

# LABOUR'S LOCAL OFFER

## IDEAS FOR A RADICAL LOCAL MANIFESTO

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SOCIETY**

A Joint NLGN/Fabian Society essay collection



New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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# ACKNOWLEDGEMENTS

NLGN would like to thank the Fabian Society for their partnership in this collection. We would also like to thank all our authors for generosity with their time and intellectual devotion to building a new, robust case for localism.

**Emma Burnell**

New Local Government Network

# INTRODUCTION

**Lisa Nandy**

**If you needed proof that Labour is the party of localism, look no further than this book. The nine chapters that follow show the depth and breadth of the Labour movement's passion for taking power from Westminster and Whitehall and putting it back into communities where it belongs.**

For some people, Labour's commitment to large-scale devolution, helping communities recapture money and power, is a radical move. For me it's a rediscovery of the values that formed us that we need to draw on again, now more than ever. Far too much has changed in British society for public services to stand still. If the task in 1945 was to build the welfare state, and in 1997 to repair it, the challenge in 2015 will be to renew it to deal with the challenges of the 21st century, from our ageing population to growing isolation and loneliness. Even if we wanted to wind the clock back we can't; if Labour is elected next May there won't be money to spend on maintaining the status quo or dealing with costs of failure. Localism may be the only way to maintain a state that protects and supports people throughout their lives.

The New Local Government Network and the Fabian Society have shown the strength of Labour's local offer and the energy and passion it has inspired across the Labour movement. But they also confront the reality that there is no national blueprint for this. Each chapter takes its own view of localism and how Labour can best deliver it. Reading each one through, the thing that stands out is the willingness to be honest about what successive governments (Labour and Conservative) got right and wrong. Like me, you may not back every idea in this book but clear themes emerge that give Labour the foundations on which to renew our public services:

## **1. DEVOLUTION MUST NOT STOP AT THE TOWN HALL**

Empowering communities demands far more radical change than simply swapping one group of elected officials for another. As **Andrew Harrop** identifies in his chapter, there is still a democratic deficit at a local level, and we won't address it by simply transferring money from Westminster

to local councils. Andrew argues local authorities are best placed to act as ‘ringmasters’, connecting the dots between different services and the people that use them, breaking down the siloes that stop us tackling the big issues. **Simon Parker** makes the case for accountability that doesn’t rest on centrally driven targets, and argues that local public accounts committees could be the missing piece of the puzzle.

## 2. LOCALISM MEANS MORE COOPERATION

Ben Lucas spells out how our current, centralised system of government encourages northern cities to compete instead of collaborate. He outlines a vision for city regions that work with each other to forge a new relationship with central government and unlock the potential that exists outside of London. Karin Christiansen outlines the cooperative approach that many Labour councils have already taken, working with communities to design services that work for local people.

## 3. LEARNING TO LET GO OF POWER PRESENTS A BIG CHALLENGE

A number of authors focus on the cultural change Labour needs to embrace localism. **Laura Wilkes** argues that for too long Labour’s comfort zone has been centralism and a ‘Whitehall knows best’ mentality. For her, the only way to integrate public services is to draw on local leadership and local relationships. And **Jon Wilson** invokes Clement Attlee to make the case for an end to command and control politics.

## 4. DEVOLUTION IS THE ROUTE TO BETTER SERVICES AND A BETTER SOCIETY

For **Steve Bullock**, devolving power can help make the state more preventative, reshaping the NHS so that it keeps people healthy as well as treating us once we’re ill. **Tony Clements** looks at how our housing crisis can be tackled by local authorities, arguing they can succeed where central government has failed.

“Localism cannot be reduced to a single manifesto pledge” concludes **Jessica Studdert**, whose chapter draws much of this thinking together. I could not agree with her more. Devolution isn’t just a set of policies, it’s an approach to politics that aims to transform government so that people are no longer passive recipients of services but active agents with control over

the decisions that affect their own lives. If we get it right it will give us the chance to see the potential people have, not the problems they pose and draw on the strengths and assets in people, families and communities to build a stronger, happier society.

As this book, shows, it is the Labour movement that understands both the strengths and the risks in this approach. It was our traditions - mutual aid, cooperatives, friendly societies and trade unions - that helped to build the services we so badly needed in the last century. Now is the time to reach into our history, as a grassroots movement built from the bottom up, to renew those services for the challenges ahead.

Always realistic, never pessimistic, these essays draw on the pioneering work of Labour councils and build on the foundations of Labour's policy review. Above all else they give us a roadmap for the future, and raise some of the burning questions we need to answer along the way. I hope you enjoy them as much as I did.

# LOCALISM AND ACCOUNTABILITY

**Simon Parker**

There are two words that localists fear above all others: Doncaster and Detroit. These places have become emblematic of what happens when devolved government goes wrong. They haunt the imaginations of ministers and civil servants who worry about the impact of failure on local people and the possibility of national politicians taking the blame. The result in the recent past has been a tough regime of national inspections of local services which some dubbed ‘targets and terror’,<sup>1</sup> with councils asked to conform to well over 100 different performance indicators. Despite the coalition’s decision to scrap the Audit Commission in 2010, it is a regime which persists in many areas of local government responsibility.

How should an incoming Labour government approach the question of local public service accountability? Going back to the future and recreating the old architecture of inspection seems unlikely to work. The broad consensus that emerged from the days of the Comprehensive Performance Assessment is that inspection can drive up systemic performance from a low baseline, incentivise competition for better scores and therefore stimulate certain kinds of innovation, chiefly focused on incremental improvements in cost and quality.<sup>2</sup>

This kind of system may be useful for ensuring that extra funding is well-spent, but in an age of austerity it is dangerously redundant. Labour is not looking for piecemeal improvements but wholesale redesign of public service systems. Targetry and league tables incentivise councils to conform to a template of ‘good performance’ and to learn from high performing peers. But we live in age where no-one has the answers to what the public services of the future should look like. We need a system that supports

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<sup>1</sup> Hood, C, *Gaming in Targetworld*, <http://www.lse.ac.uk/study/executiveEducation/customisedExecutiveEducation/INAP/Targetworld.pdf>, accessed on 3/9/14

<sup>2</sup> Boyne, G, et al, ‘What if public management reform actually works? The paradoxical success of performance management in English local government’, in Margetts, H, et al (eds), *Paradoxes of Modernisation*, OUP, 2010



councils to deliver a systemic shift in the way they deliver public services. Targets are not the right tool for this job.

And quite apart from questions about the considerable cost of inspection regimes, there is a political danger that a reinvigorated inspection regime would either embarrass ministers by spelling out the impact of local government cuts in gruesome detail, or hammer councils for their entirely understandable inability to maintain the same range and quality of services they managed in the past.

This is not to say that Labour should take no interest in local performance. The party is committed to devolving significant amounts of funding to city regions to drive economic growth and is currently debating proposals to give councils new powers to integrate health and social care, to devolve skills and restore local authority oversight of policing.<sup>3</sup> It legitimately wants to engage councils in helping to deliver central goals and will want to know that its policies are driving change.

But the kinds of change that Labour want to see are not about public services per se, but complex outcome areas such as youth unemployment which require collaboration between different agencies across local areas. In a world where public services are becoming increasingly integrated at the local level – a trend which Labour’s proposals will accelerate - it would make sense to create a new form of place-based accountability premised on bringing local stakeholders together to hold agencies collectively to account for transforming services. This might take the form of strengthened methods of democratic accountability and local versions of Parliament’s Public Accounts Committee.

In a more place-based world, Labour will also need to think carefully about the mechanisms it will use to persuade councils to support national policy initiatives. Setting targets will not do, and relying on an expansion of the coalition’s already wide-ranging series of bilateral deals and pilots is likely to overload councils that already struggle with the costs of writing

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<sup>3</sup> Local Government Innovation Taskforce, *People Powered Public Services*, <http://lgaLabour.local.gov.uk/documents/330956/6335671/INNOVATION+TASKFORCE+FINAL+REPORT.pdf>, accessed on 3/9/14

endless bids. Instead, Labour should develop a new system of programme management in which local and central government work together to test and share innovative approaches to social problems.

