

COLL P

3121

FABIAN

S O C I E T Y

FABIAN PAMPHLET 561

PAMPHLET COLLECTION

Beyond the Town Hall – re-inventing local government



*Margaret Hodge
and Wendy Thompson*

.....

Beyond the Town Hall – re-inventing local government

.....

1 Introduction	1
2 New purposes	4
3 The wicked issues	7
4 Fulfilling its purpose	8
5 New modes of action	11
6 Individual rights within the community	13
7 Renewing bureaucracy	15
8 New role for councillors	16
9 Local government finance revisited	19
10 Re-inventing central government	21

Margaret Hodge is a consultant with Price Waterhouse and a former Leader of Islington Borough Council.

Wendy Thompson is Chief Executive of Turning Point and a former Deputy Chief Executive of Islington Borough Council.

The authors would like to thank Prof. John Stewart for his comments and help in the preparation of this pamphlet.

This pamphlet, like all publications of the Fabian Society, represents not the collective views of the Society but only the views of the authors. The responsibility of the Society is limited to approving its publications as worthy of consideration within the Labour movement.

Design: Tony Garrett

February 1994

ISBN 0 7163 0561 5

ISSN 0307 7523

Printed by The College Hill Press Limited (TU), London and Worthing

Published by the Fabian Society, 11 Dartmouth St, London SW1H 9BN

Introduction

BLPES



21 0247981 X

One of the main areas where Labour enjoys consistent and growing success is in local council elections. We have well over 9000 councillors serving in England, Scotland & Wales, the largest number we have ever had. The Tories have around 7000 and the Liberal Democrats 4000.

As a percentage of total Labour Party membership, councillors alone form a substantial block. And in addition there are, of course, those further thousands of members who work in local government. The three national local authority associations are all in the hands of the Labour Party: the Association of Metropolitan Authorities (AMA), the Association of District Councils (ADC) and the Association of County Councils (ACC). The AMA and ADC have Labour majorities. The ACC is hung and has Labour office-holders.

Thus if Labour is nothing else, it is big in local government. Yet even as the Party was clocking up its record number of councillors, the Party nationally was planning the demise of the Local Government Committee. Today it does not exist. Nothing has replaced it. The Party has cut the research support in the field of local government. There is not a single councillor on the Party's governing body, the National Executive Committee.

Losing the roots

A substantial proportion of the Parliamentary Labour Party cut their political teeth in local government. Debates about the quality of local services, schools and so on form an important part of the debate and discussion in branches, constituencies and regions across the country. Party campaigns on local issues frequently connect into local government concerns. In local government we find a tremendous breadth and depth of talent and energy. Yet our leaders and the Party machine itself persistently make little effort to tap into it.

Is Labour's apparent institutional indifference to local government simply a peculiar perversity or is it symptomatic of a wider malaise? Have the assaults and dismemberments of the Thatcher-Major years finally convinced even Labour people that there is now little of interest or importance left for local government to do?

Regeneration

Of course we know this to be nonsense. Hundreds of thousands of people – officers and members – are today working to keep the wheels of local government turning over, no doubt re-inventing a few in the process.

In the mid-eighties, some hoped that local government held the key to future national economic regeneration through local plans for jobs and economic development. In the late eighties, good management and quality services became the buzz-words for renewing local government's fading prospects.

Today, cuts in local government grant, new detailed controls from Whitehall, the loss of functions or the imposition of Compulsory Competitive Tendering on new services no longer attract widespread interest. They have become an only too normal and unnoticed part of the scenery as local government runs on, with no particular destination. Another library, another nursery, another swimming pool closed. Another service put out to market. All seems normal and sometimes even desirable when we consider the alternative. Even the preposterous stories in the tabloid press seem to have had their day.

Equally worrying is the still widespread belief among councillors and M.P.s that nothing much has changed. Many members still proudly proclaim their power and influence by reference to the size of budget or number of staff they claim they run. For many parliamentarians, local government is still regarded as an inefficient nuisance, adding to their constituency workload.

The reality is that current controls over local authority spending are such that little is left to local discretion as traditionally understood. Little income is raised locally through the Council Tax; universal capping is no longer challenged; ring-fencing and standard spending assessments prescribe how the government-determined cake should be shared out between services. Capital spending is now subject to stringent government controls; furthermore, the growing practice by government of top-slicing capital and revenue spending to pay for government-set priorities further limits local power.

Essential

Despite all this, local government remains a key activity for all political parties and offers real scope for new approaches to government and politics. Many local parties only survive because key activists are involved in their local council. Without local government there would, at the very least, be no breeding ground for national politicians. The Conservatives are discovering to their discomfort the attention and energy that local activists can devote to their local M.P.s when the county is no longer theirs to run.

One of the most striking features of the Conservative era is the growing chaos which is emerging in many of our towns and cities. Policies that claimed to provide more choice such as the health service reforms are denying people access to services in ways we would not have believed possible a few years ago.

Though most thinking people would accept the inevitability of rationing, we are now seeing priorities allocated by the invisible and irrational hand of market forces. So if you are a resident of north London, that means no elective surgery for the best part of the year. If your G.P. is not a budget holder, you will be sent to the back of the queue for routine but necessary operations.

The new institutions which have been created – the quangos, trusts, regional and branch offices of central government – are not what is needed. Even the right-wing think tanks, which were responsible for creating many of the new structures, now express concern at the lack of accountability, effectiveness and equity.

