the local political process.

- In 2008 only 38 per cent of people felt they could influence decisions in their local area, a figure that has fallen since 2001.<sup>5</sup>
- Local election turnouts have been consistently below 40 per cent, and in the most recent council elections in May 2008 turnout was just 35 per cent.<sup>6</sup>
- In the May 2007 local elections, with nearly every local authority involved, Labour could only field candidates in 61 per cent of wards.
- A quarter of councillors standing down cite the diminished power of local government as their reason for leaving.<sup>7</sup>
- 66 per cent of the public think that local government should exercise local powers; just 8 per cent would prefer quangos to have control.<sup>8</sup>

Even the Government acknowledges that change is needed: "...too many people still feel that they have little or no influence over the public bodies which effect their everyday lives and that they can play little part in local decision making".<sup>9</sup>

## Regional government

One of Labour's most effective anti-localist measures has been the creation in England of an entirely new layer of government at the regional level. Despite stating in their 1997 manifesto that, "Our [regional] plans will not mean adding a new tier of government to the existing English system", they have done just that, creating a plethora of bodies and quangos to administer the nine government office regions in England, which have an average population of over 5 million.

Since 1997 more than twenty regional quangos have been created - not just Regional Assemblies and Regional Development Agencies, but different types of quango, like Regional Cultural Consortiums, Regional Improvement and Efficiency Partnerships, and many others.

The creation of a regional tier of government has generated a huge amount of pointless bureaucracy. Civil servants in each region have expended untold energy and resource in producing iteration after iteration of no less than seven different regional strategies, which are then used to control the actions and choices of all 'their' local authorities. They have compiled and imposed regional spatial strategies, regional economic strategies, regional housing strategies, regional cultural strategies, regional transport strategies, regional health strategies, and regional waste strategies. This is a waste of both time and taxpayers' money.

Unsurprisingly, this bureaucracy doesn't come cheap. The running costs of the Government Offices for the Regions have soared from £82 million in 1997-8 to £143 million in 2007-8 – a rise of 74 per cent.<sup>10</sup> The new regional quangos created by the current Government have made a significant contribution to the huge rise in the overall cost of UK quangos, which has soared from some £19 billion in 1997 to £31 billion in 2007, a growth in real terms of 50 per cent.<sup>11</sup>

The Regional Development Agencies (RDAs) have been particularly expensive, having spent over £13 billion since their creation in 1999. During this period their salary bill has trebled from £38 million to over £120 million<sup>12</sup> and their total running costs have risen by 159 per cent to £202 million, including the costs of running a panoply of individual offices in a variety of foreign countries.<sup>13</sup> Given the huge sums of money spent, it is disappointing to learn that, according to one report, RDAs make "scant allowance for regional specificities as they have all produced strategies that reveal a remarkable generic resemblance".<sup>14</sup>

Despite the huge cost of the RDAs they have not done the job they were created to do. Regional economic output<sup>15</sup> per head for the seven regions excluding London and the South East increased by an average of 41 per cent between 1992 and 1999; but in the seven years following the establishment of RDAs in 1999, it grew by only 37 per cent. Except the North East, all the regional economies grew faster between 1992-1999 than between 1999-2006.<sup>16</sup> The RDAs have also failed to close the regional gap in income<sup>17</sup> and the productivity gap between the most developed and least developed regions in the UK is not only the widest in the EU, but has actually widened over the last ten years.<sup>18</sup>

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## Bureaucracy

The Government has been particularly keen on using targets to control the behaviour of councils. The LGA estimates that local government is responsible for 25 per cent of public expenditure but has 81 per cent of central targets.<sup>19</sup> Incredibly, by 2007, local authorities were obliged to measure, monitor and report to central government on a mind-boggling 1,200 centrally imposed targets.<sup>20</sup> Although the Government claims that this number has been cut to 200, to date not one of the old data returns has been stopped, so the reporting burden on councils has actually gone up.

The impact of the bureaucratic wave that has swept through local government is widespread:

- **More legislation.** Since 1997 nearly 300 pieces of legislation have been enacted with the words “local government” in the title.
- **Huge costs.** Since 1997 the cost of monitoring local government has ballooned to £2 billion.<sup>21</sup>
- **Council tax doubled.** In 1997-98, the average band D property paid £688 in council tax<sup>22</sup>; by 2008-09 that figure had risen to £1373<sup>23</sup> – an increase of 100 per cent. Since all other Bands are set as a percentage of Band D, every single Band (from A to H) has similarly doubled. This equates to an average annual increase of 6.5 per cent, at a time when inflation has been running at less than 3 per cent per annum.

## Funding

Much of the money that Whitehall hands to local government comes with innumerable strings attached – it is, in the jargon, “ring-fenced”. And the situation has got much worse under Labour. The proportion of local government expenditure that is ring-fenced by central government has risen from 5.1 per cent in 1997-98 to 14.0 per cent in 2007-08.<sup>24</sup> While the government has moved to lower this percentage, we wish to see it phased out altogether.

As an illustration of what this means in practice, Lord Heseltine’s Cities Taskforce report quotes the example of Camden Council whose 2007/08 budget contains 73 different items of grant or income from Central Government, each with a precisely specified purpose, and none of which can be spent except exactly as prescribed.<sup>25</sup>

Although the Government has belatedly acknowledged the flaws in the funding system and loosened the strings for some grant streams, this money remains overlaid by a wide variety of highly prescriptive national and local targets – meaning that central government continues to exercise considerable control over how funding is spent at the local level.

## Housing

Labour’s record on housing has been disastrous, with its centrally planned and controlled system completely failing to deliver the housing that the country needs. The results of the Government’s failure are stark:

- **Falling home ownership.** Fewer people are getting onto the housing ladder. Home ownership is now falling, for the first time since records began.<sup>26</sup>
- **Fewer first-time buyers.** There were an estimated 300,000 first-time buyers in 2007, the lowest annual total since 1980. By contrast, in 1997, there were 503,000.<sup>27</sup>
- **More on the waiting list.** The number of households in England on local authority waiting lists for social housing has risen from 1,021,660 in 1997 to 1,674,420 in 2007 – an increase of 64 per cent.<sup>28</sup>
- **More in temporary accommodation.** The number of people living in temporary accommodation in March 2008 was 78,000, almost double the number of 1997.<sup>29</sup>

## Localism – lessons from abroad

In much of the world, local politics has long been regarded as a natural path to national politics. A succession of politicians in Europe and America have demonstrated their dynamism and aptitude in their running of cities and regions. Ronald Reagan, Bill Clinton, Jacques Chirac, Gerhard Schroeder, Helmut Kohl, Goran Persson and countless other presidents, chancellors and ministers have polished their political and executive skills in the municipal sphere. Only by giving local government in England real power will we make it a genuinely attractive option for those looking to make a career in public service.

Countries such as Germany, Switzerland and the United States have a high level of devolved political and administrative power built into their systems of government. And while the Labour Government has been determinedly centralising as much power as possible in the hands of Whitehall, much of the rest of Europe has been moving in the opposite direction by devolving more rights and responsibilities to local governments. By decentralising power and control to local communities, countries like France, Spain, Sweden and Denmark have successfully revived civic life.

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In France, successive governments over the last 25 years have passed a series of Decentralisation Acts that have devolved power over a host of public services, including health, education, urban transport, policing and planning, to local government - including the communes, the lowest level of French civic administration, which have an average population of just 1,600. This programme of localisation has been widely credited with reinvigorating French local government and civic engagement.<sup>30</sup>

Sweden in 1984 introduced ‘free communes’ where towns could choose to supply their own public services such as education, planning, primary health care, welfare and housing. Having proved highly popular and successful in Sweden, the free commune concept was exported to Denmark in 1985 where it has helped the localised healthcare system to combine high levels of performance and public satisfaction with cost efficiency.<sup>31</sup>

Weak local government and the centralisation of power is a sure recipe for undermining enthusiasm for local democracy. After all, if you do not feel that your council has any influence, why bother voting? The resulting English apathy is highlighted by a turnout at the most recent local elections of just 35 per cent, compared to figures of 80 per cent in Sweden, 70 per cent in Germany and 60 per cent in France.<sup>32</sup>

## **A real shift of power**

The case for change is not just economic, it is social too. People identify with their neighbourhoods, towns, cities and counties. There is very little loyalty to the ‘government office regions’ – and even less sense of obligation to the regional ‘capitals’. By contrast people identify with their local communities and recognise the pressures on their landscape and environment. We each care passionately about the beauty or ugliness of our surroundings, the cleanliness or dirtiness of the street we live on, the performance of our local school, or crime levels in our neighbourhood. When a community sees the opportunity to improve these things, it is more motivated to act. But this desire to act is frustrated by the concentration of power in distant regions or in the capital. People are much less likely to take responsibility for their local areas if they are denied the power to make a difference.

To foster a new spirit of local enterprise and local social responsibility, we need to decentralise power and control. We need to allow local institutions to compete, innovate and diversify by giving them powers currently exercised by central and regional bodies. In turn, greater powers for local councils should be accompanied by greater accountability of councils to their residents. This is the one area where it is important for central government to be stronger. Too often, governments at every level do not do enough to provide opportunities for citizens to hold them to account for the services they provide. Yet for local democracy to really flourish, people need to have good quality, comparable information to make sure they know how councils are performing and a range of democratic mechanisms to make their views known. So, in the name of transparency, there is a vital role for Whitehall in forcing councils to adhere to the highest standards of data publication and insisting that they give their citizens real opportunities to influence decision-making. Only through such thoroughgoing localisation of power can we create a new era of civic responsibility, in which local communities have – and use – real power over local spending, local services, local planning and the local environment.

Our vision of localism is one where power is decentralised to the lowest possible level. For services which are used individually, this means putting power in the hands of individuals themselves. Where services are enjoyed collectively, they should be delivered by accountable community groups; or, where the scale is too large or those using a service too dispersed, by local authorities themselves, subject to democratic checks and balances. It is important to note that this green paper deals mainly with this third stage of localism – to local authorities.