## WHY LOCAL GOVERNMENT IS ALREADY ACCOUNTABLE

The first step for designing an approach to local government accountability is to recognise that quite a lot of the necessary architecture already exists. In most OECD countries, the key aims for accountability systems are a combination of securing financial probity, benchmarking, sharing good practice and improving service quality.<sup>4</sup> The coalition's institutional set-up already provides for these.

Council services are still subject to inspection by independent financial auditors, the Care Quality Commission and Ofsted, the latter two covering services which amount to two thirds of council spending. The task of turning around failing councils is managed with reasonable success by the Local Government Association's sector-led programme. This is one of the reasons why Doncaster should not, in fact, be used as a synonym for failure: effective peer support and strong internal leadership has helped the council reach the point where it was recently pronounced to be 'functioning well' in every area apart from children's services.

What has been lost with the demise of the Audit Commission is not accountability per se, but a mechanism to address the performance of a council as a whole in terms of outcomes experienced by local people; there are no longer any local government league tables. In the current policy environment, this is no great loss. The focus from all political parties is shifting away from councils as institutions towards the way that services work collectively to create better places. By this, I mean that most sensible politicians are more interested in getting health, local government and others to work together to deliver better outcomes with less money than they are in the details of the council's street cleaning service.

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<sup>4</sup> Roth, O, *Through the Looking Glass*, NLGN, 2010

Experts increasingly talk less about the idea of upward accountability by a council to some higher body and more about a web of accountability. This is the idea that a local authority is most accountable when it is subject to a number of pressures from citizens, partners and the centre.

The coalition's health and wellbeing boards are a good example. While they are very often chaired by an elected mayor or council leader, the boards have few formal powers and instead rely on the fact that the partners are all interdependent; councils need NHS money to support social care, but can only get it with central government help and justify it by delivering savings back to hospitals, which they achieve by altering citizen behaviour.

Labour should use its approach to local accountability to support these webs of interdependence, bringing citizens together with different parts of the public sector to drive change across towns and cities.

## TOWARDS PLACE-BASED ACCOUNTABILITY

The chief executive of NHS England, Simon Stephens, recently made suggested that the 'N' in his organisation's name must stand for both 'national' and 'neighbourhood'.<sup>5</sup> He meant that the only way for the service to weather a budget gap which could be as high as £44bn by 2022<sup>6</sup> is shift spending out of hospitals and into community services, working with local government to reduce hospital admissions and promote public health. This kind of initiative is becoming increasingly commonplace as councils seek to become the ringleader of a new set of integrated public services that bring together health and social care, police and probation, benefits and skills. These are arrangements which involve the sharing and pooling of money in ways which can be complex and somewhat opaque to the Westminster Select Committees that are theoretically responsible for scrutinising it.

The Centre for Public Scrutiny has mooted the idea of a Local Public Accounts Committee to fill this gap, with the idea endorsed by Labour's

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<sup>5</sup> Speech to LGA conference, <http://www.england.nhs.uk/2014/07/09/ipc-prog/>, accessed on 3/9/14

<sup>6</sup> Roberts, A, et al, *A Decade of Austerity? The funding pressures facing the NHS from 2010/11 to 2021/22*, Nuffield Trust, <http://www.nuffieldtrust.org.uk/publications/decade-austerity-funding-p pressures-facing-nhs>, accessed on 3/9/14

Local Government Innovation Taskforce. Provided it is well designed, an LPAC could support the kind of integration our public services need to make it to the end of the decade. Such a committee would need to be independent and have the right to launch cross-cutting inquiries about any service operating in its place. Local people would be able to petition for inquiries. It would probably be supported by the local authority's scrutiny service and have a particular remit to ensure the responsible use of public funds.

This should be backed up by a wave of democratic reform to increase the accountability of local government to its electors. Ministers should strongly encourage the use of participatory budgeting and give councils jury-style selection powers to bring a representative group of local people together to advise on the budget setting process. Local people should be given the right to trigger a referendum on a proportional voting system to break up one party states and ministers should also give serious consideration to compulsory local voting to ensure that councillors cannot ignore large non-voting sections of the population such as the young and the poor.

The final plank in a new accountability regime is a mechanism for collaboration between central and local government. The coalition's highest profile attempts to work with councils are its series of bilateral deals for cities and growth, and a more limited series of service integration pilots. The problem with these initiatives is the way that they mount up. Essex County Council, for instance, has negotiated a whole place community budget pilot - which includes a wave of policy on local growth - while also developing a city deal in Southend which was rapidly followed by a growth deal for the whole county. The average cost of a bid is up to £30,000 plus several hundred days of officer time.

Labour should instead take an approach that we might call programme management. This would involve the government deciding to focus on a small number of priorities for collaboration with local government - perhaps 5-10. Each would have a clear outcome attached, such as reducing child poverty or refocusing the NHS around community services and prevention. These would each have their own identified budget and a network of civil servants modelled on the coalition's local growth team, which works across BIS, DCLG and the Cabinet Office.

Rather than performance managing local government, these networked offices would have the job of encouraging innovation and learning, helping local areas to experiment and rapidly sharing what works. This would turn local areas into 150 social policy laboratories, allowing for rapid progress to be made against government goals.

Labour's localists cannot build a new approach to government with the tools of the past. The accountability mechanisms they use must support the social goals they wish to deliver by driving integration and innovation, not returning to a world where efficient but fragmented public services hit the target but often missed the point.

# KEY PRINCIPLES FOR LABOUR'S LOCALISM

## ANDREW HARROP

Labour should make elected local and regional government the 'ring master' for all public services, as part of a broader commitment to devolve trust and power. To achieve this the party should enact a Localism Bill which gives elected authorities the power to coordinate and hold to account every local public service. In a handful of places Labour should experiment by creating a single budget for commissioning all local public services.

'Trust and empowerment' should be key principles for Labour's new agenda for public services. Trust and power should be spread downwards and outwards to citizens, employees, public service institutions and sub-national government. Each level, from Whitehall to the frontline employee, needs power and a commitment to empower others - not like the coalition's school reforms, which have given power to schools but stripped it from councils, parents and employees.

Elected sub-national tiers of government should aim to create the conditions in which citizens, employees and public service institutions can achieve positive results for themselves. This means 'letting go' and not imposing too much from above. But it also means having sufficient authority and capability to provide local leadership, accountability and support. So sub-national government should not be dismantled or by-passed in the name of frontline autonomy. Instead it should play two key roles, which individual services cannot do for themselves and which central government lacks the capacity, local insight or joined-up perspective to perform:

### 1. 'WHOLE-PLACE STRATEGY'

Elected sub-national authorities should apply their understanding of local needs and preferences to drive strategy for all public services in their locality. This starts with democratic political leadership, but

also relies on authentic community engagement and professional evidence-based analysis. Local leaders should set ambitions for service outcomes in their area (to sit alongside a short national list of government improvement priorities and guarantees); and they should have the ability to steer service budgets and goals in order to meet them. Elected authorities should be able to steer the local institutional ecosystem, working with providers, but they also need to be prepared sometimes to drive through significant reconfigurations of services. And they should champion local collaboration across institutional boundaries, with the aim of achieving inclusion and fair access to services, a shift to early intervention and seamless services for citizens.

## **2. 'DRIVING PERFORMANCE AND VALUE'**

Elected sub-national government also has a critical role to play in supporting and scrutinising efforts to improve the performance and value of local public services. Unlike Whitehall or national inspectorates, sub-national administrations are close enough to services to offer informed scrutiny, advice and challenge. Local or regional authorities should provide hands-on support for service improvement and facilitate local networks of peer-to-peer support. They should contribute to the robust monitoring of risk and have the ability to trigger interventions within services. Councils should operate evidence-based scrutiny mechanisms looking at value for money and performance for all local public services; and as part of this they should test the impact and value of services, taking a whole-place perspective that looks across organisation silos.