The pressures of competition force institutions to operate secretly, which is inappropriate when public money is being spent in the public interest. When it was suggested recently that a hospital trust board spending £20 million of taxpayers' money should take its decisions in public, this was rejected by the majority of directors since revealing information to the public would enable other hospitals to gain a competitive advantage.

Working the system

Similarly, the blanket introduction of private sector management techniques and skills is often inappropriate for effective and efficient management in the public domain. Businessmen are neither used to nor good at taking decisions by committee. They are unused to operating within government rules and constraints and are therefore limited in their ability to manipulate such systems to achieve their objectives. In the conditions of the public sector, the process by which decisions are reached is as important as their final outcome. Decisions require legitimacy and managing the democratic process is a skill in short supply amongst many in business.

Ironically, the Government's response to real and anticipated scandals is to establish a new raft of controls. Some of the very institutions set up or strengthened to enable agencies to take on 'contracted out' work are taking on powerful policing roles. The Housing Corporation, the Charity Commission, the new Regional Offices – all are being given new powers and resources to investigate and sanction the new 'independent' institutions. Though we may feel reassured that at least somebody is doing it, the authority they exercise is largely unchallengeable and almost impossible to hold to account.

The new institutions will not work because they have no democratic connection with local people. Our argument for re-inventing local government is based on the part it can play in bringing the potential of real local politics to the divisions and conflicts in modern Britain. These cannot be addressed in any other way.

2

New purposes

Politicians generally are struggling to reassert their credibility. Yet one of the reasons is the failure of traditional political solutions.

Individuals are having to cope with increasing uncertainties and insecurities about their homes, their jobs and their families. National politicians respond with a series of absolute and universal truths; but responding to change and uncertainty with absolutes carries little weight. The only appropriate response to this climate of uncertainty is a recognition that new approaches are needed. For one thing, politicians must be prepared to acknowledge that they do not necessarily have all the answers. They should see themselves as conduits and as a focus for a variety of approaches.

Local government can provide the base for diversity since successful local government is about responding to different problems and issues, expressing different aspirations and finding different approaches through the release of initiative and innovation.

Accepting this is as difficult for the Labour Party as it is for the Conservatives. Labour's traditional values of equity and justice have relied on a central state to define equity and ensure its just distribution across the country. For traditional Labour thinkers, diversity would heighten inequality. But all too often the state at both central and local level is experienced as insensitive, bureaucratic and inefficient and people feel it has failed them.

Equally, the Tories' obsession with turning government into business has led them to become preoccupied with standard spending and competitive league tables – supposedly in the name of individual rights (as opposed to Labour's collective rights). The case for national standards may warrant debate but recent experience shows that standards imposed by the few on the many – as with the school league tables for exams and truancy – will have little value. And the league tables show that reducing local and institutional realities to comparative indicators is no certain way of reflecting relative standards.

So what exactly are we proposing?

We see the role of local government as learning, innovating and involving. To achieve this, local authorities themselves will have to change.

The necessary changes include:

- a recognition that local government is not just about providing services, but also about enabling the community to govern itself

- an acknowledgement that accountability to the public is not just a matter of periodic elections but requires a continuing relationship with the appropriate democratic structures and processes
- an acceptance that councillors and officers do not always know best what services are required and how they should be delivered
- an acceptance that professional standards should not necessarily take precedence over other expressed needs and aspirations
- an understanding that government is not just about ends but also means.

Community leadership and representation

The roles and functions of local authorities have been subject to constant change over time. When, in the nineteenth century, our towns and cities needed transformation in the wake of industrialisation, civic leadership was provided by the local authority which created the infrastructure for development. But as local authorities came to focus exclusively on service provision, their role of civic leadership was almost forgotten. That role must today be reasserted.

Our towns and cities are undergoing radical transformation. Industries on which local economies have depended have declined or even disappeared. Social divisions have increased as some groups have borne the brunt of economic change far more than others. Coping with these changes requires a bottom-up approach led by the local authority, not imposed from either national or European government, and focused on the particular needs and traditions of different towns and cities.

The need for local authorities to rethink their role in this way is urgent. The crisis is growing. Current Government policies and the mobilising of international capital are forcing localities to compete in ways which were unfamiliar a generation ago. Cities now market themselves with events, festivals, expos and slogans such as 'Glasgow's Miles Better,' Birmingham's 'City of Culture' and Manchester's bid to host the Millennium Olympics. International capital touts itself promiscuously around the world forcing towns to compete for inward investment and jobs.

We may not like this but it is a fact of life – and it requires the local authority to act on behalf of the community by providing leadership, promoting the area and acting as a voice. There is another pressing reason for authorities to look beyond the narrow confines of their statutory responsibilities. The public sector is now fragmented as agencies and appointed boards take over responsibilities previously run by local authorities or government departments. Yet there are complex issues and problems which are beyond the capacity of any of these fragmented organisations to resolve alone. So the local authority needs to lead integrated efforts to tackle these difficult issues.

Tackling the causes of crime locally, for instance, involves schools (which may have opted-out), Training Enterprise Councils (which are run by businessmen), colleges (which are answerable to a government agency), the police (who will soon be accountable to the Home Secretary), voluntary agencies (which could be funded by a plethora of central and local government departments and charities), local authority services (which are probably subject to contract), community health services (which are run by government appointed trusts) and neighbourhood watch schemes (which are sponsored by the Police and run by local community groups). This list is no doubt incomplete. What it demonstrates is the potential for confusion and inaction unless the local authority takes the lead and facilitates partnership working to common goals.