This is a different vision of Britain, one where power is shared and communities are once again trusted to be in charge of their own destinies. A country where local government is properly accountable to its citizens – and where those citizens, armed with power and information, are able to demand the action their communities need. In short, it is a revolution in responsibility that drives economic growth and a stronger society.

## **Devolved nations**

The proposals in this policy paper principally apply to England, and the references to regional government refer to Labour's government office regions in England. A Conservative Government would consult with the National Assembly for Wales over framework powers to reform local government in Wales. None of these policies will apply to Scotland or Northern Ireland where these issues are devolved.

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# Section 1 – Giving local communities a share in local growth

The first step towards giving local governments the ability to serve their local populations is to ensure that the system of funding encourages local councillors and officials to provide the housing that local people need and promote the prosperity on which local people depend.

At present, the financial framework delivers none of these incentives. It is as if central government were saying to local voters: “don't bother to elect councillors who will deliver more housing or more prosperity locally”. Under Labour, councils that build houses and encourage new business activity are not guaranteed any reward and may even lose out financially; so it is not surprising that communities elect councillors who promise to keep the homes and the businesses out, and then ask central government for more grants.

To counterbalance this disincentive to growth, central government creates yet more centralised, bureaucratic processes to micro-manage local governments into building the number of homes specified by central government, and to direct regional funding into schemes to “encourage economic growth”.

As the country faces up to the prolonged financial pain caused by Labour's economic failure, it is essential that this vicious cycle of disincentives and fruitless micro-management comes to an end. A new financial framework needs to offer clear financial rewards for councils that try to serve their local populations by encouraging house building and stimulating the growth of the local economy.

A Conservative government will therefore establish a new financial framework to:

- take politicians out of the implementation of the local government funding settlement;
- enable local authorities to benefit financially when they deliver the housing that local people need;
- give local authorities the right to retain the financial benefits arising from new business activity in their areas;
- give local firms the power to back or block any planned local business rate increase; and
- give local authorities a new discretionary power to levy business rate discounts.

## 1.1 A transparent Local Government Finance system

To provide a solid basis for an improved local government financial framework, we need to start by making the operation of the system more transparent.

At present, in addition to council tax and locally raised fees and charges, local authorities receive two main sources of funding from central government for their general (non-housing) revenue expenditure: specific grants and formula grant. Specific grants can be ring-fenced or ‘un-ring-fenced’ and are used by central government to support specific policies. Formula grant is allocated via the Local Government Finance system and can be spent on anything.

The Local Government Finance system is designed to ensure that all local authorities have sufficient funding to match their needs by equalising resources between local authorities: i.e. it redistributes from prosperous areas the proportion of local tax receipts deemed to be ‘surplus’ to those areas’ needs, to poorer areas whose tax receipts are insufficient to meet their needs.

We believe that some form of equalisation between local authorities of differing affluence must continue under any form of local taxation. But the current system of funding by central government has become discredited by Labour.

Because the details of the current local government finance system are determined behind closed doors in Whitehall, it is hard for councils to be able to estimate with any degree of confidence how much they will be awarded. The system can be adjusted in many subtle ways that shift relative resources between different categories of councils. This element of qualitative input leads to suspicions that the outcomes of the allocation process are subject to covert party-political interference.

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We need a more transparent system for allocating local government funding. **Therefore, a Conservative government will give the independent Audit Commission a new duty to report to Parliament on the draft Local Government Finance Settlement each year. The Audit Commission will be given a specific duty to report on whether the basis for allocation is transparent and in accordance with objective criteria set out by ministers.**

The Audit Commission will also be able to take an impartial view of the impact of rapidly changing factors that affect councils' need for central funding. In particular, it will be expected to comment on demographic changes, including those resulting from migration. The current system has been widely criticised for relying on population numbers and estimates that are long out of date. We will ask the Audit Commission to consider alternative measures, such as National Insurance Number registrations and GP enrolments, in assessing councils' need.

## **1.2 A new incentive for local authorities to deliver the housing that local people need**

Once a transparent and de-politicised grant system is in place, it becomes possible to address the underlying failing of the current financial framework – namely, that it fails to provide fair rewards for local governments that do a good job for their local populations, and that thereby contribute to the prosperity and well-being of the country as a whole. First and foremost, the framework needs to encourage the provision of housing.

The current financial framework fails to achieve this goal. We all know that the lack of available and affordable housing in the places where people want to live is one of the most significant social and economic issues of our time. But under current arrangements, if a local council allows the building of homes in the area it governs, little of the economic gain is captured by the local community. As a result, existing residents see only further strain on local public services and reduced amenity when new houses are built. They and their elected representatives on local councils, therefore, (quite naturally) object to much of the proposed development. The consequence is a failure to meet people's aspirations by building enough new homes. And those that are built are often not the right type of homes in the right places. People at all stages on the housing ladder are becoming stuck, and we are in danger of leaving behind a generation of potential homeowners.

The evidence is quite clear - under Labour, fewer people are getting onto the housing ladder. So bad has the situation become that the level of home ownership is now falling, for the first time since records began.<sup>33</sup> First time buyers have been particularly affected by the Government's failure. In 2007 there were an estimated 300,000 first-time buyers, the lowest annual total since 1980 – by contrast, in 1997, there were 503,000.<sup>34</sup>

Labour's time in power has also seen the number of people on local authority waiting lists for social housing soar by over 50 per cent. By 2007, there were over 612,000 more households on the lists<sup>35</sup>, which is likely to represent around 1.6 million people. And the number of people living in temporary accommodation has rocketed to 78,000 by 2008, almost double the number in 1997.<sup>36</sup>

Labour's approach has been to impose a variety of Whitehall master plans on local government, wrapped in a thick layer of bureaucracy and studded with detailed housing targets. And when those targets are inevitably missed, the reaction is simply to announce new, yet more ambitious targets. This top-down approach has failed to provide the housing we need.

And Labour's approach has not just been ineffective but counter-productive: it is out of touch with the particular concerns of local people across the country. Indeed, because it is a system disconnected from local needs, it has led to perverse consequences. For instance, Labour's central planning targets for councils to speed up the planning system have actually encouraged councils to turn down applications.<sup>37</sup> Another consequence of the Government's target driven approach has been a huge rise in the amount of flats built - the proportion of new homes built that are flats having more than trebled from 15 per cent in 1997-8 to 47 per cent in 2007-8.<sup>38</sup> Yet research has shown that city centre areas with a lot of new-build flats have experienced the sharpest falls in house prices over the last year, demonstrating the disconnect between Labour's top down housing targets and the actual needs – often family homes – of local communities.<sup>39</sup>

By contrast, a Conservative government will help people meet their aspirations, by encouraging a major increase in house building – but in a way that naturally meets local demand and which is aimed at meeting the unmet need for housing, not laying the foundations for another Labour-style housing boom. In Section 5 of this green paper, we describe the revolution in planning we will achieve by replacing top-down targets with bottom-up decision-making, transferring powers currently held by remote and unaccountable quangos into the hands of local communities. But, to make this local decision-making work, we need also to change the incentives provided by the financial framework.

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We can meet the housing challenge only if we acknowledge that local support for new development is the crucial missing element. The solution lies in giving local councils and local communities incentives for house building, not targets. By creating a real and substantial financial incentive to reward communities that accept house building, we guarantee that those directly affected by development are those that benefit.

Under the current system, when families move into new houses built in an area, the local authority receives additional council tax receipts from these properties. However, in addition to having to fund the extra services and infrastructure for these new residents and properties, local authorities that acquire larger council tax bases as a result of house-building in their areas will in many cases find that the amount of formula grant they receive from central government is reduced by the equalisation process.

The present Government has recognised this anomaly – but has unfortunately produced a highly bureaucratic and ineffective solution, in the form of the Housing and Planning Delivery Grant (HPDG). This does not command the confidence of local governments who fear they will be rewarded for following procedures prescribed by Whitehall, rather than being allowed to retain the long-term financial benefits if they actually build more homes.

As the Lyons Inquiry into Local Government funding says, short term incentives like HPDG are “less likely to be able to motivate long-term changes in behaviour, or influence decisions which take more than three years to have an impact, as there is no guarantee that the scheme will continue to exist to provide the financial benefits expected”.<sup>40</sup>

**To tackle this deficiency, we will match the additional council tax raised by each council for each new house built for each of the six years after that house is built.**

To achieve this we will:

- abolish the HPDG;
- use the £250m of HPDG funding allocated for 2010-11 as the first contribution to a new Matching Fund; and
- add a further £250m to the Matching Fund in each of the succeeding four years (to take the total to £1,250m million per year in 2014-15), by taking £250m per year off what would otherwise be the overall increase in formula grant to councils in each of those years.<sup>41</sup>

**As a result of these measures, councils will get an automatic, six-year, 100 per cent increase in the amount of revenue derived from each new house built in their areas. Local councils and local voters will know that by allowing more homes to be built in their area they will get more money to pay for the increased services that will be required, to hold down council tax, or both. This will be a permanent, simple, transparent incentive for local government and local people to encourage, rather than resist, new housing – of types and in places that are sensitive to local concerns and with which local communities are, therefore, content.**

**In addition, we will look at the complex array of existing levies on development, for example the proposed Community Infrastructure Levy and Section 106 agreements, and examine how these can be simplified and localised so that both individuals and communities affected by new development are properly compensated for any loss of amenity.**

### **1.3 Incentivising business growth**

Just as the financial framework needs to incentivise local governments to allow more housing, so it should provide incentives for local authorities to encourage more businesses to set up and expand in their areas. This is important to help cultivate long term prosperity, but it is even more crucial when the economy is in recession. Unfortunately, the local government finance system simply does not provide an adequate incentive for local governments to pursue economic growth.