As things stand, many local authorities risk being left without the capacity and expertise to carry out these functions adequately. A strategy is needed to build up capacity and expertise, with national improvement agencies and inspectorates redefining their role, so their mission is to support local action. The new 'what works' centres provide a model for this. However, this is ultimately down to money as well. Elected authorities can only direct and support public services in their communities if they have sufficient funding.

Statutory change is also needed. At a minimum this means a new Localism Bill which should give authorities the power to:

- Set area-wide strategies for the work of all local public services.
- Direct collaboration across local institutional boundaries.
- Sign-off the budget and performance goals set by other funding bodies and satisfy themselves that sufficient resources are pooled to take joint action.
- Establish robust local scrutiny committees to monitor all public services in the locality.
- Supervise or deliver arrangements for local challenge and support of each service.

All public services operating in each locality would also have matching obligations placed on them to cooperate with the authority.

Setting 'whole-place strategy' and holding local services to account for their performance and value is not a technocratic task. The local tier should be the key vehicle for democracy and participation in the leadership of public services: strong local democracy should bring political leadership to bear on services; authentic and inclusive approaches to citizen participation should be used to inform key area-wide decisions; and sub-national government should be a champion and channel for citizen participation in the operational decisions of all local public services. This democratic dimension is one of the main reasons why elected local government should take the strategic lead for all public services in each locality. Unelected bureaucracies, such as local branches of government departments or NHS clinical commissioning groups cannot play this democratic role.

The need for democracy poses a difficult question of scale and geography which Labour in opposition has been reluctant to confront. Some local authorities are too small to efficiently exercise their duties and should logically merge or pool functions with their neighbours. The next government should offer to fund all the one-off costs of integration, to make rational reforms possible. In some places the quality of local democratic control may also be affected by continual single-party control or by the low status of councillors (in some contexts having fewer, better rewarded councillors would make more sense). A Localism Bill should also permit councils to quickly introduce local democratic reforms.



Labour also needs to tackle the major democratic deficit that sits above local authorities. For many of the public services which need enhanced democratic oversight are best steered at regional or sub-regional level, where there is no elected political tier outside London. Examples include fire services, probation, employment support and transport. This sort of democratic deficit led the coalition to create Police and Crime Commissioners. However the flaws in this model and the reluctance of cities and city regions to support elected mayors means Labour has barely mentioned directly elected politicians in its push for new powers for city and county regions. The recent Adonis Review is a prime example. This is unacceptable: unelected bodies like combined authorities, Local Enterprise Partnerships and Labour's proposed directors of school standards should not take on more powers, without direct democratic accountability as is now being proposed in Greater Manchester. Labour should include in its manifesto a national commitment to elected regional or sub-regional government, but leave the form this should take in each area open for local debate.

Enhanced local and regional democracy is challenging to the silo mentality of Whitehall, because major departments like Health, Work and Pensions (DWP), Business, Innovation and Skills (BIS) and Justice today commission local services exclusively through their own structures, with barely any local democratic oversight. Broad-ranging democratic leadership would help tackle the fragmentation that bedevils public services. A whole-place approach means that a single administration – the local authority – is 'ringmaster' for all public services. This is not to say that each council should run or even commission all the public services in their patch. They would have the power to influence and call-in decisions, but not to set budgets, with sufficient responsibility and power to ensure that all local services are responding to area-wide priorities, working together in collaboration and focusing on performance and value. These shifts would break down the silos between different service budgets and represent a big shift forward in the 'total place' or 'community budgets' philosophy.

As part of this agenda a number of specific responsibilities should be handed to local or sub-regional elected authorities, in the fields of health and skills for example. Local government-led health and wellbeing boards should take on responsibility for funding and directing health and care

services (with clinical commissioning groups becoming advisory and operational). As part of this reform some or all of councils' adult social care budgets should be transferred into the local health budget, in order to commission integrated services under local government oversight. Similarly local or sub-regional authorities should acquire budgets and responsibilities for commissioning skills training for young people and adults. Central government should also permit experiments in places where there is appetite to go further. On a case-by-case basis elected authorities could take over the responsibilities of other agencies or assume additional powers from Whitehall. For example, elected authorities should be able to take on responsibilities for commissioning services like welfare-to-work and probation in some areas – either at sub-regional or local level.

Initially some of these budgets would need to be ring-fenced to the specific activity, along the lines of the Housing Revenue Account, to provide reassurance to national departments and the Treasury. The elected authority would have commissioning control but only limited ability to pool or reallocate budgets. Councils' core budgets would actually shrink as a result of adult social care responsibilities transferring to Health and Wellbeing Boards. As a by-product this would force a resolution to the problem of the 'graph of doom' (where spending on children's and adults social care is expected to consume an ever higher share of authorities' falling budgets). By shifting adult services into a ring-fenced account, ministers would be forced to address the question of how much funding councils need to adequately undertake their remaining responsibilities.

These fragmented budgets might not need to be a permanent fixture, however. A handful of areas may already have the capacity to commission all local services using a single public services budget. From the government's perspective this is a risky move, with huge cultural as well as accountability and financial implications. National government will be particularly wary of un-ring-fencing NHS spending, even within the context of the NHS England commissioning framework. But in cases like this, the best approach is experimentation not 'big bang' reform. A handful of councils with the appetite and capability to commission all local services should be given this power as a pilot – and their experience would inform the future of national policy making. This should be the signature policy of Labour's Localism Bill.

Finally, there is the question of local revenue raising. These reforms do not sit easily with England's highly centralised system of funding local services, where only a tiny fraction of local public service spending is financed by local taxation. However Scotland has proved that autonomous democratic government can still flourish in a context of block grants from above. Reform of local taxation is required for many reasons, but has the potential to derail more urgent priorities. Local taxation reform is needed in the next parliament, but it need not hinder progress elsewhere towards Labour's localism.

# SMART LOCAL STATEHOOD

## Jessica Studdert

**Localism is not an option. It is a necessity, deeply connected to shifts in our society which require a statecraft capable of resonating with the reality of people's lives while driving social progress. For Labour to not just win a general election, but govern effectively thereafter, understanding and enabling true decentralisation can create greater impact for investment and foster resilient communities.**

Economic, social and political currents require a radical rethink of the means to achieve social justice relied upon in previous decades. Austerity under the Coalition Government has starved public services and communities of resources. Financial constraints will remain for the foreseeable future. In the post-financial crash world, big spending is not an option – practically or politically. Even if it were, this would not be desirable as social changes mean that too much centralised state provision has become high cost and low impact.

Demographic shifts mean that people are living longer, and increasing numbers of people do so with one or more long term condition. Deeply entrenched socio-economic challenges such as inter-generational poverty and poor life chances require sophisticated responses. Our Whitehall department-led model of siloed public service provision, established in the previous century, is struggling to cope with these demands. Services are forced to treat illness rather than promote wellness. They are designed to deal with single aspects of complex problems rather than devise whole solutions. Too often this means they are forced to react instead of prevent – and extra pressures are placed on hospitals and the welfare and criminal justice systems due to failures to prevent problems becoming critical or to resolve them sustainably.

These challenges to traditional institutions are reinforced by shifts in people's experiences and expectations in a more networked age. Unquestioning respect for hierarchy in decision-making has given way to the individual

efficacy of user-led interaction. Global shifts such as the free movement of labour in the EU have ultra-local consequences which national, lagged data capture can be sluggish in responding to. Political parties such as the BNP and more recently UKIP have taken advantage of this void. The last Labour government's devolution to Scotland, Wales and London was so successful it increased, rather than sated, demands for more power. After the Scottish Referendum, parties at Westminster need a credible answer to the question of why England (outside of London) should continue to be shut out of this trend.