Acting as a focus

Apart from bringing order to chaos, there are further reasons for the local authority to develop its role as community leader. We have already argued that fragmentation in the public sector has resulted in a crisis of accountability. Given current structures, it is important that somebody protects the public interest in the local community by ensuring that agencies and quangos are meeting their objectives effectively and efficiently. If a Training Enterprise Council fails to provide a training place for every school leaver so entitled the local authority should, in its role as community leader, call the TEC to account. If a local health trust fails to meet its obligations the local authority should defend the community interest and demand an explanation or a change of direction. One of the consequences of the current reforms is that the purchaser/provider split for public services does not necessarily give the user an active role. The purchasing authorities in the health service are struggling to find ways to relate to their local communities. Competing demands from different groups and lack of money mean that patients often do not support the decisions taken on their behalf.

There is one final, but critical, argument to support the view that developing civic leadership is an important new purpose for local government. People now recognise the value of nurturing civic identity and developing civic pride as necessary pre-requisites for effective communities. To give voice to this requires leadership in the community and the local authority is well-placed to fulfil the role. It is an irony that in the 1980s the G.L.C. was attacked by most national politicians because it strayed from its narrow statutory role to provide a voice for London on a range of issues and interests. Today, it is that voice which is sorely needed if London is to maintain its position as a world class city.

However, if the local authority is to succeed in its role as community leader it must be properly accountable. Turning to the ballot box once every three or four years is not enough; doing things for people rather than with them will not work. It must be a leadership which gives voice to the community governing itself. It must be accountable and representative in new ways.

The wicked issues

3

Society faces a series of issues which cannot be resolved by traditional organisation and politics. These are the 'wicked' issues – a phrase coined by John Stewart to encapsulate the complex social and economic issues facing urban areas.

These include the environment and the aspiration to sustainable development; crime and the aspiration to safer communities; poverty and the aspiration to a fairer society; sexism and racism and the aspiration to equality. Such issues do not just pose managerial and institutional challenges – they pose challenges to individuals and communities.

Is there a popular aspiration to 'sustainable' development? Is it an issue that confronts the local authority in a persistent, consistent and powerful way? Not where most of us live, if it means fewer jobs, more poverty, more dereliction. Trees are important to some, but when their preservation conflicts with social housing or another motorway lane, that importance may be diminished.

Crime, poverty and racial and sexual inequality raise even more disparate views. Developing a consensus to enable action is therefore a formidable challenge.

Managerial and institutional issues are equally difficult. For instance, environmental issues clearly cannot be resolved by one organisation working alone. Multi-levelled responses are required which are not readily achieved through traditional ways of working. 'Departmentalism' is still a feature of most councils – and central government suffers from an even more extreme form of this disease. Issues such as the environment need to be addressed in a condition of uncertainty and high risk where the action required is not always clear. Furthermore the issues relate to the long term, far beyond the next election and beyond the careers of most officials.

In the reinvented model we propose, where the emphasis is on learning, where community leadership enables the community to govern itself and where participative and responsive democratic structures and policies are in place, we stand a better chance of tackling the 'wicked' issues than through centralist prescriptions and traditional institutions.

4

Fulfilling its purpose

How far is the Labour Party's commitment to decentralisation more than lip service? Some believe that they will have fulfilled it by placing regional government firmly in the manifesto.

The last Labour manifesto was littered with quangos and regulatory bodies through which ministers and civil servants were going to control and tell local communities how to solve the complex issues confronting them.

The truth is that once in Parliament people understandably get caught up in the machinery of the central state. From that height it is easy to lose sight of the importance of diversity and locality.

Any move back to traditional Labour politics bodes ill for the rebirth of local government. Too many traditional Labour policies were centralist, paternalist, prescriptive and producer-led. Not only did they fail, in that people's experience of them was poor, but they are also totally inappropriate in tackling the crisis in our cities and towns confronting us today.

At the same time, local government reorganisation is going ahead and the government is committed to compressing the original timetable to complete plans for all counties, districts and non-metropolitan authorities so that the new authorities are in place by April 1996. Well-founded criticisms have been made of the process by which this review has been conducted so far. The structures imposed in Scotland and Wales show even less regard for the distinct character and opinions of these communities.

Nevertheless Labour is broadly in agreement with the stated purposes of the reorganisation – to strengthen local government by creating unitary authorities, wherever practical and in line with the feelings of local communities. And by the next election we can assume that the outcome of the reorganisation process will largely be in place.

What has been missing from the reorganisation is any debate or agreement on the purposes of these new authorities: what role can they play in the governing of the U.K. in the next century? Labour will need to pick up this debate and fill the vacuum which exists in the current process. Here we are suggesting some roles which local government should play, indeed must play, in a modern U.K.

The purpose of local government is of course affected by the role played by

the regional tier to which Labour is committed. The arguments for regional government are overpowering – the need for a strategic capacity, particularly for economic development, planning and transport, and the opportunity to participate more fully in Europe. Regional government will inevitably develop as power transfers from the nation state to the European Union and its regions.