Business rates, known technically as National Non-Domestic Rates, are collected at the local level by councils, but paid into a central pool which is then divided between all local authorities as part of the Local Government Finance system. Because business rates are subject to redistribution, there is no link between the amount of economic activity in an area and the money the local authority receives.

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The current Government has introduced a Local Authority Business Growth Incentives scheme (LABGI) which has been widely criticised for being convoluted, opaque, and unfair. The Lyons Inquiry says that, “a key property of a good incentive scheme is predictability which provides a clear relationship between the effort and reward. However LABGI includes special equalisation arrangements which blunt its incentive effect and add another layer of complexity”.<sup>42</sup>

LABGI has also been unfair in its distribution of grant. Rather than being rewarded for previous success, councils with a historic record of encouraging business expansion in their areas were set such high targets that they struggled to earn any LABGI grant at all. Authorities in the bottom baseline group, which have the worst historic business growth record, were significantly more likely to receive high grant than those in the top group.

The Government is currently consulting on a revised version of LABGI, but the proposed changes will not solve many of the scheme’s problems. Local authorities will be forced to form themselves into groups for the purposes of the new scheme, and if they cannot agree on the size or membership of these areas, Whitehall will impose European Union approved geographic areas upon them, some of which cover three counties. The money allocated to local authorities via their LABGI group will be paid a year after the period it relates to has ended, and will be a proportion of the group’s contribution to the overall national increase during that period. In other words, LABGI will remain complicated, bureaucratic, and potentially unfair, with payouts that are impossible for councils to predict.

In order to help the economy reverse its current downward trajectory, we need a new business incentive scheme that avoids the flaws and inconsistencies of the current system. We want to create a clear, easily understandable and predictable incentive that will encourage all local authorities to promote local economic growth as one of their prime purposes and ambitions.

**We therefore propose to abolish the bureaucratic LABGI scheme and replace it with a straightforward, transparent Business Increase Bonus. The principles of the Business Increase Bonus are simple:**

- any council in whose area the amount of business rates in a given year rises by more than the indexed rise in the national business rate...
- ...will be entitled to keep the difference for six years.

**Like the Matching Fund for housing, the aggregate effect of the Business Increase Bonus will be fiscally neutral. It will simply redistribute money to councils that increase the amount of business in their areas. The £100m per year saved by the Exchequer from 2010-11 as a result of abolishing the LABGI scheme will be given back to local government via a corresponding increase in the formula grant.**

To keep the Business Increase Bonus pure, simple and transparent, it will be kept entirely out of all other calculations within the local government finance system. The only ‘impurity’ in the system will be a ceiling on the total amount that can be kept in Business Increase Bonus by those local authorities with extremely high starting levels of business activity – to ensure that, for example, the City of London does not receive a vast new resource simply because one additional bank is attracted to the area.

The Business Increase Bonus will provide a clear, strong incentive to all councils to seek long term sustainable growth in their business rate base. Unlike LABGI, it will reward all economic growth directly and straightforwardly. And, because of the simple mechanism, councils will be able to predict the amount of money they will be able to retain. This predictability, allied to the longevity of the incentive, will allow for more long term planning by local authorities. They will also benefit from retaining this funding at the local level where it is immediately available, rather than having to wait for many months as central government calculates how much each council is to receive.

As with our Matching Fund for housing, we will consult further on the details of the scheme, such as the level of the ceiling and the appropriate balance of incentive payments in areas with two tiers of local government.

## **1.4 Giving local businesses a say on business rates supplements**

To complement the new Business Increase Bonus, and to ensure that local governments take full account of the concerns of local business, we need also to ensure that there is a proper democratic check on any council that wants to increase business rates by more than the national indexed rise. The proposed Business Rates Supplement Bill will allow councils to levy up to additional 2p per £1 of rateable value on the business rates multiplier, although small firms with a rateable value under £50,000 will be exempt.<sup>43</sup>

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With many firms struggling to survive in today's harsh economic climate, it is particularly important that they are not subjected to unnecessary financial burdens. There is clearly a case for businesses making a contribution to new infrastructure, such as for the Crossrail scheme. But a supplementary business rate must not be used as a stealth tax by Whitehall, passing costs that would otherwise have been funded centrally onto local taxpayers.

To avoid this risk, **we will give local firms the power to back or block any planned local business rate increase**, using the model of Business Improvement Districts, where a levy can be imposed for improvement of the business district only if local businesses vote in favour of it.

### **1.5 A new power for local authorities to provide business rate discounts**

It is also important that local government should have the ability to improve conditions for businesses by providing business rate discounts, where these are judged by local councillors to be appropriate.

The present Government's recent treatment of business rates has stoked fears that the Treasury views them as a general tax stream helpfully collected for them by local authorities. The 2005 business rates revaluation saw a number of stealth changes to hike business rates, for instance the end of central funding for transitional relief.

And now the long standing relief for empty properties has disappeared. Before April 2008, owners of empty commercial space received 50 per cent relief on business rates. This empty rates relief has now been removed meaning that the owners of empty properties now face 100 per cent business rates bills after six months of vacancy for industrial property, and three months for all other commercial property.

We have already said that, if elected, we will review these changes to the business rates system. Against the backdrop of an economic downturn they have led to a variety of perverse consequences which threaten to discourage development and regeneration. In particular, there is evidence of buildings being demolished in order to avoid paying this stealth tax,<sup>45</sup> and of landlords being deterred from converting buildings to business use. In rural areas, farmers are choosing not to convert redundant agricultural buildings, because they are likely to face a significant empty property business rate bill for the period it takes to find their first tenant, and for any fallow periods between tenants.

Under the Local Government Act 2003, local authorities already have a discretionary power to levy council tax discounts, which they fund. But there is no similar flexibility to offer reduced business rates.

**We will legislate to give local authorities a new discretionary power to levy business rate discounts – of whatever form they choose – as long as they can fund them from other local income or avoided costs.** We will issue some light touch guidance to councils to ensure that they can deploy this new power without inadvertently breaching competition law. This power would apply to all precepting authorities, and authorities would be able to work together to fund a discount, rather than just the billing authority bearing all the cost.

This will allow councils to apply local solutions to local problems, whether by averting the gratuitous demolition of office buildings, encouraging the reuse of empty rural buildings, supporting local post offices, or preventing the closure of vital village pubs or shops.

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## Section 2 – Freeing local government from central control

The second step towards true localism is to free councils from the controlling hand of central and regional government.

Over the past eleven years, we have seen the reputation and effectiveness of local government diminished through:

- the imposition of one-size-fits-all rules, which often fail to reflect the differing needs and priorities of differing neighbourhoods;
- less flexibility for local authorities to act for the benefit of local residents;
- the diversion of attention away from the delivery of high quality local services, towards satisfying the requirements of centralised bureaucracies; and
- a focus on administrative process at the expense of outcomes.

These are the results of Labour’s preference for micro-management by remote control. By contrast, our aim is to make local councils accountable to local people and to give councils the freedom to respond to the demands made by those local people. We believe that this is the way to give local communities a form of local government that is flexible and responsive to their particular needs.

Specifically we will:

- give local residents the power to determine the balance between the level of council tax and the level of services delivered;
- drastically reduce the centrally imposed bureaucratic burdens that drive up council tax;
- hugely enlarge the freedom of local councils to act in the best interests of residents by giving them a ‘general power of competence’;
- return to local councils the freedom to determine how they carry out their statutory regulatory duties;
- abolish all process targets applied to local authorities, and free councils from intrusive and ineffective inspection regimes by abolishing the Comprehensive Area Assessment; and
- end all forced amalgamations of local authorities.

### **2.1 Freedom for local councils to act in the best interests of residents: a new general power of competence**

One of the things that most contributes to English local government being seen as little more than a creature of central government is the fact that local councils are able to act only where empowered to do so by legislation. Parliament passes laws which confer specific powers, and these powers constitute the limit of what local authorities can do. Any action that local councils take without specific statutory backing can be struck down by the courts on the grounds that it is ‘beyond their powers’ (‘ultra vires’).

The result is that, even if a local council – in response to local people – wants to take action to address a specific local problem, it may not be able to do so, simply because it has no specific statutory power to take the action in question.

The Local Government Act 2000 tries to address this problem by giving local authorities a power to do anything which they consider likely to promote or improve the economic, social or environmental well-being of any part of their area. In defence of this approach, the current Government argue that the breadth of this well-being power “is such that councils can regard it as a ‘power of first resort’”.<sup>45</sup>

However the scope of action permitted to councils under this power is not clear, and cautious legal departments in many local authorities are wary of using the power for fear of costly and time-consuming legal challenge.

As a result the Government’s own research shows that only a small number of authorities have used the power of well-being as a power of first resort; many local authorities have not used it at all.<sup>46</sup>

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**We will therefore introduce a new general power of competence which gives local authorities an explicit freedom to act in the best interests of their voters, unhindered by the absence of specific legislation supporting their actions. No action – except raising taxes, which requires specific parliamentary approval – will any longer be ‘beyond the powers’ of local government in England, unless the local authority is prevented from taking that action by the common law, specific legislation or statutory guidance.**

**We will give the general power of competence real meaning by allowing councils specifically to:**

- **carry out any lawful activity;**
- **undertake any lawful works;**
- **operate any lawful business ; and**
- **enter into any lawful transaction.**

**In addition, we will ensure that all these actions can be taken at the lowest possible level (i.e. by the councils nearest to the citizens) by including town and parish councils within the categories of local authority that are given the new power.**

A Conservative Government will disseminate case studies of the use of the power to all councils to illustrate its scope and publicise its potential impact, so that – at all levels of local government, and among people at large – there is an awareness of the new-found freedom of action for local communities.