These shifts are real, and for political parties to resonate they must respond to the new landscape upon which they operate. This requires Labour as a party that seeks social justice to challenge its traditional assumptions about how these ends are best achieved. The big, top down, centralised state is a blunt instrument in today's nuanced, complex and networked world. To address inequality effectively is to recognise the different starting points that exist and practice a statecraft that works with – rather than against – these realities.

Rather than being concentrated at the centre, power itself must be redistributed. People and communities need to be able to develop the capacity to devise effective and sustainable responses to the challenges they are faced with, and to take advantage of particular opportunities that exist. Instead of tight centralised prescription limiting room for manoeuvre, local actors must be enabled to innovate and find new ways of working: collaborating beyond institutional boundaries; drawing in outside expertise and using new digital technology to solve problems. A Labour Government will not be able simply to buy its way to social progress – not that it ever was – it will need to craft a smarter state that can work with people's existing assets, identities and capabilities, adding value and mobilising networks around places.

This means that localism cannot be reduced to a single manifesto pledge, a pilot, or something that becomes contained within the Department for Communities and Local Government. It is a mode of governance. It should guide all decisions: the assumption should be local and if not, the case for central retention of control must be made – not the other way around. The first step should be a significant devolution of power and resources currently held at the centre to local areas. The Local Government Innovation

Taskforce, part of Labour's Policy Review, has set out how this could work in practice in its Final Report *People-powered public services*. A New English Deal would involve local government assuming responsibility and accountability for improving outcomes for people, in return for stronger levers to shape more effective services around people's lives and the priorities of different places. Where national programmes are falling short, such as the Work Programme which has performed poorly for the hardest to reach groups of people, they should be replaced with locally-led approaches. So, for example, to more effectively tackle unemployment, support can be integrated with other local services such as health, housing and skills to remove barriers, and routes into existing local labour market opportunities can be better created. Far more than a distant, one-size-fits all nationally designated model, this has the potential to produce better outcomes both for people and for the public purse.

Devolution should not stop at the town hall – power and responsibility devolved down from Whitehall must also be pushed out into communities. People cannot remain passive recipients of decisions that affect their lives – they must have the opportunity to become active participants, shaping their own future and taking responsibility for outcomes. Labour councils are pioneering new ways of sharing power and create a greater stake for people in their communities. Oldham's Co-operative Borough has initiated a new relationship between residents and the council, dissolving institutional boundaries and creating a common purpose. Budgets are devolved to local areas and councillors must take training in local leadership to ensure they have the skills and knowledge to work effectively with communities. Sunderland council's community leadership approach has decentralised decision-making over vital local services within the city to five areas to build in responsiveness to local needs and so achieve more impact from scarce resources.

These new ways of working have been driven by local initiative, rather than mandated from the top. The centre has a role to play in encouraging local areas to develop new responses and innovate to meet identified needs. To assure Westminster and Whitehall that power and resources devolved will be effectively used, local accountability should be strengthened. The Innovation Taskforce proposed establishing new locally-led local public

accounts committees which would bring more visible accountability of all public money spent on services across a place. Measures to increase transparency, such as through more open data, will throw open local institutions and put power firmly in people's hands to hold them to account directly. As this "horizontal" accountability is strengthened, so vertical accountability to Whitehall silos are less necessary as local leadership will be better enabled and the institutions of local democracy strengthened. Once these conditions are in place, continued hoarding of power and control at the centre can no longer be justified.

To govern in a messy and complex, yet exciting and dynamic age is to understand the nature and the limits of one's power. To achieve the outcomes Labour seeks in government, it will be necessary to influence, enable and challenge rather than command, control and prescribe. A new decentralising statecraft is as much a psychology of letting go as it is a structural reform. For all the rhetorical commitment to localism Labour has made in opposition, what will happen once new ministers are settled behind their desks at Whitehall? A new duty on local government here, a speech announcing a new initiative tied to a ring-fenced funding stream there, and soon a top-heavy and unwieldy set of constraints and requirements on local government will be built anew. This is excusable because Labour has a vast ambition to get things done. Yet it is inadvisable since forcing local government to turn its attention away from communities and constraining the flexibility to adapt to local challenges will stifle its ability to respond effectively to people's needs.

At all levels of government – national and local – to get results the energy and capacity that exists in people and in localities must be harnessed. Without doing so, significant socio-economic challenges will not be sustainably resolved. The symptoms of problems will be persistently (and expensively) addressed, rather than root causes effectively tackled and overcome. Labour must acknowledge the limits of the big state. The Conservatives will only too happily pursue a reduced state. Instead the only viable alternative is to develop a smarter state, which creates more impact and secures outcomes that sustain for the future. This is the greatest hope of advancing social justice in these times.

# THE POLITICAL ECONOMY OF METRO CITIES

## BEN LUCAS

The idea of ‘political economy’ owes its origins to the Enlightenment and is closely linked to the rise of the modern state. It describes the interrelationship between governance, laws, and regulations on the one hand and commercial and economic life on the other. So it may seem perverse to talk about the political economy of cities. But we are living through a profound set of economic and political changes driven by globalisation and technological revolution that are beginning to realign political economy at city and metro level. The political battles of the future will be as much about running cities as about running nation states.

## CITIES AND GLOBALISATION

At a global level, two of the most significant mega trends are urbanisation and the rise of cities. By 2050 75% of the world’s population will live in cities and 62% of global GDP growth will come from them in the next ten years. Emerging out of the deepest recession in the developed world since the 1930s, we are seeing what urban economist Richard Florida calls ‘The Great Reset’; a new economy built on creative disruption and characterised by cities that specialise in export-led creative innovation. Many of the most influential works of political economy in the last few years have sought to analyse the new forces that are at work in this city led growth. Notable amongst these are Bruce Katz’s ‘The Metropolitan Revolution’ and Benjamin Barber’s ‘If Mayors ruled the world’. Both of these books focus on the politics and governance of cities as well as on urban economics. Their argument is that cities, especially in America, represent a spatial level at which democratic government works whereas nation state governments are increasingly weak - unable to construct majorities for transformative change.

The basis of the Metro proposition is that urban areas need to be understood in the context of their social and economic footprint and travel



to work area, and not just the old boundaries of governance that they have inherited from their industrial past. These metros comprise cities, but also their suburbs and the neighbouring towns. In this way Denver and Boulder in Colorado, together with their suburbs are seen as one Metro area. Their local governments, businesses and universities collaborate with each other to create the conditions that will enable export led growth and that, crucially, will generate additional local tax revenue to pay for better services that will help develop local infrastructure and human capital, and so in turn further adding to business growth.

An interesting example of how local approaches are proving more successful than national governments has recently played out in Seattle, which has just set a Minimum Wage of \$15 an hour. This stands in stark contrast to President Obama's failure to get Congress to agree an increase to \$10 an hour for the Minimum Wage. Moreover, the Seattle approach was based on local consensus, with the new rate being recommended by a Commission set up by the Mayor with representation from business groups, citizens and unions.

## **WHAT DOES THIS MEAN FOR BRITISH CITIES?**

Here in Britain we can see many of the same issues playing out: weaker national government; broken politics; and a centre that is being pulled apart by globalisation and the EU on the one hand and devolution on the other. Many of our cities are going through a mini renaissance. Their centres have been rejuvenated and their services vastly improved. The population of our major cities grew faster over the last decade than the British population as a whole; many urban centres are booming, with the first increase in inner city dwelling for a generation; and cities are in the forefront of educational improvement, with much better school results than many rural areas and coastal towns.

But whilst the long term decline of British cities has been reversed, they are still failing to achieve their potential. Of our major cities, only London and Bristol have GVA levels that contribute more to GDP than the national average. Too many of our cities are still running fiscal deficits. Greater Manchester, for example, estimates that there is a £4bn negative gap

between public spending and tax revenue in its conurbation. They are determined to turn this around but currently lack the tools with which to do this. This is because the UK has the most centralised fiscal and public spending system in the developed world.

