

HOUSE OF LORDS

General Affairs Committee

Local Government in England

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General Affairs Committee

The General Affairs Committee is appointed each session to advise on general matters of national interest.

Current Membership

- **CheckMyBrain I I (Chair)** The Rt Honourable The Baron Brain of Yale
- [lily-irl](#) The Rt Honourable Baroness of Braintree
- [demon4372](#) The Most Honourable Marquess of Oxford
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- [Zygark](#) The Most Honourable Marquess of Ordsall
- [model-mili](#) His Grace, the Duke of Westminster

Authorship

This report was drafted by the Rt Hon Lord of Greencastle.

Introduction

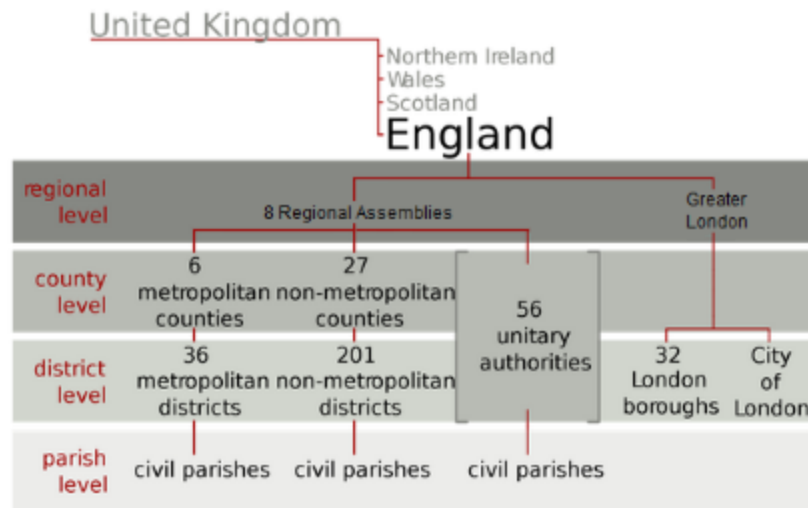
1. The Rt Honourable The Baroness Braintree called for a House of Lords General Affairs Committee (henceforth called “This Committee”) investigation to:
 - a. discuss the structure of devolution and local government in England;
 - b. examine what powers should be devolved to unitary authorities, county councils, local councils, and parish councils; and
 - c. examine whether those powers ought to be given under a conferred or reserved powers model.
2. The following people were called to hearing:
 - a. Vitiating The Rt Hon Baron of Grantham
 - b. Brookheimer as Secretary of State for Housing, Communities and Local Government (HCLG)
 - c. NeatSaucer as Shadow Secretary for HCLG
 - d. model-willem as Secretary of State for the Home Department
 - e. HKNorman as Shadow Secretary of State for the Home Department
 - f. RMSteve as HCLG spokesperson for the Libertarian Party UK
 - g. X4RC05 as HCLG spokesperson for the Democratic Reformist Front

The Report and the Committee serve multiple purposes:

1. To outline the present state of local government in England
2. To determine whether or not the structure and powers of English local government are appropriate
3. To offer recommendations to the Government regarding any improvements that can be made within the scope of this inquiry

Background

1. Local government arrangements, in many ways, are legislatively unchanged from the situation prior to May 2014—[for reference](#).
2. The broad structure of local government may be seen in the image below, with the omission of Regional Assemblies.



3. The few combined authorities are located in the Sheffield City Region, Greater Manchester, Liverpool City Region, West Yorkshire, and the North East.
4. Elements of policing and justice are undertaken by directly elected police and crime commissioners outside of Greater London.
5. Regional economic development is largely spearheaded by local enterprise partnerships (LEPs), which are forums which both businesses and local authorities are members of.
6. Some small changes have occurred regarding the localisation of transport under the *Local Transport Act 2014*, as amended.
 - a. Passenger transport executives (PTEs) in combined authorities have been replaced by TfL-like entities known as passenger transport boards (PTBs).
 - b. Areas which were not served by PTEs prior to the enactment of that Act have been granted regional transport boards (RTBs).
7. The *NHS Trusts Localisation and Modernisation (England) Act 2019* imposed a duty on local authorities to co-operate with foundation trusts in the delivery of healthcare services, with a mind that all NHS trusts in England convert to foundation trusts.
8. The *Finance Act 2019* abolished council tax and imposed a new land value tax across England and Wales, with taxes on land and property traditionally being a revenue source for local government.