The implications of this new statutory presumption are (intentionally) vast. It will usher in a new attitude amongst both councillors and their voters. If something in your neighbourhood, town or village needs to be changed, the natural first port of call will no longer be central government and its bureaucrats but your own local authorities. The fact (and hence, increasingly, the perception) will be that they have the power to change things, to provide services that are missing, to correct market or public service failures – in short, to provide whatever it may be that local people want or lack and are prepared to pay for. We anticipate that this change will be reflected in the way the media operate, with reporters and commentators increasingly holding local governments, not Whitehall, responsible for the conduct and direction of local affairs.

## **2.2 Freedom from lowest common denominator regulation: local discretion over local enforcement**

To bring about truly radical localisation, we need to do more than merely enlarge the scope for local action; we need also to enlarge the discretion for each local government to decide how it goes about the business of regulating its local economy and environment. This is what we expect, after all, when we elect a national government – that its ministers will decide not only *what* they will do but also *how* they will do it.

In a truly localised system, the same must apply to local government. Mayors, leaders, cabinets and councillors, once elected, must have sufficient freedom to decide the tone and priorities of their administration – subjecting themselves to the judgement of their citizens at the next election. Only in this way can local elections regain real meaning and wide participation.

One of the most important ways in which local governments can establish their own individual tone and priorities, suited to their own local circumstances, is by adapting their own, distinctive attitudes to the enforcement of regulation. Local authorities currently have a range of regulatory responsibilities including business regulation, control of licensing, managing the night-time economy, regulating traffic and parking, environmental regulation and the prevention of anti-social behaviour.

But these regulatory regimes are overseen by at least ten government departments which issue guidance documents that set out in detail how all local authorities should perform their regulatory duties. Such guidance is not strictly binding, but it has huge force because it is taken by the courts to constitute what it is ‘reasonable’ to expect a council to do in pursuance of their regulatory obligations.

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The result is that councils are bound in practice to replicate the actions suggested in the guidance for fear of legal challenge: every council must go through the same onerous, time consuming processes in every regulatory situation, with no freedom to make judgements about the things that need close regulatory attention in their own locality or about the things that can be left on a loose rein given local circumstances. For instance, local authority trading standards officers are obliged to treat potential infractions of the European Union's Metric Directive (i.e. selling fruit in pounds and ounces) as seriously as they do infractions of the Licensing Act for selling alcohol to children.

And it is not just local authorities that suffer from overly prescriptive regulation – it can also add to the administrative costs of local businesses. Although the government has made noises about loosening the regulatory strings that bind councils, the situation on the ground has not improved much. The Regulatory Sanctions and Enforcement Act 2008 is intended to ensure that local authority regulation becomes more risk-focused, but the system will still rely on the use of guidance to local authorities and hence continues the pattern of command and control from the centre.

We believe that this needs to change. Instead of micro-managing local regulation through detailed guidance, we see central government as a mechanism for establishing only the legislative framework of regulation. Primary responsibility, not only for enforcing regulation but also for making judgements about how to enforce it, should lie with those closest to the scene of action. Councils are mature bodies, more than capable of making their own decisions as to the degree of regulatory oversight necessary in each instance.

It is also essential that local governments are able to take into account the social value or cost of implementing any statutory guidance, as well as the economic or environmental effects. The social implications of governmental actions vary enormously according to the structure and needs of a local community. It is vital that councils are not prevented from taking account of the social value of their actions in their decision-making.

**A Conservative government will therefore start from the presumption that centralised bureaucratic guidance to local authorities on methods of enforcing regulation is unnecessary and that local authorities are capable of implementing their regulatory duties without such central direction. We will examine the guidance relating to each statutory duty with a view to rescinding the bulk of it.**

With the removal of most of the statutory rules that envelop the enforcement of regulation, councils will have the freedom to use their local knowledge to manage their regulatory responsibilities in a more proportionate and cost-effective way. This will be a huge change in the local management of regulation in this country and will, together with our proposals for a general power of competence, give local councils the ability to provide a form of local government that is in tune with the needs and desires of their local populations.

Of course, greater freedom for local authorities will be matched by greater responsibility. Where there is no central guidance to act as a de facto legal minimum standard, the onus will be on councils to demonstrate that they have taken reasonable steps to assure the discharge of their statutory duties in a way that meets local needs.

### **2.3 Empowering residents to determine the balance between level of council tax and level of services delivered**

By increasing the scope for local action, a Conservative government will give local authorities far more ability to respond to the needs of the local communities they serve. But we also want to increase the powers of local people to decide how much of their money they want their local government to spend on their behalf.

Since 2003, the current Government has been using central government power to stop councils increasing tax above a certain level. This continues a practice of 'capping' council tax rises which began under previous administrations – and which followed a long history of (largely failed) attempts by central government to protect people from excessive local taxes by various means.

The problem with such 'capping' is that it takes the power of decision about local spending and local taxation out of the hands of local voters, and hand it to remote central bureaucracies.

**This is why a Conservative government will introduce a new system that uses local referendums to control the level of local taxation – providing a direct link between local residents and the spending decisions of the local authorities to whom they pay their council taxes. A referendum will be triggered if an authority proposes a council tax increase above the national threshold.**

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The legislation will allow for authorities to attach to the referendum ballot paper a short leaflet summarising their proposed budget and making the case for the additional funding; the leaflet will also be obliged to include the cost of producing the leaflets themselves.

In the current economic downturn the last thing that millions of families need is yet another increase in their council tax bill. That is why we have announced that, **in the first two years of a Conservative government, councils will also have the ability to contract with central government to freeze council tax.** Those councils that take up the contract will have to undertake to hold the rate of rise in council tax to 2.5 per cent or less; and central government will correspondingly undertake to make a payment (found out of savings in central government advertising and consultancy budgets) equal to 2.5 per cent of that council's council tax – so that bills can be frozen in each such council for the two year period.

Whether councils choose to participate in our council tax freeze policy will be left entirely up to those councils to decide, but the policies outlined in this green paper to cut the unnecessary and wasteful bureaucracy currently imposed on local government will help councils to reduce their costs. The example of Scotland, where a zero per cent council tax increase was delivered this year thanks to an agreement signed between local authorities and the Scottish Executive, shows how partnership working can deliver genuine financial benefits for local citizens.

## 2.4 Freedom from centralised bureaucratic burdens

We are also determined to end the practice of central bureaucracy forcing up local council tax year after year through the imposition of bureaucratic burdens on local authorities.

Since the Labour Government came to power in 1997, council tax has doubled. In 1997-98, the average band D property paid £688 in council tax;<sup>47</sup> by 2008-09 that figure had risen to £1373<sup>48</sup> – an increase of 100 per cent. This equates to an average annual increase of 6.5 per cent, at a time when inflation has been running at less than 3 per cent per annum. Councils have found themselves in the firing line for these persistent increases, but the truth is that the blame for this situation lies overwhelmingly with central government.

The current Government has repeatedly imposed additional bureaucratic burdens on local authorities while providing inadequate levels of central funding, a sleight of hand that only leads to higher council tax bills for hard pressed taxpayers. For example, in 2006 the Government announced that the concessionary bus fares scheme for older and disabled people would be extended from April 2008 to allow free bus travel for these people throughout England.<sup>49</sup> Although some additional funding was given to councils for this extension, LGA analysis has shown that “In a number of areas, the funding allocation is well below councils’ estimate of the likely costs to them of the extension to the national scheme”.<sup>50</sup>

So serious has the problem of burdens on local government become that even the Labour Government has been forced to admit that there is a need to “reduce the amount of top-down control from central government”.<sup>51</sup> The Government also established the Lifting the Burdens Task Force, an independent local government practitioner body that reviews the bureaucratic and performance management burdens councils face.

The Task Force published eleven reports on various strands of interaction between central and local government. These reports mostly looked at the bureaucratic burdens imposed by individual central government departments, but have also covered broader issues such as central requirements for particular forms of financial management. Each report makes a number of recommendations to remove or lessen burdens that are needlessly impeding local governments in the delivery of services to their residents. These reports are all compiled by experts in the relevant fields and are produced collaboratively with the government departments in question. Despite this, some of the reports have not yet received a formal response and many of the recommendations made by the Task Force have been rejected.

**We respect the detailed, credible work of the Lifting the Burdens Task Force, and a Conservative government will therefore accept and implement all of the existing recommendations<sup>52</sup> of the Task Force that apply to the situation as we inherit it.**

To prevent “burden creep”, it is essential that the work of the Lifting the Burdens Task Force should also continue in future. Even when the tentacles of central government have been pruned back, it is never long before they start growing again. However the Government has allowed the Task Force to shut down in November 2008. **A Conservative government will therefore ensure that the work of the Task Force is re-started, and we will specifically empower the it to look at new burdens introduced since November 2008.**

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## 2.5 Freeing local governments from central targets

As well as reducing the imposition of burdens by central government on local authorities, a Conservative administration will also act to reduce the requirement for local councils to meet centralised bureaucratic targets.

By last year, local authorities were obliged to measure, monitor and report to central government on a mind-boggling 1,200 centrally imposed targets.<sup>53</sup> This degree of central control is unwelcome for many reasons:

- it severely limits the opportunity for councils to deliver tailored local initiatives to meet local needs;
- many of the targets are inherently bureaucratic in that they focus on irrelevant processes, rather than the outputs or outcomes which really matter;
- the bureaucratic system that accompanies the panoply of targets is vastly expensive to administer; and
- local authorities are led to focus on reporting to Whitehall rather than reporting to local residents.

A DCLG report found that the average cost to councils of central government performance reporting requirements was £1.8 million for each council<sup>54</sup> - expenditure on this scale is clearly not a good use of scarce resources. **A Conservative government will abolish all national process targets for local governments and instead require them to publish comprehensible and standardised information about the quality and quantity of frontline services. This data will be published online so that every citizen can assess the absolute and relative performance of their council.**<sup>55</sup>

### Greater financial transparency in local government spending

As well as asking councils to publish information on local service performance, we believe they should allow people to see exactly how they are using public money. So **we will require councils to regularly make basic information about their spending available to the public online.** Councils will be required to list all items of expenditure above a certain level and we will consult on what this level should be and how often it should be published.