The network map for Britain's rail system is an apt metaphor for the position of our British cities. It's all about vertical alignment with London rather than horizontal integration between cities. Britain's uniquely centralised system is sometimes defended on the grounds that it prevents post code lotteries occurring. But the truth is that there are now huge differences in economic and social outcomes across Britain. Our national economy is made up of a number of sub-regional functional economies that broadly comprise travel to work areas and distinct labour markets. Each of these have very specific characteristics that set them apart from other metro areas. The differences are marked on just about every economic indicator – GVA, specialisation, business formation, export levels, employment and income rates, labour market composition and skills.

One area where the failure of centralisation is particularly stark is our skills system. This is nationally organised and nationally funded, yet the levels of variation in performance between places is greater than in systems that are locally funded. In Germany FE and HE are funded by local states. Yet the gap between the best and worst performing cities in young adults (18-24 year olds) dropping out of education and training is much lower than in the UK. In Germany the spectrum ranges from a 6% drop in rate in Dresden to a 13.8% rate in Dusseldorf. In England the span is from 7.8% in London to 22.1% in the west midlands. This range in outcomes is reflected across the skills system.

Some English cities have begun to develop models for conurbation wide economic co-ordination and governance. The last Labour Government recognized Manchester and Leeds as Statutory City Regions. And Manchester formed AGMA as a combined authority in its own right. The Coalition has accelerated the process through City Deals and now the Single City Growth Fund, and there are now 5 Combined Metro Authorities. These are important steps but they are only the beginning of the journey.

## A NEW AGENDA FOR METRO POLITICAL ECONOMIES

A shift towards a system of metro political economies will need to be underpinned by three overall objectives that align functional economies with local potential and global forces. These are:

### ■ ACCELERATE AGGLOMERATION BENEFITS

Size does matter. Productivity, specialisation, quality of life and creative environments are all enhanced by large urban concentrations of talent and ideas. Our major cities are clustered in the north, the midlands and the north east, but too much of the current system encourages them to compete rather than to collaborate with each other. So a strategy for boosting the economic performance of cities has to be based on accelerating the forces that are drawing the economies of metro areas closer together. The numbers speak for themselves, whereas the city of Manchester's population is only just over 500,000, the Greater Manchester conurbation (Metro area) population is 2.8m, the second largest urban area in the UK. Add to this the nearby Metros of Liverpool, Leeds and Sheffield and you have a potential super city, spanning the Pennines, of closer to 7m people. This could start to look like the British equivalent of Germany's Ruhr Valley. That's why improving transport and broadband connectivity as well as economic collaboration between the Pennine Metros is so important.

### ■ DEVELOP THE HUMAN POTENTIAL OF METROS

At the core of all successful cities are their people. Productivity, skills and education levels are all highly concentrated in the cities that are driving growth globally. But British cities lag behind on the distribution of skills across their urban populations, with too many people stuck with low to no skills. So developing human potential is critical to British cities. This is about education, skills and training and requires an approach that seeks to build on the unique assets of its people. Families, schools, colleges and employers all have a critical role to play in developing opportunities and capabilities for young people. But at the same time Cities will need to develop the creative environments that will encourage the retention and migration of talented people. In the North East, for example, a relative shortage of young people entering the

labour market could be a significant constraint on growth. So a labour market strategy there will need to be both about improving skill levels and attracting skilled workers to relocate to the combined metro area.

### ■ **PRIORITISE INNOVATION AND CREATIVITY AS DRIVERS OF GROWTH**

Successful cities in the future will be those that can encourage and marshal science, innovation and creativity to drive export led growth. That means being clear on what the potential for specialisation is in a metro area, or across a super city of the north, north east or midlands. Universities have a critical role to play, and a big challenge will be how they can not only be global centres of excellence but also innovation hubs, catalysing local growth and encouraging greater graduate retention rates through commercial transfer in the way that MIT has done historically and which the new Cornell NYC tech campus will do for New York.

So what are the governance, system and policy changes that would need to underpin this new approach?

### ■ **A NEW FOCUS ON METRO GOVERNANCE**

Most British cities are well run, with efficient and sometimes innovative leadership. But if British metros are to seize the opportunity to shape their political economies then they will require a step change in their economic governance. This will be about providing the vision, context and platform for enterprise, as well as the regulation of economic and labour market activity. It will require visibility, clarity and accountability, which is why it is inevitable that Mayors will be one of the forms that Leadership will need to take. Much of this leadership will be about the exercise of soft powers in order to convene, cajole, and catalyse to drive economic and social productivity. This 21<sup>st</sup> century urban governance will need a new generation of civic leaders and managers, with much greater value and emphasis being put on recruitment and training for these new skills. Successful British cities will need sophisticated policy communities, capable of advanced economic and social analysis and with strong policy development and evaluation capacity. This shouldn't mirror the outdated ways in which this is done in Westminster but rather be digital and real time data driven, reflecting sophisticated insight into economic, social and community behaviour.

## ■ METROS AS THE UNITS FOR ECONOMIC LEADERSHIP AND PUBLIC SERVICE INTEGRATION

Metro areas should become the defacto units of urban unitary government. They should be the primary level at which labour markets are organised, supported and regulated, with Combined Authorities having the power to set the Minimum/Living Wage for their travel to work area, subject to business and community consultation. Skills budgets and skills commissioning should be devolved to metro areas to reflect the scale of local labour markets. Transport should also be organised at a metro level, with the establishment of transport authorities with similar powers to TFL. Public service reform and demand management will be major drivers of metro devolution in the next parliament. With very substantial public expenditure cuts still to come, a health service that is close to breaking point and an exponential rise in demand linked to an ageing society, greater integration of services such as health, housing, employment services and criminal justice at a conurbation level is a critical priority. This will require the devolution of funding and commissioning responsibility for these services from Whitehall to metros. The deal should be about how metros can eliminate their own fiscal deficits.

## ■ A NEW DEAL WITH THE CENTRE: FROM DEVO MAX TO DEVO METS

The main political and economic forces at work in modern Britain are pulling us towards a new settlement between Westminster and places of scale and identity across the UK. Scotland, Wales, Northern Ireland, and (to a more limited extent) London already have distinct devolved powers. Scotland is about to get substantial new powers, which in turn will further accelerate devolution elsewhere. The next step is England's metros. They should be given much greater fiscal autonomy. At very minimum this means that business rates should be returned to local control. In addition, most property taxes should be localised, so that, for example, London can properly tax its 'plutoflats'. Cities will need greater borrowing power so that they can raise bonds to finance their infrastructure needs. The aim should be to create a situation in which metros are fiscally sustainable. Of course, it will be no small feat to achieve this fiscal rebalancing. Public opinion will need to be won over to the case for moving away from a system of equalisation that enforces dependency to one that supports city based resilience, reciprocity and growth. And,

just as has been the case for devolution to the nations, this may well be a staged process in which those metro areas most ready and capable of demonstrating their capability will initially get greater fiscal powers.

## THE IMPLICATIONS FOR LABOUR

The implications of a shift in our political economy away from the centre and towards metros are considerable. It is hard to overstate just how centralised every facet of our political economy has been for the past few decades.

For Labour the challenge is both ideological and cultural. Ever since Herbert Morrison lost the vote in the 1945 Labour Cabinet about whether Councils should have a role in running the new NHS, Labour has equated a big central state with fairness and equality. It follows that if the central state is where the action is then status and value are most attached to the MPs and Ministers who are trying to run it. This explains the paradox that whilst the Conservatives can't win councils in the North, Labour doesn't value the fact that it can. Unhitching itself from the idea that power resides solely in the central state will be a huge undertaking. It's the challenge that Jon Cruddas, Chair of Labour's Policy Review, identified in a speech at the RSA when he said that in the New Economy "Parties will not win power in government, they will have to create power by building partnerships and wider public involvement"<sup>7</sup> Labour is inching towards acceptance of a new model of social change, but it will need to speed up this accommodation with reality, because in a more networked and globalised world, power will be increasingly decentralised and dispersed. It will need to develop a new political project as a social force for spreading power and opportunity in our urban metros as well as across the nation.