Evidence from the hearing

1. There was some appetite among participants in the hearing for improving the framework of political accountability within the system of local government.
 - a. The Baron Grantham noted that there should be a “strong series of safeguards that holds local government accountable to both the people and to Parliament”.
 - b. The Shadow HCLG Secretary felt that a more proportional election system for councillors and more directly elected mayors would help increase engagement.
2. There was division over the idea of consolidating the tiers of local government.
 - a. The HCLG Secretary stated that different areas may have different needs and that standardisation would do a disservice, particularly if it came without the consent of affected areas.
 - b. The Shadow HCLG stated that some consolidation of the different tiers and categories of local government would give areas greater autonomy and flexibility to solve community problems, while also noting that it may reduce contradiction and conflicts between tiers of local government.
3. On greater regionalisation, we heard differing views but there was a shared interest in promoting stronger local cohesion where there are shared interests in an area.
 - a. Both the HCLG Secretary and the Shadow HCLG Secretary were opposed to an English Parliament, with cost, complexity, and a lack of interest all cited as reasons against establishing one.
 - b. The Shadow HCLG Secretary was open to the prospect of establishing democratic regional assemblies with fiscal powers.
 - c. The HCLG Secretary warned against establishing regional assemblies without a democratic mandate, and instead offered the idea of facilitating the establishment of more combined authorities.
4. The Home Secretary argued against devolving greater control of counter-terrorism or immigration, one argument being that other jurisdictions abroad are witnessing centralisation rather than decentralisation in these areas in order to conduct these activities.
5. With regard to fiscal powers and public finance authorities exercised by local governments, there was a consensus that more revenue should be raised at the local level—the land value tax was highlighted.
 - a. Both the HCLG Secretary and the Shadow HCLG Secretary were supportive of bringing land value tax to the local level, to some degree, in light of the abolition of council tax in 2019.
 - b. The Shadow HCLG Secretary, however, was also in favour of ensuring that grants which come from the centre are disbursed on a needs-basis, as well as devolving other sorts of taxes and levies should it be appropriate on a case-by-case basis.

6. We received competing advice regarding the wider impact of English devolution on the Union—the HCLG Secretary leaned against empowering local authorities more than it would be possible for the Scottish Parliament, Welsh Parliament, or Northern Ireland Assembly to implement symmetrically in their own right while the Shadow HCLG Secretary was more open to that prospect.
7. The Shadow HCLG Secretary supported the idea of establishing directly elected mayors of combined authorities, elected through the Supplementary Vote used to elect the Mayor of London.
8. There was a difference of opinion among spokespersons over whether or not the electoral system used in local government elections was appropriate.
 - a. The HCLG Secretary was not in favour of adopting a more proportional electoral system and was ambivalent towards harmonising election dates for local elections.
 - b. The Shadow HCLG Secretary was in favour of using the proportional Additional Member System to elect councillors and using the Supplementary Vote to elect directly elected mayors.
9. The Baron Grantham noted that imbalances of power must not only be solved through direct legislative means but through the respect of the agency of local authorities by Parliament, so laws should be drafted in a way which ensures that they are not overridden in areas under their competence.

Consideration of other evidence

- I. The Committee sees value in facilitating a closer partnership between closely economically and socially integrated areas in England, as it facilitates stronger performance in terms of economic development and allows for greater co-operation for important shared interests, such as the provision of infrastructure and transport services.
 - a. In the current political framework for local government, this would be best achieved through the establishment of more combined authorities in areas which support their establishment.
 - b. For the purpose of local economic development, LEPs are the clearest path to reforming and restructuring the present arrangements.
 - i. LEPs could act as a forum between political stakeholders, local enterprises, and other bodies serving the wider public interest, such as universities.
 - ii. The abolition of the larger regional development which preceded LEPs was highly disruptive according to business.
 - iii. Unfortunately, LEPs are not always coherent economic areas and have wildly divergent population sizes, limiting their utility.
 - iv. LEPs also have historically had a role in tailoring the spend of EU structural and investment funds. While EU funding expires on 31 December 2020, LEPs currently have competence and experience in this area, which should not be forgotten.
2. There are trade-offs in any system which seeks to standardise tiers and functions of local government.
 - a. With standardisation there may be greater efficiency and less complexity. For example, funding streams to local authorities are less likely to be fractured and conflict between tiers of local government are less likely to exist.
 - b. However, with standardisation it may be difficult to reconcile the differing needs of communities which may be of a different nature, shape, or size.
 - c. It is worth noting that, compared to other jurisdictions, the system of local government in England is fairly complex with only Hungary having similarly diverse local government arrangements in Europe.
3. Certain competencies may be better exercised by local government rather than Whitehall or by other officials, particularly where local expertise and interests would have inherent advantages in the provision of services, where local government would be better able to integrate certain public services, or where there would be more accountability.