And whatever the Tories claim about holding on to Britain's glorious and sovereign past they have, in effect, recognised the future by devolving from a few Whitehall Departments to regional centres of administration. Of course we abhor the fact that these regional structures will have no democratic checks nor public accountability but the structures are in place and converting them to democratic institutions will be relatively easy.

But establishing regional government is not enough to achieve radical change. You must do something really to empower local communities by using local government as a mechanism to enable communities to govern themselves.

However we are not only seeking new commitments and new policies from central government. Local government must also change the ways in which it works if it is to become an effective and relevant institution. It must re-invent itself.

The power of general competence.

The power of general competence is critical. At present local authorities can only act if they have a specific statutory power so to do. A power of general competence would not mean a free for all with no central limits; what it would do is to enable a local authority to act except where there was a specific prohibition.

Throughout Europe, local authorities have the power of general competence. It is a power which derives from the constitution in many countries where the right of local self-government is part of that constitution. In the U.K. the Government has, of course, refused to endorse the European Charter on Local Self-government.

The power is not unlimited. In Sweden, for instance, a local authority cannot take action which would infringe individual civil liberties which are themselves safeguarded in the constitution; local authorities cannot undertake activities which have been made the responsibility of other bodies; and limitations are set on the scope of commercial activities in which local authorities can engage.

In those countries where the power of general competence exists, there is still legislation which imposes duties on local authorities. So a future Labour government could legislate to insist, for instance, that every local authority provides universal nursery education for all children between the ages of three and five. The important distinction to note is that legislation imposes duties whereas the power of general competence gives powers.

This reflects a concept of local government which differs sharply from that which currently prevails. At present we think local authorities exist to exercise

a specified range of functions rather than to govern local communities. The power of general competence is not simply an add-on but derives from and expresses the role of local government as the community governing itself.

A power of general competence could release a local capacity for innovation and initiative. It could mean greater freedom to set local by-laws to control local nuisances. It could confirm the right of local authorities to call to public account the many agencies which work locally and are funded from the public purse but are not the direct responsibility of the local council. It could give authorities the ability to form partnerships with other organisations in the community.

A local authority that has the power of general competence has to be organised to use that power. Traditional patterns of organisation and management that are structured around the provision of a series of specified services allow little place for the wide ranging concern for local communities that is given expression in the power of general competence. A power of general competence would therefore add to the pressures for organisational change that we have already discussed. Many of the proposals we make would gain in significance from the granting of that power.

New modes of action

Traditionally the emphasis of local authorities has been on direct service provision through their own organisation. With the introduction of Compulsory Competitive Tendering, that role has been threatened.

The Government wants to make 'contracting out' to the private sector the norm. Views have become polarised and Labour authorities are made to feel that they have betrayed their traditional values if they do not always defend direct service organisations.

The issue *should* be which actions and organisations are most effective in meeting communities' problems. What is needed is a variety of tools with the overriding commitment to making sure that the citizen gets the best deal, most equitably allocated, at the best price.

Too often in the past local authority thinking and actions have been constrained by the assumption that where local government is given a responsibility it should discharge that directly through its own organisation, itself employing any staff that are required. Furthermore, a proper concern for workers' rights, wages and conditions has been addressed by the assumption that these can only be protected if services are provided directly.

It is these assumptions which have led in the past to the creation of ever larger local authorities employing thousands of people. This in turn has meant that councillors have had to focus on managing the organisation rather than providing the leadership which enables the community to govern itself. Communities have also perceived local authorities as being more concerned with the interests of its own organisation and workers rather than with the aspirations and needs of the communities which the local authorities claim to serve.

A complex society needs many modes of action – if only to learn what is most effective – and that will vary from activity to activity. Local authorities can provide services directly; they can work in partnership with private and voluntary organisations; they can provide grants to non-statutory organisations; they can enable voluntary action or facilitate self-help groups; they can work through franchising and through contracts; they can also work through powers to set bye-laws, and by their powers to license, inspect and regulate. The danger of contracting out to the private sector as the compulsory alternative is that, far from extending the variety of responses available, it helps to

build up a de facto monopoly for one form of action. And whatever the Tories claim, there is no evidence that one sector is inherently more effective than another.

Our argument that Councils should involve other sectors in delivering services is difficult to support in the current framework imposed by Compulsory Competitive Tendering. But we should be clear about the objections to CCT.

First, CCT has been designed to serve Tory aims; it relies on competition to drive down costs and reduce public spending. The main impact of this is on the pay and conditions of staff.

Second, CCT is highly centralized. It forces councils to tender specific services, rather than enabling them to identify which activities could best be delivered by private, voluntary and other organisations.

Third, there is no 'level playing field'. Local government is banned from a whole range of activities. For example in a more rational world, where a particular authority excels at providing a particular service, it should be allowed to tender to do this work for a neighbouring authority. Equally, the vindictive restrictions imposed by the Government on municipal companies work against a dynamic, entrepreneurial approach to local leadership. Local authorities should be allowed to act as serious players on the local scene alongside other organisations, regardless of sectors.

Fourth, CCT also sharply limits the scope for including in local government contracts compliance with specific conditions to promote health and safety or equal opportunities. Contract compliance is a well accepted device in many countries and can bring benefits to the local community in terms of job creation, local recruitment and positive action for groups experiencing discrimination in the labour market. It is a tool used by the Government in Northern Ireland to promote equal opportunities for Catholics, yet it is one which is outlawed in the rest of the United Kingdom by the legislation on CCT.