A new politics of collaboration will need to develop between central government and our major urban conurbations, founded on mutual respect and a recognition that governance has an important role to play both in Westminster and in our cities. The fiscal, public services and economic map of Britain will need to be redrawn. Scotland may have been the catalyst for this, but in the long run a re-legitimised union, based on power sharing across the UK, could be the ultimate beneficiary.

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<sup>7</sup> Jon Cruddas speech to the RSA "Radical Hope". <http://www.joncruddas.org.uk/jon-cruddas-mp-radical-hope-speech-rsa>

# ARGUMENTS FOR LABOUR LOCALISM

**Jon Wilson**

**‘Labour does not seek to establish a drilled and dragooned community’, Clement Attlee wrote as Britain was just edging out of economic crisis in 1937. ‘On the contrary, it realises that the wealth of a community is its diversity not its uniformity’. For Attlee, big business and its Conservative supporters were the centralisers. ‘Capitalism is today actively engaged in making the country uniform’, he wrote, and that was a bad thing. The dehumanising power of big money would only be challenged if power was dispersed and decentralised.**

37 years later Labour’s party’s manifesto for the October 1974 general election used different language to make the same argument. Labour’s attacked the ‘authoritarian and bureaucratic’ style of Edward Heath’s Conservative Government. Democracy, particularly local democracy, was a big theme. There was, of course, the guarantee of an in-out referendum on Europe. But the manifesto also promised to let councils borrow more to build houses, and acknowledged ‘demands for more local autonomy and less central direction’.

Labour has always had localist instincts. Our argument in favour of dispersing power has been an argument about democracy and political economy. Since its foundation, Labour’s historic mission has been to organise people who work to challenge and civilise the power of money. We have, historically, argued that unnecessary suffering was caused by ‘the concentration of too much economic power in the hands of too few men’, as the 1945 manifesto put it.

Labour’s historic enemy is the unrestrained power of money, which tries to standardise and control, ‘discipline and dragoon’, so everything and everyone can be bought and sold in a gigantic market. If it isn’t challenged by people defending their particular ways of doing things, by people who have democratic control over local institutions, the effort of big business to accumulate more and more cash squeezes living standards, and undermines the relationships which make life worth living.

The paradox, of course, is that capitalism needs the localist challenge to survive. The distant manager at head office can only understand cash transactions recorded on a spreadsheet and these don't explain very much. He or she can't comprehend the thousands of small un-measurable things which make a business work well – practical knowledge of how to recruit good workers in a particular town, how to get the best out of a particular machine, how to persuade local customers to come into a shop. The case for splitting up large firms – the energy giants for example – and devolving control over economic development to cities and regions is that economic productivity always relies on specific local knowledge. The case for strong local unions is that business only thrives when the knowledge and challenge of local workers is taken seriously.

Conservatives have always been more likely to ally with the central manager rather than local worker or business owner. Historically Conservatism is more centralist than the radical political tradition that the Labour Party grew out of.

I grew up in the provinces of England in the 1980s, much of the time in the Conservative south. For me, 'Thatcherism' was a project that seemed to concentrate power in a militaristic and moralising metropolitan elite. Its members moved smoothly between the City, Whitehall, sometimes also the army. These were people who could claim local roots because they had houses in the country, sometimes even local titles. They railed against urban intellectuals, arguing by contrast they were rooted in the traditions of rural life. But their localism, even their conservatism, was a matter of style not substance and largely a sham. These, after all, were people whose ancestors annihilated England's traditions and livelihoods with the enclosure of land and imposition of big centralised systems of agriculture. Like the families of David Cameron and George Osborne, their livelihood came from Whitehall, the Empire and the City of London, not the towns and cities of England. We need to remember that David Cameron's localism didn't come naturally from the Conservative Party he grew up in. It was part of an attempt to rebrand Conservatives by associating them with currents that were previously their antagonists.

Against a modern Conservative metropolitan elite always trying to hoard authority, Labour could have unambiguously stood up for the dispersed



power of people throughout the towns and cities of England. It might have supported the productivity of small businesses against the homogenising force of large multinationals. It could have backed the right of workers in factories to be consulted in business strategy, and given citizens in public institutions a say shaping the services they use. This would all have been Labour championing Attlee's diversity rather than uniformity.

But Labour has always been divided. We've had our localist moments. But Labour leaders have been too easily seduced by technocrats offering easy, top-down answers to complex political problems. Those solutions appealed to elected politicians' natural, unavoidable appetite for power. They offered ways to improve public services that seemed to do without strenuous negotiation and tough struggle, subordinating the messy diversity of real life to streamlined, depersonalised systems of what we'd now call 'delivery'. In practice, the systems they created deluded politicians into believing they had a kind of power they did not possess.

The case for localism is even stronger in the public sector than in private business. Central control over state institutions simply doesn't work. Bureaucrats and ministers can't comprehend the thousands of small details which determine how every institution works. As a result, they never know what's really going on, and don't apply effective pressure on things to improve. Nye Bevan famously wanted every dropped bedpan in Tredegar General Hospital to resound through the corridors of Whitehall. But even if each clang could be recorded, it is only staff and patients of Tredegar hospital who understand why it keeps falling and make sure it doesn't happen again.

Where central power looks like it is a success, it's because national leadership has inspired local institutions to sort their act out. But external powers – OFSTED, league tables, national guidelines – as easily force people to follow procedures without doing the real work. Most recent public sector scandals, from Staffordshire to Rotherham, happened as people got obsessed by process and forgot the un-measurable skills and relationships which really make things work.

In its soul, Labour knows what makes good institutions work. Our official rhetoric stresses collective endeavour rather than top-down command,

diversity instead of rigid uniformity, teamwork not competition. But in practice, the anxious desire of national politicians to look active means they too often reach for the tools of central command. The desperation of Labour ministers to look effective led them to think insufficiently about how, practically, we put our values of fraternity and common life into practice. Instead, Labour in power simply expanded the extension of techniques developed by big business into the state. Since the years of Thatcher, techniques which 1980s private sector management used to 'drill and dragoon' – targets, inspections, contracts - colonised the language and practice of public institutions. It'll take a decade of clear-headed struggle to weed them out, and allow people to develop a greater sense of their own power.

The paradox of course is that putting Labour's localism into practice will take a massive exercise of central government authority. Concentrations of economic and bureaucratic power need breaking up (the banks, the energy companies, Whitehall). Local institutions need reforming, so they're properly accountable to local knowledge and local voice. The language we use to talk about successful 'delivery' needs reshaping. All this, though, needs doing in a different style.

Labour is only true to its values if it recognises that political power is always collaborative, always about leading and inspiring collective action, not just unilaterally imposing a politicians' will. Labour's failings (and there were many successes) after 1997 happened because we didn't think we could reshape the way the political power worked. Getting out of this mess will take the kind of political leadership which has previously been lacking.

# A COOPERATIVE OFFER FOR LOCAL GOVERNMENT

**Karin Christiansen**

**Labour is beginning to develop an exciting offer on local government based on a radical devolution of power and resources. But how local authorities use this new freedom and responsibility will be crucial to delivering a fairer society and more sustainable communities.**

Local councils have a special place in our economy and our communities. They are the providers and commissioners of the services that sustain our local areas – homes, schools, roads – and how they choose to do this has a direct impact on the local economy. The Co-operative Party has always believed that councils have a responsibility not just to provide the best services they can, but to do this in a way that enhances the social, economic and environmental wellbeing of their communities; and the best way to do this is to do it with them. It is to be welcomed that this is now becoming a more widely accepted proposition and that many councils are already showing how this can be done.