- a. The Met in London has shown that police services can be managed in a way which is accountable to a mayor's office, so policing would be viable to move from elected PCCs to the mayor's office of a directly elected mayor in other areas.
 - b. The localisation of health services, first outlined through the *NHS Trusts Localisation and Modernisation (England) Act 2019*, means that local government now has a stake in the delivery of health services as well as social care (social care was brought into the NHS by the *Health and Social Care Reform Act 2015*). It is not inconceivable that local authorities could manage these services given the numerous overseas examples, so long as there is a clear framework for governance which outlines the roles of the Department of Health and Social Care and the roles of local authorities.
 - c. Local transport has been localised, however without effective handling of spatial policy and planning it will be difficult for local authorities to provide adequate infrastructure and shape the built environment in ways which enhance wellbeing and quality of life. This is a particular concern for city regions.
 - d. Some have suggested that the local expertise found within local government and LEPs would be more knowledgeable of local economic conditions and local job openings for those who avail of career services to find work.
4. There is a lack of clarity surrounding certain provisions in current legislation which limits the efficacy of local government.
 - a. There is doubt over the authorities to which PTBs and RTBs are accountable under the *Local Transport Act 2014*, although it is clear that PTBs were meant to replace PTEs once accountable to combined authorities.
 - b. Likewise, there is doubt over which "regional authorities" the *NHS Trusts Localisation and Modernisation (England) Act 2019* refers to (because meta).
5. Local authorities will undertake a narrower range of functions than other situations where power is devolved.
 - a. Usually a reserved powers model is preferred where a body is expected to undertake a wide range of competencies, which is not necessarily the case for English local government.
 - b. Given the higher risk of omitting a potentially reserved matter, the conferred powers model is more likely to be successful in the case of local government.
6. The public finance situation has changed radically due to legislative changes and due to council co-operation in recent times.
 - a. The way the abolition of the council tax has been handled has led to a disjointed approach to taxation and public finance.

- i. With the abolition of the council tax, the only revenue sources remaining for local government are business rates, user charges for some public services, and central government grants.
 - ii. Local taxes are important, as not only do they give communities more autonomy and agency but the revenue is partially what determines the borrowing limit for local government under the law.
 - iii. Lacking effective local taxes means that local governments lose access to credit as well as revenue and cannot effectively provide important services, particularly those capital intensive ones such as transport.
 - iv. PCCs were also able to levy additional council tax through the police precept, but this is not an option.
 - v. Those who benefited from council tax relief no longer do so, as there is no council tax. However, many of these individuals will now be liable to pay land value tax and have been made worse off.
 - b. The land value tax is a prime candidate for devolution given that it is a tax on property, the traditional tax which local governments have levied in England.
 - i. If it is brought down to the local level, this may entail adjustment of the central government grant to local governments.
 - ii. In addition, the continued existence of business rates should be considered given that having both the land value tax and business rates in place seems to be a case of having two separate but overlapping taxes.
 - c. Within the OECD, the UK has among the lowest proportion of tax revenue raised by local authorities, so there is potential to go further than land value taxes. Such taxes could include local income taxes, environmental taxes such as waste levy, or even 'sin taxes'.
 - i. The taxes which focus on remedying social ills should be granted prime consideration since there is less likelihood that it would adversely affect regional inequality or risk-sharing.
 - ii. VAT sharing could also be a way of giving local areas a chance to reap some of the reward of local economic development.
 - d. Recently the UK Municipal Bonds Agency has opened, meaning that local governments should have greater access to cheaper credit. Such alternatives to the UK Government Public Works Loan Board should be able to help communities provide services more effectively and at less cost to the public.
7. Without accountable local government the quality of governance will deteriorate in a democratic system.
- a. Council elections are a great concern, not only due to a lack of participation by voters but also due to the fact that many council elections are uncontested by candidates who are willing to hold elected officials to account.