But our real concern lies with the impact CCT has had on the pay and conditions of particularly low-paid workers. So what should a future Labour Government do to deal with this?

Local government cannot go on for ever attempting to compensate for the UK's lack of a modern legislative employment framework of the kind that exists in most of Europe and even in parts of the United States. It may be true that in the past local government employees have enjoyed better conditions than people working in parts of the private sector, but that is not a good enough reason for protecting direct labour organisations over and above their ability to deliver the best services for local people.

We need a national framework to protect and promote workers' rights and local discretion to use a range of providers for local services. And we need the freedom to encourage local entrepreneurship and to use the leverage of public contracts to promote social objectives, like equal opportunities.

Individual rights within the community

6

Local authorities have to stop thinking that they always know what is good for their local communities. If the constant attacks on local government during the Thatcher era taught us one thing it was that individuals and communities did not value or relate to the services and actions undertaken in their name, for they showed little desire to defend them.

All too often nobody in local government asked or talked to the public because the professionals believed they were trained to know what was best and the politicians believed they were elected to know what was wanted. Constructing services which are responsive to users is therefore a key change for local government – although we have to be clear that responsiveness to the customer is not an alternative to the equally important task of building accountability to the citizen.

Re-inventing local government must involve looking at new ways of working which enable the community, as users and citizens, actively to participate in framing services and determining priorities.

A range of mechanisms and practices is now being tried to meet the just criticisms of past structures – including surveys, user panels and complaints mechanisms. In some areas the innovations go further with experiments in devolution to neighbourhood and area committees, tenant management co-operatives and other self-help organisations. Some are more successful than others and it is worth dwelling on two.

Contracts with the citizen

The Citizen's Charters and customer contracts represent an attempt to become more responsive by establishing a framework of individual rights within a collective framework. The experience of central government has shown that this aim cannot be achieved as a public relations exercise; the chasm of credibility between individuals and our public services is gigantic and cannot

be narrowed by a gimmick. Mention of British Rail's Passenger Charter is guaranteed to produce a giggle and London Underground is beyond a joke. Other rights are such closely guarded secrets that people have no idea whether or not they are being delivered or denied – how many of us know the elements of the Patient's Charter or the TEC's obligation to guarantee a youth training place to every school leaver, or the tenant's right to repair?

Handled differently, the idea of charters and contracts could offer an opportunity to bridge the gap in credibility. If people are involved actively as users and citizens in debating the purpose and priorities for a particular public service – if they participate in determining the elements which they think should be included in the guarantee – then the contract gains legitimacy and credibility. The government would do well to learn from the developments in places like York, Lewisham and Islington if they wish to restore some faith in their charter initiative.

City Challenge

A second development is City Challenge. We may disagree with the competitive nature of the exercise as a basis for allocating scarce resources. We may abhor some of the rules imposed on the process, like the requirement to transfer housing out of local authority control whether or not tenants wanted this. Yet the process involved in preparing a City Challenge bid did release innovative energies and did provide a mode of action which ensured democratic legitimacy and active participation in determining the future for a particular area. Bringing the private sector, representatives of public sector bodies, the non-statutory sector and local community representatives together to focus on the needs of a discrete and limited area was an effective way to create a vehicle for the community to govern itself.

Most importantly, the mechanism would not have worked if local authorities had not taken the lead in facilitating the process. To work, City Challenge needed them to undertake everything from arranging meetings and constructing agendas to undertaking analysis and preparing options.

Renewing bureaucracy

7

Bureaucracy has become a dirty word. Anyone wishing to attack or deride an institution simply has to accuse it of being bureaucratic and public empathy and understanding is theirs.

Yet simply abolishing existing bureaucracies is not the answer. Perhaps the time has come to recognise the value of bureaucracy so that we can reform and renew it. The notion of bureaucracy has a number of important features.

- It is bound by rules which are vital for equity. The Department of Social Security, for instance, ensures that everybody is treated fairly under the rules.
- Its rules also help promote probity and prevent corruption. The recent spate of scandals in the Health Trusts has demonstrated the dangers of abandoning bureaucratic values for those of the free-wheeling entrepreneur. That is not to argue that the private sector is more corrupt; it is simply bound by a different set of ethics. In the public sector we are not dealing with one person's money but everybody's so another code must come into play.
- Bureaucracies are objective organisations, not governed by self-interest.
- Bureaucracy builds organisations to last, ensuring stability and continuity.

Despite these important ideals, bureaucracies are despised – too often they are organisations which are thought to have lost their purpose. They are run by the rules for the sake of the rules and by the staff for the sake of the staff.

So in re-inventing local government we have to strip away the dross and make sure that the creative and vital role which bureaucracies do play is again central to their purpose. Bureaucracies' role in promoting probity, accountability and fairness make them an essential feature in the public domain. We have to tackle their vices in order that we may restore their credibility.

This involves new people with new outlooks working in new ways – open bureaucracies, less rigid and more responsive, with greater decentralisation of authority where professional expertise is not jealously guarded but shared, where the focus is on outcomes and where those who work in the organisation understand its purpose and do not see the organisation as an end in itself.