The right for local residents to inspect local authorities' detailed financial records and receipts already exists under Section 15 of the Audit Commission Act 1998. However, people's access to information is restricted to a small window of four weeks a year, and it can only be viewed in person. Our proposals will bring these citizens' rights into the 21st Century.

Rather than creating a new financial burden, this greater transparency and accountability will help reduce wasteful expenditure and allow councils themselves to become more aware of best practice in other areas.

The strategy has already been successfully adopted in London by the Conservative Mayor, Boris Johnson. As part of his overhaul of Greater London Authority (GLA) finance, he instructed that regular reports should be published allowing Londoners to view all items of GLA expenditure over £1,000. This has been achieved at a minimal cost and the information is now published monthly on the GLA website.<sup>56</sup>

This is essential to tackling one of the worst aspects of Labour's centralisation of government: the increasing non-transparency over how public money is used. In January 2009, Conservatives launched a consultation on proposals to tackle this right through central government through measures which aim to create a new culture of financial transparency and discipline across Whitehall.<sup>57</sup>

### Greater transparency on local government pay

A good local authority chief executive and their senior management can help turn around a failing council. However, as highlighted by the Audit Commission,<sup>58</sup> there is growing concern about uncontrolled wage inflation and severance pay amongst town hall chief executives, without matching improvements in performance. Unlike private sector companies and many other public sector bodies, councils' annual accounts do not include details of executive remuneration.

As part of our reforms of increasing transparency, **we will require local authorities to publish more public information on the remuneration of senior town hall staff, including pensions, perks and severance packages.** Frequently, local authorities refuse to publish such information even under the Freedom of Information Act. We believe that greater public scrutiny will serve to provide downward pressure on excessive and justified wage inflation.

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There should be no rewards for failure, either in the public sector or the private sector. **We will provide new guidance to local authorities on the drafting of contracts for senior town hall staff.** This issue has been brought to the fore over the recent maladministration in Haringey over the 'Baby P' scandal. Contracts should ensure that senior staff who are dismissed for failing to perform their duties to a high standard should not be rewarded with 'golden goodbye' payments.

## 2.6 Freedom from heavy-handed inspection regimes

Alongside our programme to end the micro-management of local governments through centralised bureaucratic processes and targets, we will liberate local authorities from intrusive central inspection regimes. At present, local councils are subject to a range of such regimes. Although the Government has kept no record of the cost of inspection to local government, of the overall cost of monitoring local government has been estimated by the National Audit Office to be around £2 billion a year.<sup>59</sup>

But it is not just expensive – these inspections are counter-productive, because they reinforce the tendency for local governments to concern themselves with the demands of central government rather than with the needs of their own citizens. Michael Frater, the original head of Lifting the Burdens Task Force, has stated that: “Eighty per cent of the costs of the performance regime relate to councils reporting to central government, not reporting to the community. It defies all common sense”.<sup>60</sup>

Key among the Government’s inspection regimes have been Best Value and Comprehensive Performance Assessment, conducted by the Audit Commission. Both of these regimes have proved to be expensive, bureaucratic and frequently ineffective, with an unhelpful focus on procedural performance rather than what really matters - councils’ provision of services to their inhabitants. It is no surprise that, during ten years of a Labour Government enthusiastically imposing these inspection regimes, the evidence shows that average dissatisfaction with councils’ overall performance increased by a third.<sup>61</sup> Indeed, the Government themselves have admitted that “public satisfaction with the overall performance of local government is low compared to most other public service providers and has declined since 1997. Satisfaction with the value for money provided by councils has also decreased”.<sup>62</sup>

Of course, within these national averages, there are plenty of examples of councils improving in ways that involve, and satisfy, their local citizens. For example, South Norfolk District Council has radically improved its performance in cracking down on fly-tipping since May 2007. They have achieved this turnaround by creating a new Environmental Crimes team with a dedicated freephone number to allow residents to report fly-tipping, as well as a new in-house street cleaning service, allied to a high-profile advertising campaign. Another example is West Lancashire District Council which has won awards for its ‘Recycling in Partnership’ project with local charity Midstream. The scheme offers a mobile recycling service for residents at the same time as giving employment to people with learning difficulties who work with Council employees. The result has been a dramatic rise in recycling participation rates, which have reached 90 per cent in some areas.

But the fact that, despite persistent general reductions in user satisfaction, the Government's most recent inspection scores show three quarters of councils to be “improving strongly or well”,<sup>63</sup> suggests that the main effect of the inspection regimes has been to teach local authority officers how to play the inspection regime, rather than reflect local performance. This is a classic example of councils' energy and resources being diverted away from delivering local services into delivering a tick in a government box. Against the backdrop of a recession, we need to ensure that all pressures on council budgets, and hence council tax bills, are minimised.

**A Conservative government will cut back local government inspection and abolish the Comprehensive Area Assessment.**<sup>64</sup> The Audit Commission's role will be to ensure the propriety of local government's spending and to investigate complaints.

There are several other bodies that inspect aspects of local government services. As the Baby P case in Haringey has highlighted, these inspections should be risk-based, and targeted at areas where public welfare is most at stake – such as local authority social services. Should such inspections identify a failing local authority service which endangers public safety, then, in those rare cases, the Secretary of State should consider using the Government’s reserve powers to intervene.

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## 2.7 An end to forced reorganizations: co-operation not amalgamation

Another aspect of central government's tendency to micro-manage local government has been the persistent efforts across many decades of central departments to promote amalgamations and reorganisations of local government. This is normally done in the name of efficiency – and the present Government's thinly disguised attempts to persuade the District and County authorities to amalgamate into unitary councils is no exception. But there is little evidence to suggest that efficiencies are actually generated by these reorganisations. Instead, they have turned councils inwards, creating instability in local services, and taken authorities' attention away from the needs of rapidly changing service provision.

The flaws in the Government's current restructuring plans have been highlighted in a recent study by two respected local government academics.<sup>65</sup> The study claims that the Government:

- moved the goalposts to ensure that applications for restructuring met the agreed criteria;
- misled local authorities, the public and Parliament in presenting its conclusions on the financial savings from reorganisation; and
- ignored the evidence of referendums and local polls that showed opposition to restructuring.

Given the uncertainty that surrounds the probity of the Government's handling of applications for unitary status, there is serious doubt as to the legitimacy of the decisions reached. **While we recognise that restructuring cannot be easily undone, we will scrap the Government's ongoing proposals for restructuring if they have not reached the stage of having been irreversibly signed off under the Parliamentary process. In particular, we will stop the unitary restructuring plans for Norfolk, Suffolk and Devon, where recent delays following legal challenges mean the process will not have reached a conclusion prior to the next general election.**

There is no need for forced amalgamations in order to achieve efficiencies of scope and scale. The way forward is to reform and improve local government from within by way of function and powers. There are plenty of excellent examples of councils of all types and sizes coming together to benefit from joint working, sharing of chief executives,<sup>66</sup> back office pooling and co-procurement. Such collaborations help to reduce the town hall wage bill and improve co-ordination between different tiers of local governance. And, as with so many positive developments in local government, it is Conservative councils that are taking the lead.

For example, Wyre Borough and Fylde Borough councils have been working together over a number of years and at a number of levels. Among their collaborations, the two authorities also share a procurement officer and an asset management team; and Wyre delivers property management and coastal defenses expertise for Fylde. The alliance of the two councils has led to many benefits for local residents, including improved service provision, a reduction in overheads, more cost-effective procurement of fuels and reduced vehicle movements.

Another example of efficiency through co-operation rather than amalgamation is provided by the three South Worcestershire district councils (Wychavon District Council, Malvern Hills District Council and Worcester City Council) who, along with Worcestershire County Council, have come together to form a Joint Committee for the purpose of managing shared services. The first service to be managed by the new Partnership is Revenues and Benefits administration for the district councils. A single IT system along with a radical review of business processes will result in reduced staffing and therefore significant savings for each of the 3 district councils. Overall savings of at least £800,000 are expected from April 2009.

Learning from these examples, **a Conservative government will not instigate any amalgamations or reorganisations. Councils will be left free to decide on sensible co-operation in the interest of their citizens.**

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## Section 3 – Giving local people more power over Local Government

The third step towards true localism, which goes hand in hand with *decreasing* central government control of local governments, is to put *more* power in the hands of local people and to make councillors *more* accountable to their citizens. This accountability must be as direct and visible as possible, so that citizens have the ability both to see clearly, and to exercise real influence over, what their elected representatives are doing with the power they are trusted with.

Specifically we will:

- provide citizens in all our large cities with the opportunity to choose whether to have an elected mayor;
- give people the power to instigate referendums on local issues;
- make the police accountable to the people they serve through directly elected commissioners, crime maps and quarterly beat meetings;
- put the power to judge the behaviour of councillors back in the hands of their citizens by abolishing the Standards Board, and repeal the rules that prevent councillors representing their constituents' views on local issues;
- permit local authorities to devolve unlimited funding to ward councillors; and
- let local people choose the organisational structures of their local councils.

### 3.1 Giving people a real choice of an elected mayor

In our biggest cities, there is a strong case for new powers being placed in the hands of a single accountable individual – an elected Mayor who can provide the city with strong leadership. Individual leadership of these councils can benefit local citizens by improving the clarity of municipal decision-making and enhancing the prestige of their city.

There are currently 12 elected mayors in towns and cities across England. They range from the Mayor of London, responsible for an authority covering 7.4 million people and a budget of £3 billion, to the Mayor of Bedford, with a population of 155,000 and a budget of £87 million.