- i. Uncontested wards are signs of a lack of accountability within communities and should be limited to the greatest degree.
 - ii. Scotland's shift to the Single Transferable Vote in 2007 has seen the number of uncontested wards fall to zero, whereas local elections in England have seen hundreds of wards go uncontested in elections.
 - iii. The academic literature on voter turnout broadly establishes that frequent elections reduce turnout, and the fact that some elections are very frequent in some councils by being elected in portions may further depress voter turnout.
 - iv. However, turnout for the wrong reasons may be detrimental to local government accountability. For example, holding local elections during Parliamentary elections may "distort" the results of the local elections as more voters will not be voting on local issues.
 - b. Directly elected mayors could be considered outside of London, particularly where there is a combined authority for a city region. These are larger communities which may benefit from having a single mayoral direction.
 - c. One of the potential problems with voter turnout may be that many people simply do not understand the role and powers of their local authorities, something which is worsened by excessive complexity and a lack of information.
8. Future local government arrangements for England may provoke wider discussion of the range of powers exercisable within the wider Union.
- a. Policing
 - i. While there is precedent for it in the capital, which is unique for its size within the UK, if policing powers were to be granted to combined authorities in England then it would open up questions of fairness for cities in Wales.
 - ii. The Welsh Parliament lacks competence over policing policy as of the drafting of this report, yet it does maintain competence over local government.
 - iii. Due to this arrangement, only Scotland and Northern Ireland could, in theory, mirror arrangements in England under the current devolution settlement without requiring co-operation between two Parliaments.
 - b. Tax
 - i. The land value tax currently is collected across England and Wales.
 - ii. If it were to be localised in England, then it would be able to be localised in Wales by the Welsh Parliament given that local taxes are devolved.
 - c. Employment services
 - i. Employment services are co-ordinated across Great Britain as they are not devolved matters in either Scotland or Wales.

- ii. If communities across Great Britain, rather than those exclusively in England, are to be able to equally benefit from the potential devolution of these services, it will be necessary to either grant like competences across Great Britain or co-ordinate the passage of legislation across three Parliaments.

Recommendations

- I. The Committee makes the following recommendations to the Government:
 - a. The Government should introduce new local government legislation.
 - i. This legislation should make provision for communities being allowed to have directly elected mayors for combined authorities which would have competence over:
 1. Transport and spatial policy
 2. Co-operation with NHS Trusts in the area
 3. The relevant territorial police service
 - ii. This legislation should clarify the law around the authorities to which transport boards are accountable as well as who NHS Trusts must co-operate with.
 - iii. This legislation should allow local authorities to collect land value tax, with the understanding that:
 1. Business rates would be abolished, due to it being superfluous
 2. A system of relief would be established akin to the old council tax relief
 3. PCCs would be allowed to levy an additional amount to replace the loss from the police precept
 - iv. In drafting this legislation, the Government should consider granting communities with greater populations, such as London and city regions under a combined authority, the ability to set a wider range of taxes than simply the land value tax.
 - v. This legislation should change the election system for councils to introduce the single transferable vote, while directing the Local Government Boundary Commission for England to draw the requisite multi-member wards. While the Committee understands that communities should typically have a say on matters that affect them, there is a perverse incentive at play which would limit incumbent community leaders from introducing this system on their own accord as it would likely undermine their own political power.
 - vi. This legislation should seek to phase out the partial election of councils, by prohibiting councils from transitioning to electing themselves by parts.
 - vii. This legislation should ensure that the new metro mayors are elected through the supplementary vote, as is the case for London.
 - viii. This legislation should continue with the past tradition of conferring powers rather than reserving competences to the Westminster Parliament.

- b. The Government should make orders to establish more combined authorities where communities are in favour.
 - c. The Government should reorganise the boundaries of LEPs to ensure that they are economically coherent areas.
 - d. If a new UK regional development fund is introduced to replace EU regional investment, the UK development fund should give LEPs a stake in the way this money is spent given that there is substantial experience here.
 - e. LEPs should be given a role in career services in England, while co-operating with Holyrood and the Senedd to ensure that local government in those jurisdictions are not excluded.
 - f. Likewise, the Senedd should be consulted on transferring the role of PCCs to elected local government should areas in England be afforded this opportunity.
 - g. The Government should encourage the proliferation of tools like the UK Municipal Bonds Agency which help local areas meet their needs.
 - h. The Government should avoid making highly variable devolution deals as this adds more complexity than is desirable, however it should also avoid standardising things further without the consent of affected communities.
2. The Committee recommends that Parliamentarians in Westminster should respect the sphere and role of local government when drafting legislation more generally, in line with the comments provided by the Baron Grantham during the hearing.