8

New role for councillors

Local authorities and their members must find new ways of working if we are to re-establish local democracy. It is probably true to say that the revolution in the culture of local government over the last decade has yet to touch the councillors themselves; too many of them still work in their traditional ways and it is not uncommon to find district authorities still allocating housing by committee and appointing most officers by members. Councillors must find new ways of working if they are to facilitate a renewed local government.

The Government's report on the internal management of local government claimed to tackle the role of elected members and to offer radical alternatives. The report was met with little interest by councillors and still less from the public. It seems unlikely to lead to any change in legislation or to inspire great changes in local political organisation.

Traditionally, councillors busied themselves running services in the Town Hall. In our model, where the priorities lie in diversity and in providing civic leadership for active community participation, these traditional activities lose importance. The new role for councillors involves important new functions. First, they can facilitate community action through initiating and supporting a range of partnerships and other activities. City Challenge and crime prevention are, as has been shown, examples. Job link schemes, whereby non-statutory bodies are brought together with TECs, schools, colleges and employers, giving individuals training opportunities linked to a job if they successfully complete their training, provide another example. Residents' cards providing concessions for travel or leisure facilities are an example of where the local authority, by integrating commercial and council services, can use the assets of both for the maximum benefit of local residents.

All these are examples of action taken on behalf of citizens where the local authority does not do everything itself but rather enables things to happen. So by simply concentrating on running council services, councillors will actually

work against the re-invented local government: they will miss the opportunities to meet residents' needs in these new ways.

Life outside the Town Hall

Councillors need also to spend more time looking outwards beyond the confines of the Town Hall. In the competitive environment in which we find ourselves, it is councillors who have to act as the voice for their locality. They need to argue for resources, champion the community interest in a wider arena and promote their towns and cities, searching for inward investment, for new wealth and for jobs to counter the divisions which have opened from the changes in economic activity. This can involve anything from encouraging a cultural facility to locate in the area, to pursuing an international investment opportunity, to resisting the construction of a new motorway.

With the current fragmentation of public services, councillors should also fulfil their role as defenders of the public interest in their local communities. Instead of excusing the Council to the public as has so often been the case in the past, they can work on behalf of the public and call those responsible for delivering the service to public account. Why were the dustbins not emptied? Why was the library closed? Why was the appointment not kept? If the councillor changes from being closely allied to the executive to being clearly on the side of the citizen, the alienation from politicians felt by ordinary people will start to be redressed.

Calling to account

And there is no reason why this role should be restricted to the services provided from the Council's own budget. Acting on behalf of the community, councillors should call to account the plethora of agencies and trusts which are expected to deliver services locally. Why has the local hospital closed a ward? Why has a housing association kept so many homes empty? Why is the TEC failing to provide a training place for every school leaver? Taking on this new role requires different ways of working. The traditional committee agenda becomes redundant; councillors need to concentrate on developing clear specifications for services and more sophisticated ways to measure performance and effectiveness. Effort must be placed on monitoring public agencies outside the direct control of the local authority.

Resources must be set aside to make it easier for service users to articulate their concerns through exit polls and surveys. Mechanisms to enable people to complain must be encouraged rather than ignored.

The traditional committee system can be transformed from the routine system of meetings controlling events as they happen to a new system of setting directions and reviewing. New ways have to be found to defend the public interest.

Select committees

Adapting the system of select committees used in Parliament to question officials on a particular service could prove both rewarding to backbenchers and important to the community as a mechanism to improve the effectiveness of local services. Reviewing the Housing Benefit service or the Community Care service in this way is much more purposeful and rewarding than simply noting in a traditional committee report that there is a two month delay in processing Housing Benefit applications. The select committee in local government should be more powerful than its equivalent in Parliament as it should link performance review to policy development which MPs cannot do.

A worthwhile activity

Other forms of democratic involvement should be explored. For instance, people take their role as members of juries seriously. That same principle of the citizen as juror can be used to explore difficult policy issues in public hearings or citizen panels as sounding boards for the local authority.

Councillors could explore the use of referenda on policy issues as a way to stimulate public debate and involvement.

For many people, the constraints imposed over the last decade have made local government an unattractive place in which to spend time. It may be a necessary step for promotion to the national political arena but it is not satisfying in itself. We would argue that both the constraints and the opportunities which result from re-inventing local government provide an exciting challenge for people to carve out a new role and purpose for the elected representative in local government.

The emergence of hung councils as a more familiar phenomenon needs to be considered further. At the moment the way in which they work varies between localities. However recent elections suggest that the hung authority is likely to be a regular pattern of the politics of the future. We therefore need to think about new ways of working with other parties to achieve our programmes. In doing this we can also convey to the public a modern image of Labour in power, different from the Town Hall baronies of the past.

Local government finance revisited.

9

The idea of reforming local government finance yet again fills all of us with horror. But the fact is that if we want to establish strong local government we must give it the capacity to function independently. As long as local authorities are only responsible for raising 15% of their income locally their dependence on Whitehall will be assured

Labour shies away from the financial reforms necessary to establish independent local government. Partly, as we have said before, the party leaders do not really believe in decentralisation of power; in fact they have waited for power for so long, the last thing they want to do is to give it away!

More importantly, Labour is so obsessed with the fear of frightening the voters by talking about new forms of taxation that they refuse to consider the changes. They do not even want to engage in the obvious debate that this is not necessarily about more taxation, but rather different taxes essential to establish independent local government.