It is increasingly clear that co-operative and mutual approaches have an important role to play, and vital lessons to contribute, in almost every aspect of local government, including community regeneration, economic development, housing, leisure, social services and education.

Co-operatives make a direct contribution to the local economy and to social cohesion in equal measure. 150 years ago the first co-operative and mutual societies were formed to enable ordinary people to have access to good quality food at a fair price, purchase their own homes and insure themselves against sickness and unemployment. In contrast to other businesses, they were designed to provide mutual self-help for their members and users, rather than create wealth for the people providing the capital. The co-operative movement has bucked the trend during the recession, proving more resilient and growing more quickly than the economy as a whole.

Over 19 million individuals, or one in three of the population, are members of one or more mutual society. Coming out of the deepest global recession this side of the Second World War, there has never been a time in which the co-operative and mutual ideal has been more important. We need to build an economy and communities that serve our collective needs, placing social returns ahead of short term private gain.

Just as in the 1930s, when Labour local government played a crucial role in developing a model of municipal socialism aimed at protecting and empowering their communities, today it is Labour & Co-operative councillors and councils who are at the forefront of innovation, applying co-operative and mutual values and principles at the heart of local service design and delivery. This enables councils to put more power in the hands of citizens and frontline staff and better shape services to meet the needs of communities.

With this in mind, the Co-operative Party is proud of the role we had incubating what is now the Co-operative Councils Innovation Network. Co-operative councils are not a one-size fits all solution to local problems but rather a way of thinking and operating which is innovative and which empowers local communities. Each co-operative council must reflect the situation in their locality, whether urban, rural, coastal or a mix.

There are a number of Labour-led councils across the country actively developing the idea of a co-operative council. Councils such as Glasgow, Edinburgh, Oldham, Rochdale, and Lambeth and many others are trying to break new ground and think creatively about how 150 year old principles can be put to good effect to tackle 21<sup>st</sup> Century challenges. These are still early days for much of this innovative work but there is real appetite and commitment to the type of creative new approaches that are demanded by the scale of the challenges we face.

Whilst being a co-operative council means different things in different places, underpinning the model is a genuine commitment to working *with* local residents and communities, rather than doing things *to* them. This is an alternative to both traditional top down decision-making and 'command and control' models of public sector provision, and those based on privatisation and contracts based solely on price competition. It is an approach rooted in

co-operative values and principles, with objectives that can include:

- supporting the growth and development of existing local co-operative and mutual enterprises
- promoting co-operative business start-ups and the co-operative business model, including co-operative models of local public service delivery
- involving service users in the commissioning, design and delivery of local services and in identifying and achieving improved outcomes
- helping residents and communities to help themselves through collective action and giving them control and responsibility over local assets.

## THE CO-OPERATIVE SCHOOLS REVOLUTION

One great example of the growing co-operative sector in local service provision is co-operative schools.

There is an old adage that it takes a village to raise a child and in many ways this is the spirit behind co-operative schools – a recognition that both children and communities will benefit if all those with a stake in the school's success; parents, teachers and support staff, local community organisations and pupils; have the opportunity to be involved in running it. In less than 10 years co-operative trust schools have become the third largest grouping within the English education system, far outstripping the Coalition Government's Free School programme. There are now around 700 in England, with more than 250,000 pupils, and continued growth is expected in the next couple of years.

In Wales, the Assembly Government have committed to 'a co-operative ethos to be one of the central organising principles running through all parts of the education system in Wales.'<sup>8</sup> In Edinburgh teaching young people about the concept of co-operation has been used as a means of providing a values and principles approach to education which is encouraging young people to meet their full potential.

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<sup>8</sup> Written Statement - Response to the Welsh Government Co-operative and Mutuals Commission Report. Wales Government.

The values of co-operative schools are drawn from the global Statement on the Co-operative Identity which is recognised by the United Nations and forms the basis of co-operative law throughout the world. The co-operative values of self-help, self-responsibility, equality, equity and solidarity come together with the ethical values of honesty, openness, social responsibility and caring for others. These are values that resonate powerfully within schools.

There is a growing recognition that working co-operatively helps avoid duplication and distraction, allowing school leaders to better focus on the effective leadership of teaching and learning and raising standards. The value of this kind of collaboration and partnership working between schools was recently highlighted by the Education Select Committee. The Committee highlights the benefits that collaboration between schools brings, in particular where it is on the basis of mutual benefit<sup>9</sup>. Many of the co-operative trusts established in the last year are clusters of primary schools, sharing responsibility for working with all schools in the trust.

In Cornwall, over 100 schools have become co-operatives and are part of 13 trusts. Most of these are geographically based clusters, enabling small village primary schools to be part of a learning community with a secondary school that most of their young people will move on to. In Leeds, a significant proportion of the city's schools are already in co-operative trusts and others are in the consultation process.

The remarkable growth in co-operative schools has happened despite, not as a result of, current government policy. This demonstrates that the models developed under the Pathfinder Scheme programme following the 2006 Act under the last Labour administration are enormously attractive to schools. This already successful model can also help inform delivery of David Blunkett's proposed Community Trusts.

## CO-OPERATION BEYOND THE CLASSROOM

Beyond education, Labour and Co-operative local authorities are showing how co-operative values can bring other benefits to communities. This includes:

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<sup>9</sup> Education Committee: Fourth Report. School Partnerships and Collaboration. 2013.

- Adopting strategies and plans for local economic development that promote the development of co-operative enterprise, including credit unions.
- Making 'social value' central to the council's approach to commissioning and procurement.
- Supporting the development of co-operative housing solutions by ensuring that the potential for co-operative, mutual and community owned and controlled housing is included in local housing strategies. But also how housing co-operatives can add value to communities in other ways. For example, West Whitlawburn Housing Co-operative in Cambuslang on the outskirts of Glasgow has renewed unpopular housing stock and set up a media co-op offering residents access to broadband, TV channels and community information at an affordable price. This has given local residents a sense of pride in their local community and a genuine say in how their community is run.
- Exploring the development of mutual and co-operative models of public service delivery that seek to give greater voice and influence to employees, service users and the wider community, encouraging genuine co-operative and mutual spin-outs among council services and working with partner agencies to develop co-operative models of governance and provision.
- Exploring the option of sourcing utility services, energy and telephony from co-operative providers and facilitating collective procurement and switching of such services.
- Promoting credit union use including through really innovative ideas like opening credit union accounts for primary school children, as they are doing in Haringey.

Labour should be proud of the civic and community leadership that Labour and Co-operative councils and councillors have shown during the last four years which have seen central government grants to local authorities cut by more than a quarter. There will continue to be tough times ahead with budgets continuing to fall in real terms and pressure on local services continuing to rise. Only through continued innovation and by transforming the way services are provided will we be able to build fairer and sustainable communities.

# MAKING SERVICE INTEGRATION HAPPEN

**Laura Wilkes**

**Public services need wholesale reform. Put in very simple terms – we can no longer afford the large state that we once had. But we also find ourselves in a very different world to 10, even 15 years ago. Changing demographics, the impact of the recession and global challenges such as climate change and connectivity are placing unprecedented demand on public services and causing new challenges that we do not yet have the solutions to.**

At the height of public spending in the noughties, the response from the Left to complex local and global challenges was central government investment and intervention. This is part of a deep-rooted notion on the Left that the only way to deliver fairness, equality and social progress is through a strong central state which guarantees universal provision and sets public service targets to drive improvement and quality.

But there are many reasons to question the validity of this approach looking forward: it is both unsustainable and no longer fit for purpose. Despite the huge investment in public services that we saw under the New Labour government and strong central determination, we must question whether Labour really did deliver dramatically better results from the huge increase in resources that were pumped into the public sector and the challenging performance monitoring that came with it.