Where mayors have been chosen the system has proved generally popular. Even if there is considerable appetite for changing the incumbent, in most cases there is very little appetite for abolishing the post of mayor.<sup>67</sup>

The mayoral system has also progressively boosted democratic engagement. For example, the turnout in the three London mayoral elections to date has increased each time, from 34 per cent in 2000 to 45 per cent in 2008. Boris Johnson, the new Conservative Mayor of London, is the first elected politician in the UK to have a personal mandate of over a million votes.

However, the experience of the current situation, whereby communities are required to choose a mayoral system for their area, is that vested interests can act as a powerful blocking force for local change.

**We will legislate to hold a referendum in England's twelve largest cities on having an elected mayor. In these cities, a mayoral system will be established unless voters reject that change.** These cities are, in order of size:

- Birmingham
- Leeds
- Sheffield
- Bradford
- Manchester
- Liverpool
- Bristol
- Wakefield
- Coventry
- Leicester
- Nottingham
- Newcastle upon Tyne

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In each case the area to be governed by the mayor is the area of the existing single-tier authority. These are all Metropolitan districts except Bristol, Leicester and Nottingham which are Unitary authorities. As now, elected mayors will be held to account by the existing elected Councillors. If the referendums in these nine cities prove to be popular, we will consult on which other cities would benefit from the opportunity to adopt or reject a mayoral system.

### 3.2 Giving local communities the power to decide the structure of their council

The Local Government Act 2000 required most local authorities in England to abolish the traditional Committee system of governance and adopt new executive structures. Although directly elected mayors were one of the options for councils, due to the barriers discussed above this was only adopted in a small number of places and the majority of local authorities moved to the Cabinet system.

This unnecessarily prescriptive approach is symptomatic of Labour's attitude to local government. How councils choose to run themselves is precisely the kind of thing that Whitehall should have no role in deciding.

**A Conservative government will therefore amend existing legislation to remove the current prescription and allow councils to decide what particular structure they wish to adopt – including a return to the Committee system if they wish. The council will then need to get a democratic mandate by putting their proposed changes to their citizens, either in a referendum to be held at the same time as local elections, or by advocating such a change in the manifesto on which they stand for election.**

Of course this democratic accountability works both ways. So, where citizens have approved an existing council structure in a referendum or in a local election, a council will only be able to amend that structure by obtaining a further mandate in support of their proposed changes. In other words, if a mayoral system has been adopted by a referendum, it will require the backing of another referendum to remove it.

### 3.3 Direct democracy

Another way to achieve greater local accountability is through greater use of local referendums to help guide decisions.

The right of popular initiative is a feature of many political systems in the developed world. In Switzerland, people have mechanisms for direct democracy on almost everything from planning applications, to the precise use of tax resources, to medical ethics. Perhaps the most famous expression of American civic independence is in Oregon, where the system known as "citizen initiative" was introduced as long ago as 1902.

Under the Local Government Act 2003, local councils can choose to hold referendums on any local issue. But there is no mechanism for residents to petition for a local referendum per se.

**We will give power to residents to hold local referendums on any local issue by legislating to ensure that a referendum is held in a local authority area if 5 per cent of local citizens sign a petition in favour within a six month period.**

To minimise the cost of any such referendum, the poll would be held at the time of the next ballot in the locality (e.g. local elections, general election, European election), unless the council wished to finance a poll at an earlier date. The local Electoral Returning Officer would ensure the wording of the referendum question was fair and balanced, if necessary by obtaining the advice of the Electoral Commission.

### 3.4 Independence for councillors: replacing the Standards Board

A further, necessary move towards making local councils more accountable to the citizens they serve is to eliminate many of the constraints that have been placed on local councillors themselves by the Local Government Act 2000 – which introduced a Code of Conduct for all councillors and established a Standards Board for England to investigate complaints made against councillors.

Although doubtless created with the best of intentions, the Standards Board has become a discredited and unpopular institution, successful only in undermining public confidence in local government, and wasting taxpayers' money on what the Committee on Standards in Public Life has described as "minor, vexatious and politically motivated complaints".<sup>68</sup>

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The number of complaints submitted to the Standards Board has been considerable. But in the last recorded year only 0.6 per cent of the 3,547 complaints received resulted in substantive action being taken against an individual.<sup>69</sup>

Because the Standards Board has often taken several months to process complaints, and it does not publish the names of people who make an allegation for ‘data protection’ reasons, it is easy to see why there has been a huge volume of malicious and frivolous complaints submitted. Often these complaints have succeeded in placing blameless councillors under a cloud of suspicion as they spend months being seen as ‘guilty until proven innocent’.

And this travesty of natural justice is not cheap. The Standards Board’s grant in 2007-08 was £9.5 million, up from £6.2 million in 2002-03. The Standards Board regime also creates costs for local authorities through the administration of their own Standards Committees.

Possibly the most worrying aspect of this catalogue of failure has been the disproportionate nature of the Standards Board’s operations. Parish councillors have borne the brunt of the excessive nature of the regime and the culture of petty complaints it has created, leading to large numbers of councillors resigning or not running again for office. In 2005-06, 52 per cent of all allegations investigated by the Board related to parish or town councillors.<sup>70</sup>

Research by the University of Aberystwyth warned that the whole process is fuelling a crisis in parish councils. The report found “nearly two-fifths of parish, town and community council wards do not attract sufficient candidates to fill all available seats in regular elections”.<sup>71</sup>

**We will therefore abolish the Standards Board. In its place, district auditors will be responsible for investigating financial impropriety in local government. The police, the Crown Prosecution Service and the courts will take the lead in investigating and prosecuting any breach of existing criminal law. Civil law will cover issues such as libel and slander by councillors. The Local Government Ombudsman will continue to investigate complaints and accusations of maladministration by local authorities, and we will make all formal rulings of the Ombudsman legally binding on local authorities (subject to an appeal to the Secretary of State).**

Section 80 Local Government Act 1972 provides for councillors to be disbarred from office if they are convicted of certain criminal offences. **Reflecting long-term changes to modern sentencing guidelines, we will review whether the provisions of this Act should be updated tightened, so more criminal convictions are covered by these provisions. Individuals on the Sex Offenders Register should also be included in the disbarring provisions, given the role that councillors play in the funding of local community groups and services for children.**

### **3.5 Independence for councillors: stopping the gold-plating of conduct rules**

In some councils, candidates standing for election have been advised by monitoring officers that they must avoid mentioning any controversial local issue during their election campaign to prevent themselves being barred from voting on that issue if elected. This makes a mockery of local democracy.

The interpretation of predetermination rules is a perfect illustration of the confusion between technical decisions and value judgments. Where there are technical decisions to be made these are naturally the province of independent judges or inspectors, who must not predetermine outcomes. Where value judgments must be made, this is a job for elected representatives – in which case having expressed a view of a particular outcome is the very essence of their campaign.

Certainly, it would be wrong for councillors to make decisions on issues where they or their family will personally or financially benefit. **We will legislate to ensure that councillors (while being properly prevented from advancing personal interests) have the freedom to campaign and represent their constituents, and then speak and vote on those issues without fear of breaking the rules of ‘pre-determination’.**

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### 3.6 Local budgets for local councillors

As part of the process of making local government more responsible and accountable, we want to strengthen the role of individual ward councillors.

In particular we would like to see more local authorities devolving a proportion of spending down to a ward councillor level, in order to make local spending more responsive and answerable to local priorities. This would not require the raising of additional money – rather this is about relinquishing town hall control of a fraction of existing council budgets and entrusting it to ward councillors, who are directly accountable to the residents of their ward.

Councillors know what their streets need. They know what individual residents want. And they know how to get things done. Ward councillors would be free to spend the money on local priorities – for example, renovations to a community centre or playground; supporting a local sports club; vehicle activated speeding signs to reduce traffic speeds on a busy road; or paying towards an extra police officer or community warden. And they would be judged on their use of the money at election time.

Some Conservative councils have already had great success in devolving budgets – for example, the likes of Westminster City Council (£33,000 per councillor per year) and Surrey County Council (£11,000 per councillor).

Kent County Council gives each elected Member £10,000 each year, which can be applied for by any local voluntary group or organisation. Sceptics who feared that the money would be ill spent have been proved wrong. Projects which have been supported by councillors include local youth clubs and outdoor education projects, a voluntary carers group moving to new premises and requiring IT equipment, and access projects to help disabled people within their communities.

Of course, all local government spending must be within the law and so this money cannot, for example, be spent on political campaigning. Where spending has been devolved to councillors at a ward level there is often an additional check against irresponsible spending, with the formal decision to allocate the funding being subject to ratification by a council committee. But the experience to date suggests that ward councillors use the money responsibly and these committees do not generally need to override a councillor's decision.

**We will specifically permit (but not, of course, force) councils to empower their councillors and enhance democratic accountability by devolving as much some funding to ward level as they see fit.**

### 3.7 Greater local control in tackling crime

A further means of increasing direct accountability for those running local services is to give local people direct control over the way they are policed. **A Conservative government will make each police force accountable to an individual directly elected by the citizens of the police force area. Police Commissioners will seek re-election on their record, and answer to the public for their success or failure in reducing crime.** Instead of being micromanaged by the Home Secretary, police forces will be directed by, and accountable to, the communities they serve.

In April 2008, we announced that we will empower local people and give them much more information about crime on their streets. Crime mapping has revolutionised the way crime is fought in American cities - and it can do the same here. **We will require every police force in the country to publish local crime statistics online, on a monthly basis and in map form.**

That means everyone will know what sort of crime has happened, at what time and – to street level – exactly where. Local residents will be able to compare police performance in their neighbourhood to others nearby, it will put them in the driving seat and give them the power to insist on effective crime fighting solutions. It means local social entrepreneurs, drug charities and a host of other organisations can use the information to pick out hotspots, see what needs doing and transform neighbourhoods. And police officers themselves will be empowered. By pinpointing exactly on a map where crime is happening, the police can take appropriate action.