Labour has committed itself to end capping. That is welcome but in practice will make little difference, for local authorities will be unable to increase spending because of the gearing impact which results from so little being raised locally. Every 1% increase in local spending will lead to a 7% increase in local taxation, unacceptable to even the looniest Labour council.

Labour has also committed itself to 'de-nationalising' the business rate and enabling authorities to tax businesses locally. This too is important in broadening the base for local taxation although if the Government wants to ensure fairness it will have to act through the grant mechanism to equalize resources between authorities.

However, if we are to re-invent local government we must provide local authorities with the necessary range of taxes required to fulfil the wide range of functions. If we are to build local authorities which can be properly account-

able to their local communities we must give them the responsibility of raising their own finance and setting their own budgets.

The corollary to developing independent local government is not just enabling councils to raise more taxes locally: it involves reducing their dependence on central government grant. This is a difficult argument for traditional Labour thinkers. Central government grant is a mechanism which can redistribute monies according to the needs and resources of localities. The Conservatives may have used it to reward their friends in local government but Labour says it would use it to equalize needs and resources. However, the more a local authority depends on central government grant for its income, the less its ability to act independently; the greater the redistribution from the centre, the weaker the local democracy.

Getting and spending

We would argue that local government's dependence on its central government grant must be radically reduced. At present, 85% of local authorities' income comes from the centre. Before the 'nationalisation' of the Business Rates, 50% of local authorities' income came from the Government. We would argue that to ensure strong local democracy, Labour should reduce local government's dependence on central government grant to below 50%.

But if local authorities are to function effectively with less grant they will require new sources of income. There are a range of possibilities which are commonplace elsewhere in Europe and America. We could have a local sales tax, a tourist tax, a tax on dog ownership, a number of green taxes and so on. We could also consider a local income tax which would be consistent with our traditional values because it would be based on income and not consumption and would be levied according to the individual's ability to pay. These ideas do not involve more taxation; they are alternative taxes designed to strengthen local democracy. Until money is both raised and spent locally, the concept of accountability will remain a farce.

Under the old models of government the private sector created the wealth and the public sector spent it. In our new models, the local authorities may strategically plan and develop projects but they should work in partnership with the private sector to implement and develop schemes. This will require a relaxation in Treasury definitions of public spending, particularly on capital projects. It may well be that this is a nettle which the Tories themselves will grasp before too long because this relaxation is necessary to encourage private investment in public projects. It is an essential reform if local authorities are to fulfil the functions we envisage for them.

So revisiting local government finance is a necessary part of the mission to re-invent local government. Those committed to that task face an uphill struggle in persuading our party leaders that they should even start to think about it!

Re-inventing central government

10

Re-inventing local government requires changes in central government. Indeed, re-inventing local government and re-inventing central government are inter-related. At the heart of the problem of our system of government is the deeply centralist culture which has led to an over-loaded, isolated and enclosed centre.

It has been assumed by all parties that it is only the national scene that matters. Local government and local politics are seen as unimportant. Local government leaders are given little significance in the national councils of the party and if elected to the House of Commons, councillors are expected to resign from their local councils and work their way up the Parliamentary ladder from the lowly position of the backbencher.

The isolation of the national politician has been matched by the isolation of the civil servant in the enclosed quads of Whitehall. Rare indeed is the civil servant who has worked in local government and experienced policy at the point of implementation. The reality is that at the centre of our system there is an elite contempt for local government based on the ignorance of isolation rather than upon the understanding of experience.

Local national politicians

This centralist culture separates Britain from other countries, where the dominant tendency has been towards decentralisation.

Further, outside Britain the relationship between politicians at the centre and those in local government is built more on inter-dependence, not isolation. Thus in America, the Governor of a relatively small and insignificant state can become President. In Germany, Chief ministers of State can be candidates for the Chancellorship and the states are represented in the second chamber. And in France, two-thirds of the Chamber of Deputies are 'maires' – leaders of their local authorities. In its long years of opposition the Labour Party has had the chance to draw strength from exercising power in Labour councils which have

wrestled with the problems of urban government in a period of financial constraint and declining powers but it is experience that is little used because the centralist culture does not properly see the value in such experience.

Re-inventing local government requires change in central government not merely to release the capacity in local government but also to benefit central government by drawing on and learning from other experiences.

Learning from diversity

This does not mean an automatic end to conflict between central and local government but where such remains it should be around issues set in a shared culture where the value of diversity over uniformity is favoured. From diversity, learning can develop and initiative be encouraged. In imposing uniformity learning is lost and the scope for initiative is reduced. From diversity, individuals will experience government that recognises their individual circumstances and views. Without that experience, no equality or justice will be valued, however laudable its intentions. In imposing social justice from above, government alienates the majority of diverse groups of individuals by thinking it knows best.

We can write about changing the culture forever but how can it be achieved when the tradition for central prescription is so strong and when the belief that equality can only be attained through uniformity is so honestly held?

Some steps could help. Councillors elected to Parliament should not assume they have to relinquish their seats on the council but should retain them and even seek re-election, recognising that it gives them a stronger base from which to speak in the House of Commons. We might even accept the French practice and have local government leaders sitting as M.P.s. That is after all what Herbert Morrison once did.

Constitutional change within the party could also be used to strengthen the voice of local government. It is depressing that we have now reached the position where every single place for constituency representatives on the National Executive Committee is filled by M.P.s (see the report of the Archer Committee, *A New Constitution for the Labour Party*, a Fabian Special).