**In July, the Government followed our lead and announced proposals to introduce a system of crime mapping. However our proposals will go much further, by setting up quarterly beat meetings - along with directly elected police commissioners - to restore real local accountability to policing. 'Beat Meetings' will give the public the chance to look at the crime maps, see what has been achieved and engage with local officers.**

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## Section 4 – Giving local people more power over local spending priorities

The fourth step towards true localism is to give local councils the freedom to spend money on the things that matter to local people.

Specifically we will:

- give local people greater control over how central government funds are spent in their area;
- phase out ring fencing, so that decisions about how councils spend their budgets are taken by councils and their citizens alone;
- make it easier for local government to raise money for local projects on the bond market.

### 4.1 More funding for local priorities

One of the phenomena that most frustrates and annoys voters is seeing big central government agencies wasting money on vanity projects that local people do not want, when there is no money available for things like post offices or sports facilities for the young that local people desperately need.

The root of the problem is that the centralised bureaucracies, with their national programmes and priorities, often do not take account of the differences between different parts of the country and have no knowledge of need in particular places. And the locals, who do know what is needed locally, do not have any way of getting the centralised bureaucracies to alter their programmes to suit local circumstance.

There is now a piece of legislation on the statute book, which provides a way for local people to overcome these problems - the Sustainable Communities Act 2007. The Bill that led to this Act was brought to the House of Commons by a Conservative MP, Nick Hurd, with the full backing of the Conservative front bench and a cross-party coalition.

The main purpose of the Sustainable Communities Act is to enable local governments to identify money spent in their area by central government agencies and then (after consultation with local people) to recommend ways in which it could be spent better by redirecting it to local priorities.

The next Conservative government will work not just within the letter of this new law, but also within its spirit. **We will ensure that people have access to full, line-by-line information about what is being spent by each central government agency in their area. And we will operate the system set up by the Act to ensure that, when local people have a particular priority, central government money is directed towards fulfilling that priority wherever possible.**

This will fundamentally alter the balance of power within so-called 'Local Area Agreements' between central and local government.

At present, under these agreements, local councils sit around the table with representatives of central government agencies to discuss how their budgets can together be used to achieve what the community needs. But, at these meetings, the local council tends to be the junior partner, because its budget is small by comparison with what the big central agencies are spending in the area; and because so much of its activity is directed by central government.

Once a Conservative central government really applies the Sustainable Communities Act, all that will change. The local council, and its citizens, will know exactly what the central agencies are spending money on in the local area - and they will have the ability to get a significant part of that money redirected into local priorities. This will ensure that central government funding is spent more efficiently and taxpayers get better value for money.

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## 4.2 Greater local funding control

Too much of the money that Whitehall hands to local government is ring-fenced, meaning it is tied to specifically prescribed diktat from central government and councils are denied the freedom to make their own decisions as to the correct spending balance between various local projects or services. While the government has moved to lower this percentage, we wish to see it phased out altogether.

**We will phase out central government ring-fencing and hand back to local communities the power to decide how to spend the funding they are allocated.**

It is important to stress that we are not proposing the abolition of specific Government-funded programmes. Rather, we are proposing that central government should either make block grants to local authorities and allow those authorities to decide how to spend the money, or set up frameworks within which other providers compete to manage or provide particular services. For example, grants for schools would still be earmarked for schools, but schools run by local authorities will compete with Academies to attract parents and pupils who will bring with them the per capita funding provided by central government.

## 4.3 Local Authority bonds

**We are currently looking at ways to allow local authorities to promote and market local bonds to deliver privately-finance local projects, such as a new transport service or business development.**

**These bonds would be secured against the projected income stream associated with a specific project. They would explicitly not be backed by direct local authority liability but instead would be issued in the name of a commercial or third-sector operator on behalf of a project.**

For instance, a voluntary body wishing to establish a new leisure centre would be entitled to issue a bond to finance the start-up costs of the project. The council might undertake to commit a certain sum to the project for a defined period, but the bond would not be backed by council assets or revenues.

All of these local bonds would be issued to investors on the strict understanding that they have no recourse to the local authority, only to the specific project revenue stream.

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## Section 5 – Removing regional government

The fifth and final step towards true localism is to make local government local again. People are far more likely to receive the services they want if the decisions controlling those services are taken at the local level, within easy reach of the individuals who are affected. Sprawling tiers of regional bureaucracy, distant and remote from local communities, have no place in our vision of local government.

The sad fact is that, over the last decade, local governments have been progressively emasculated. Meanwhile regional government has crept forward, assuming more and more power over aspects of policy such as fire services, ambulances, transport, planning, social housing and environmental management. Originally, this transfer of powers to regional government was justified by the proposed establishment of elected regional assemblies. But, now that plans for such assemblies have been abandoned, the regional government agenda has been pushed forward on a purely bureaucratic basis with no democratic accountability.

This agenda has, moreover, been advanced without any serious economic evidence to support the idea that England is divided into 'regional economies'. Local Government Association (LGA) research into the trading, travelling and working patterns of the British economy demonstrates that the principal sub-national economic unit is also 'sub-regional' – indeed, that these patterns correlate strongly with the cities and shires. As the LGA report 'Prosperous Communities II' puts it, "the boundaries of the government's nine standard regions do not give a good fit with the economic data".<sup>72</sup>

This economic analysis is borne out by popular experience. People identify with their neighbourhoods, towns, cities and counties. To give people a justified sense that they have the power and opportunity to shape the lives of their own communities, it is local councils, made up of locally elected representatives who understand the needs of their localities, who need to be in the driving seat. An essential task for a Conservative government will, therefore, be to hand back to local councils the powers that have been stolen from them by regional quangos.

Specifically we will:

- abolish all regional planning and housing powers exercised by regional government;
- abolish the Government Office for London and devolve its functions to London boroughs or the Mayoralty and Greater London Authority, as appropriate;
- refocus the Regional Development Agencies on economic development, stripping them of their powers over planning; and give local governments the power to establish their own local enterprise partnerships;
- abandon plans to regionalise fire control (while providing new measures to enhance resilience in the case of a national emergency); and,
- replace the Infrastructure Planning Commission with accelerated public enquiries or private/hybrid legislation for major projects.

### 5.1 Removing regional planning powers

Under Labour the unelected regional assemblies have been responsible for overseeing a regional planning system. Their key role has been to produce a 'regional spatial strategy' for each English region (except London) which must be signed off by central government. These strategies give the coalition of Whitehall mandarins and regional bureaucrats the power to impose individual house-building targets on every local authority, which must then be included in councils' local development plans.

This top-down, centrally controlled approach to planning has caused acute problems. For instance, in Kent, everyone recognises there is a desperate need to build more affordable housing for young families. The local councils have already allocated enough land to build 50,000 new houses. But many developments cannot go ahead unless the capacity at local motorway and trunk road interchanges is improved. The councils in Kent and Essex are willing to work with the private sector to raise the funding for these vital infrastructure schemes. But Kent and Essex do not have the power to decide on these matters. The necessary decisions can only be taken by the Secretary of State for Transport, acting on advice from the Highways Agency (an executive agency of the Department of Transport) or from an unelected Regional Transport Board.

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To take an example at the opposite end of the spectrum: the Parish Council in High Bickington in Devon proposed a development that included a new village school and 52 affordable homes, as well as a health clinic, community services and shops. Although the proposal was supported by the local district and county councils and approved by Defra ministers,<sup>73</sup> officials at the Government Office for the South West did not like it - with the result that permission was refused by the Secretary of State for Communities and Local Government.

Both of these projects - one pan-county and the other at parish level - should be decided by locally elected people, as the direct effect of the projects is on their residents. By contrast, the Planning Bill currently before Parliament transfers responsibility for regional planning from the regional assemblies to the Regional Development Agencies.

The regional assemblies were unelected, unaccountable and unwanted. But passing their functions from one regional quango to another will do nothing to give local communities a greater say on where new homes should go, nor speed up the planning system.

**A Conservative government will therefore abolish regional planning, revoke all regional spatial strategies (including regional building targets), and repeal the national planning guidance that relates to regional planning.** However, the democratically elected Mayor of London and GLA will still publish the London Plan, which is necessary to provide strategic planning guidance to the London Boroughs.

National planning guidance would continue to provide the context for a locally-led planning system, for example, providing guidance on flood prevention or landscape protection measures like the Green Belt.

The role of central government inspectors in relation to these local plans will be drastically reduced. Instead of having the power to ride roughshod over local sentiment by effectively re-writing these plans (as at present), the inspectorate will only be asked to report to the Secretary of State on any direct breaches of national planning guidance, to ensure that the plan has been produced within the statutory framework. All other issues will be left for local determination.

**We will also enable councils to revise, in whole or in part, their existing Local Development Frameworks to take account of the abolition of regional spatial strategies. This will allow councils to protect land, such as Green Belt, which the regional spatial strategies have zoned for development.**

Our system will therefore be built upwards on the wishes of local residents, with clear democratic accountability and decisions being made from the bottom up. People will have greater control over the size, shape and 'look and feel' of their community, so they will be more supportive of new developments.

Of course more housing in a local community will mean more demand for local services. So in places where services are overstretched e.g. the local school is oversubscribed, an increase in infrastructure capacity may be required – hence the need for an incentive to encourage communities to support new house building (see section 1). But in some places, insufficient usage means local services risk being shut down e.g. the maternity ward of the local hospital or a village's only post office; it follows that more housing will bolster a community's case for keeping their local services open.

Decentralised planning systems have a long and successful history in Europe, particularly in encouraging enough new development to keep house prices at a reasonable level.