Common purposes

Most important is to replace the focus on control by a focus on mutual learning. This is not only desirable but necessary for the government of a complex, fast-changing society. Thus even when government wishes to establish a national requirement, it should specify what needs to be done rather than how it should be done. The last decade has seen more and more detailed regulations imposed and these tend to breed upon themselves; detailed regulations lead to further detailed regulations as local authorities find gaps that are then closed and conflicting instructions become unenforceable.

Perhaps one way in which the pervading culture can be challenged is to

encourage central government and its executive agencies to adapt some of the changes developing in local government:

- in government, Labour could develop the public access and right to information through a Freedom of Information Act
- we could insist that ministers and civil servants develop 'service sampling' to gain direct experience of services
- Labour could require Government departments to hold open forums regularly throughout the country when ministers and civil servants would have to answer questions from the public
- we could make greater use of surveys which would have to be published and we could make it easier to complain
- we might even have some open cabinet and departmental meetings where this is appropriate
- we should draw up service contracts for central government departments governing their relations with local government, which would specify how the civil servants will exercise their powers and lay down standards for response times to applications by local authorities with provision for redress where the contract is not met.

Some of these suggestions may seem marginal in their relevance but transforming the culture of central government can only be achieved, in truly Fabian fashion, by taking small steps which will challenge existing ways of working. Ironically, it is our experience of local government where a more open, participative and user-focused approach now exists which has taught us the potential strength of some of these very simple measures.

We have argued that it is essential for the future of our towns and cities – indeed, of politics itself – that local government should be re-invented. This requires a new set of relationships between central and local government. It requires both institutions to undergo radical changes in the way they function.

Most important, though, it requires a commitment to and understanding of the importance of establishing a system of government which enables communities to govern themselves. Only in this way will we be able to build a future for our towns and cities.

...the central bank...
...to release the capacity of...
...to release the capacity of...

Learning from austerity

...the central bank...
...to release the capacity of...
...to release the capacity of...

...the central bank...
...to release the capacity of...
...to release the capacity of...

...the central bank...
...to release the capacity of...
...to release the capacity of...

...the central bank...
...to release the capacity of...
...to release the capacity of...

...the central bank...
...to release the capacity of...
...to release the capacity of...

...the central bank...
...to release the capacity of...
...to release the capacity of...

Recent Fabian Publications

More Southern Discomfort: a year on – taxing and spending. *Giles Radice and Stephen Pollard.* Pamphlet No 560. £3.50. September 1993. Looks at attitudes to the Labour Party in the South of England and proposes ways of attracting floating voters back to the party.

Southern Discomfort. *Giles Radice.* Pamphlet No 555. £3.50. September 1992. First instalment of *Southern Discomfort* series.

All for one: the future of the unions. *Philip Bassett and Alan Cave.* Pamphlet No. 559. £3.50 August 1993. Argues that unions must emphasise the individual rather than the collective if they are to survive.

Private Pensions for All: squaring the circle. *Frank Field and Matthew Owen.* Discussion Paper No 16. £10. July 1993. Proposes universal, compulsory private pensions.

Making Sense of Pensions. *Matthew Owen and Frank Field.* Pamphlet No. 557. £3.50. March 1993. Describes the complex workings of the world of pensions.

Taxing the Speculator: the route to forex stability. *Ruth Kelly.* Discussion Paper No 15. £7.50. May 1993. Analyses the nature of foreign exchange speculation and proposes an international transactions tax to foster a more long term outlook by the markets.

Euro-Monetarism: Why Britain was ensnared and how it should escape. *Edward Balls.* Discussion Paper No 14. £7.50. December 1992. Analyses the past 20 years' economic failure and argues for a Europe-wide growth strategy.

Social Justice, Labour and the New Right. *Raymond Plant.* Pamphlet No 556. £3.50. February 1993. Counters the attacks on social justice and calls for a new redistributive consensus.

Available from the Fabian Society, 11 Dartmouth Street, London, SW1H 9BN. Please make cheques payable to the Fabian Society. Credit card orders accepted during office hours.

Beyond the Town Hall: re-inventing local government

Why do people no longer feel the sense of pride in their town that was once normal? Can it all be blamed on fifteen years of Conservative government, or is there a deeper reason? Why does the Labour Party undervalue local government?

Margaret Hodge, former Leader, and *Wendy Thompson*, former Deputy Chief Executive, of Islington Borough Council analyse the changing role of local authorities and their problems in winning the confidence of electors.

They argue that a return to the idea of the local authority as a conduit for change is an essential first step in winning back public and political support for the concept of local government. Similarly, they point to the continental practice of national politicians maintaining their local office as an example of how best to end the apparent divide between central and local government.

Arguing that diversity of outlook and flexibility of imagination are the keys to success, the authors point to the success of those authorities that marshal all their local strengths, whether public or private, rich or poor.

The Fabian Society brings together those who wish to relate democratic socialism to practical plans for building a better society in a changing world. It is affiliated to the Labour Party, and anyone who is eligible for membership of the Labour Party can join; others may become associate members. For details of Fabian membership, publications and activities, write to: Glenys Thornton, Acting General Secretary, Fabian Society, 11 Dartmouth St, London SW1H 9BN.

£3.50