For example in Germany all councils have their own discrete planning departments, each of which is incentivised toward developing land for residential and commercial use by the local allocation of central government grants and by local tax-raising powers. The result is that, over the last three decades, the number of housing completions per capita has been consistently higher in Germany than in the UK.<sup>74</sup> EU data shows the average new build dwelling in Germany is a third larger than in England.<sup>75</sup> And despite the greater size of new homes, there is still plenty of green space.<sup>76</sup>

Switzerland is another example of a decentralised planning system that has consistently delivered greater numbers of new builds per capita than in Britain. Because the system allows residents and communities to directly benefit from encouraging more residents, communities are happy to expand. And because communities want to encourage new residents, Swiss dwellings are good quality, matching the rural character of the region, and generally have greater floor space than UK homes.<sup>77</sup>

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## 5.2 Removing the Infrastructure Planning Commission

As well as reforming the regional planning system, the Planning Act 2008 creates a new Infrastructure Planning Commission – a new central quango with the power to approve planning applications for major infrastructure projects, superseding local authorities. The Commission will have the power to build over the Green Belt, demolish listed buildings, compulsorily purchase land, and ignore local planning rules and guidance, despite having no democratic accountability.

This lack of democratic legitimacy means that the Commission is liable to be subject to challenges through judicial review, the European Court of Human Rights and the European Court of Justice, and therefore is likely to actually slow down the planning process.

The Planning Act 2008 also introduces National Policy Statements for specific types of development such as airport expansion and nuclear power stations, including specifying locations for the new types of development. There will be no proper Parliamentary ratification of such statements – Parliament can discuss them, but cannot approve, amend or reject them. The Infrastructure Planning Commission will just follow these Statements to the letter. The combination of the Commission and Statements will mean that Whitehall will be able to impose any development, without any serious local consultation. The Government intend to use this process to push through their plans for Heathrow expansion, against the wishes of local residents.

**We will abolish the Infrastructure Planning Commission and focus instead on speeding up planning inquiries, such as for new power stations, by ensuring that they focus on material planning considerations instead of questioning the appropriateness of the project in principle. As part of achieving this goal, we accept the principle of National Policy Statements. But we will ensure that they are subject to Parliamentary approval in both Houses of Parliament.**

Our approach will remove the possibility of projects like a third runway at Heathrow being imposed on local communities by an unaccountable quango. And in the rare cases where the direct intention of a project is to achieve a goal of real national significance then – rather than giving the decision to an unelected quango – the right method is normally a Private or Hybrid Act in Parliament that gives the opportunity for open national debate on a sensible timescale. For example, the Crossrail Act 2008 provided a fast-track planning process for the complex Crossrail scheme.

## 5.3 Changing the way we organise economic development

We have already seen how the regional government architecture created by Labour is an artificial construct that serves only to add layers of bureaucracy and complicate the job of local government. Another example of these centrally imposed regional bodies are the Regional Development Agencies (RDAs).

The RDAs were created by John Prescott as Labour's economic development flagships, taking over much of the funding from previous regeneration programmes, such as City Challenge and the Single Regeneration Budget.

There are nine RDAs, one for each of Labour's regions. They were created in 1999 with the exception of the London Development Agency which was set up in 2000.

The London Development Agency is unique – funded centrally, but run by the Mayor. As such its powers are devolved already and so we have no plans to interfere in what is a matter for the Mayor. Our proposals apply to the other eight RDAs only.

The RDAs were established to “create prosperity across England” by “strengthening and growing regional economies”.<sup>78</sup> Their statutory roles are to:

- Further economic development and regeneration
- Promote business efficiency, investment and competitiveness
- Promote employment
- Enhance development and application of skills relevant to employment
- Contribute to sustainable development

Most of these functions are shared with other national, regional and local authorities.

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Following the Sub-National Review of Economic Development in 2007, the Government plans to add significant new functions to the RDAs. In particular, the responsibility for Regional Spatial Strategies will transfer next year from the regional assemblies to the RDAs, to be merged with their Regional Economic Strategies.

The funding of the RDAs is complex. Six government departments (DBERR, DCLG, DEFRA, UKTI, DCMS and DIUS) support a single pot which funds the majority of RDA activity. European structural funds represent roughly 5 per cent of RDA income in managed programmes.

To date the RDAs have spent over £13 billion. During this period their salary bill has trebled from £38 million to over £120 million<sup>79</sup> and their total running costs have risen by 159 per cent to £202 million, including the costs of running a panoply of individual offices in a variety of foreign countries.<sup>80</sup> Their combined expenditure for each of the next three years will be £2.2 billion.

Economic growth is not uniform across the country. That some areas of England are under-performing is clearly detrimental to the national economy and hugely damaging to the residents of those areas. With lower prosperity comes less opportunity.

We are determined to help the weaker areas of the country to improve their economic performance. In so doing, we intend to reverse the disastrous decline of social mobility under this Government. The evidence shows that regional government is not the way to achieve these goals.

The Local Government Association report<sup>81</sup> that comprehensively disproves the case for regional government also observes that councils already work together on an ad hoc basis on issues of common economic concern, and that the boundaries of these economic partnerships accurately reflect the real local economies of Britain. Which is to say, local government is better at co-ordinating its activities than central government is.

Under the Labour Government, the regional gap in income has not improved. Indeed disposable household income per head in the three northern government office regions has fallen as a percentage of the national average since 1997.<sup>82</sup> So, despite the huge expense, RDAs have not done the job they were designed to do.

It does not help that the RDAs have been given two contradictory agendas. Firstly, they must promote the economic development of their own region; secondly, they must "narrow economic disparities between regions". The latter objective indicates that RDAs should work together towards a national purpose; but the former implies that they must compete against each other for investment.

For example, the RDAs spend £2.8 million a year on eight separate offices in the United States, £1.1 million on six separate offices in Japan, and £300,000 a year on six separate offices in Australia.<sup>83</sup> Instead of attracting inward investment, this process of rival bidding only exports regional competition.

Given these fundamental problems, it is hardly surprising that businesses have found the performance of the RDAs to be underwhelming. An Institute of Directors' survey complained that the RDAs lack both a prominent profile in their regions and demonstrated insufficient empathy with the needs of business. Damningly the survey found that, for each statutory purpose, over half the IoD members interviewed considered RDA performance to have been neutral or poor.<sup>84</sup>

This woeful performance is in large part due to the institutional conflict that leads to a lack of clear direction for the RDAs. Because they are obliged to follow national targets set by their funding departments, investment in regional priorities has come a poor second to meeting Whitehall's goals.

**We believe that, in every case, the non-economic activities of development agencies should be localised, so we will immediately remove from RDAs all the powers they have been given as part of the present Government's attempt to turn them into unelected regional governments – including powers over housing, planning and 'regional spatial strategies'. These powers will immediately be given to elected local governments.**

We also believe that, even as development agencies, RDAs are often less effective than they could be, because they are defined by arbitrary regional boundaries. These arbitrary boundaries often fail to reflect the natural, local economies that have formed as a result of transport links, technological links, clusters of natural and human resources, and the choices made by businesses and their customers. As a consequence, the RDAs are much less able than they should be to help local businesses expand in good times and survive in bad times. **So we will also give elected local authorities the power to come together to establish new enterprise partnerships that truly reflect natural economic divisions, and to take over from their RDAs the responsibility for economic development within those areas.**

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These locally-established enterprise partnerships need to be non-bureaucratic and totally focused on helping businesses out of recession and into growth. To ensure that this need is met, **the Secretary of State for BERR will be required to satisfy himself that the areas covered by the new enterprise partnerships reflect natural economic patterns and have strong business leadership before he transfers to them the money currently spent by the RDAs.**

We believe that the power for local government to localise responsibility for economic development is vitally important, not only for the long term but also as a contribution to helping business through, and out of, the current recession.

## 5.4 Abolishing the Government Office for London

The budget of the Government Office for London (GOL) has more than doubled since the establishment of the London Assembly and Mayor in 2000, rising from £1.4 billion in 1998-9 to £3.1 billion in 2006-7.<sup>85</sup>

GOL represents a completely unnecessary duplication of effort given the other tiers of governance in London: the Mayor, the London Assembly, London Councils, London boroughs and central government departments.

**We will abolish the Government Office for London and devolve its powers and programme funding to local councils where possible (and, where a cross-London role is essential, to the London Mayor and Assembly).**

The existing items to be devolved to the boroughs are:

- work on public order and community cohesion;
- funding for crime and drug reduction; and
- a range of programmes relating to children and other vulnerable groups.

Other existing powers will be given to the Mayor and Assembly. DCLG will advise Ministers on major London planning applications.

## 5.5 Removing regional fire control

Following the Government's Fire & Rescue Services Act 2004, all local fire authorities in England have been allocated to one of the nine Government Office regions, and have been required to form a Regional Management Board. The Government originally planned that, in the event of an elected regional assembly being established, these Management Boards would become regional fire authorities. The Government has told the Management Boards to scrap the existing 46 local control rooms and to create regional control rooms in each government office region. This project is known as FiReControl.

The Government has pushed ahead with the FiReControl project despite scathing criticism from the House of Commons Communities and Local Government Select Committee which stated that, "there is no evidence to suggest any overall saving" and, "we are unconvinced that the Government can offer the assurance of maintained or improved service quality resulting from the FiReControl project".<sup>86</sup>

The wisdom of the Select Committee's warnings has already been demonstrated, with the Government's draft national business case showing that the set-up costs of the project were £400 million over its £1 billion budget, with IT, consultancy and property costs continuing to rise. Regionalisation also poses a serious threat to the quality of local fire services. While the Government has pledged to fund centrally the increased running costs for the regional control centres, these payments are only for three years. This leaves the prospect that local fire authorities will have then to pick up the bill - through cuts to other services or via increasing the fire precept on council tax.

We need to ensure our emergency services are prepared to tackle the threats of the 21st century. But regionalisation is not needed to deliver new technologies. This is clearly demonstrated in Scotland where they have abandoned planned fire service regionalisation but are still going ahead with IT and infrastructure improvements such as digital radios and GPS.

**A Conservative government will follow the Scottish example and ditch this botched project, where such regional centres have not yet gone live. We will, instead, upgrade a small number of existing fire control centres to enable them to act as national 'super-centres' in the extreme case of a national emergency.**

# Footnotes

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