Take poverty as an example, in 2007 when compared with the 20 other OECD countries, including poorer ones, Unicef<sup>10</sup> put the UK at the bottom of the league table of child well-being. By 2008 13m people were in poverty; 5.8m of these people<sup>11</sup> were in households one-third below the

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<sup>10</sup> [http://www.unicef.org.uk/Documents/Publications/UNICEFIpsosMori\\_childwellbeing\\_reportssummary.pdf](http://www.unicef.org.uk/Documents/Publications/UNICEFIpsosMori_childwellbeing_reportssummary.pdf)

<sup>11</sup> <http://www.poverty.org.uk/reports/mpse%202010%20findings.pdf>



poverty line – the highest proportion on record. This was despite huge investment in benefits, education and local government.

The real problem with Labour's previous approach was reliance on the 'Whitehall knows best' mentality which saw the preoccupation with central performance targets, stipulation of service provision, ringfenced funding and legislation dictating local government's every move. There was no room for the local state to develop solutions to complex local problems. The issue wasn't necessarily the level of state funding, but the way in which it was spent. Too often funding was allocated to responding to problems rather than addressing their root cause and not enough was invested in preventing poor future outcomes.

It is not just the lack of preventative approach to services that was the problem – trying to solve cross-cutting and interrelated public outcomes in organisational siloes does not address the complexity of how individuals interact with the state or the solutions that are required to address their needs. Labour started to see the value of an integrated approach to public service just before leaving office: Total Place was the furthest we have come yet to considering how the total local public sector can take a joint and holistic approach to public investment in localities. But time ran out.

If Labour takes power in 2015, the party needs a plan to continue this path of integrated reform. And to do this, the party needs to learn to love localism. Councils, communities and other local public agencies need to be able to determine their own course of action locally, including how finance is raised, where money is spent and what outcomes this is directed towards. There is of course a moral case for this; localities themselves should have the ability to determine their own priorities and services because this is the right thing to do. But there is also a business case for localism; it is the only way to deliver public service integration which ultimately will lead to better outcomes for communities and financial savings in the long term. Emerging evidence<sup>12</sup> points to significant savings flowing through from integrating services across the public sector; making a compelling case for change.

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<sup>12</sup> National Audit Office, Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets, 2013

We know that the most important enablers in taking forward service integration are local leadership and strong local relationships.<sup>13</sup> Central government can not force these relationships or dictate how they play out locally – just at the centre cannot determine local priorities for action. Making integrated services happen has to come from local public services themselves painstakingly building better relationships and developing vision for place. Council leaders have a central role to play in place-leadership and developing a strong vision for local outcomes, based on local need.

All of this can only be delivered through localism; greater freedoms and flexibilities for local areas to integrate and invest in prevention. Paradoxically, the sort of localism that we need can only be delivered first through changes to the way the centre operates. Primarily, this is about attitude change – central government needs to trust local areas to deliver and stop the paternalistic attitude to local public service.

But to make integrated services happen the centre needs to give localities the muscle to invest in prevention and early intervention to tackle the root causes of inequalities. At the very least, this means removing local budget ring-fences, setting long term over-arching budgets for local public services, reforming central performance and finance regimes that create perverse incentives locally and developing shared outcomes across Whitehall, and enabling local public agencies freedoms to invest any money saved back into prevention.

In the long term however, we need government to fundamentally reform local public finance. Devolving it to deliver long term sustainability in the local public sector. Evidence suggests that countries with greater fiscal devolution tend to have higher policy performance<sup>14</sup>. Reform of Council Tax, Business Rates and the ability to levy locally determined taxes must be part of this. If councils and their partners are to invest in preventative measures fit for local purpose, they need to have the ability to control their local finances and pool resources with partners.

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<sup>13</sup> <http://www.nlgn.org.uk/public/2014/break-on-through-overcoming-barriers-to-integration/>

<sup>14</sup> <http://www.nlgn.org.uk/public/2014/the-case-for-localism-in-one-chart/>

If Labour is to achieve this, the Party must move away from the comfort of centralism as the answer to tackling poverty and inequality. It isn't. The only way to combat this is to shift towards localism and locally determined, integrated solutions to complex problems.

# LOCAL GOVERNMENT AND THE NHS

## Steve Bullock

**On 29 October last year Mr Justice Silber ruled that the Secretary of State for Health did not have the power to downgrade the A&E and Maternity units at Lewisham Hospital. Those of us who had led that campaign celebrated but we were also very aware that our core argument had been that change was needed but should be decided locally not that change could be avoided. We also knew that making those changes would be very hard to do.**

We are all familiar with the negative reaction that proposing change to a valued local facility involves – libraries, swimming pools, day centres and many others will provoke campaigns calling on councils to step back from closure. Sometimes imaginative solutions emerge with the facility being transferred to a community group but often it is a case of gritting teeth and trying to explain the bigger picture.

When it is hospitals that are threatened this process is multiplied many times over. The marches to oppose the changes at Lewisham Hospital were the biggest protest our borough has seen and on those marches many of us swapped stories about how the hospital had saved members of our families or even ourselves. I was telling one of the police officers on duty at the march about how personal it felt to me having turned up at the A&E in agony one morning and being diagnosed within a very short time and sent on my way for the cancer surgery that undoubtedly is the reason I am here writing this article today. He then told me that the A&E had saved his life when he was taken there after being attacked with a knife while on patrol.

We are dealing with an emotional connection between thousands of people and their hospital and we must not fool ourselves into believing that a few well-crafted leaflets and wise words from a doctor or two will overcome this. Yet there is a failure at the heart of our health system that we have to overcome if we are to create something which will genuinely meet the

needs of our communities now and in the future. The NHS is brilliant at dealing with a crisis – but has never managed to make stopping people becoming ill in the first place the top priority. Public Health has always been the Cinderella of the NHS and now that it is back with local government it is clearer than ever that we have to try to build a “Health service” not the “Illness service” we have at present.

In an age of austerity there is an added reason to do this: it costs a lot less to keep someone healthy – and thus avoid the need for treatment – than it does to wait until they are ill and then help them get better. But the challenges that the NHS, as currently set up, faces are complex. If we take finance there is no politician who thinks it wise to do anything other than promise to protect the NHS meaning by and large the acute sector – those hospitals that we are so attached to. If they have a national brief they will want to be clear that some changes will need to be made, but within the broader picture the NHS is “safe in their hands” they claim.

When George Osborne introduced the outcome of the 2013 CSR he said something interesting things about health spending – not least the need to transfer some resources to local government so that it could do more through social care to keep older people out of hospital and thus reduce pressure on A&Es. This was a sensible thing to do though some within the NHS have resisted it bitterly. In March of this year Sir Bruce Keogh the NHS England Medical Director told MPs that he was concerned that councils would spend the money on pot holes!

In fairness to Sir Bruce it may well be that his remarks were, at least in part, prompted by something George Osborne said earlier in that speech. He told the House of Commons that “when we came to office the health budget was £96 billion. In 2015-16, it will be £110 billion.” I have no doubt that this is true and in the context of a statement which involved slashing budgets elsewhere, cutting pay and in particular asking local government to make an unprecedented level of real cuts, this surely indicated that the NHS was being treated differently.

The trouble is that unlike any other public service the NHS needs to spend substantially more each year to just to stand still. In part this is because of

new drugs becoming available; in part because of demographic changes; but above all because the profession has got better and better at keeping people alive who a few short years ago would have died. It is something to celebrate but it comes at a cost. But there is little or no public debate about this and we now face a situation where the NHS is teetering on the brink of a serious crisis because it has been making cuts like every other public service, and services are now close to collapse in some places.

The Lewisham Hospital case demonstrated how complex local health economies are – they do not neatly match up with local authority boundaries and increasing specialisation within the NHS acute sector means that not every community can have “one of everything”. Notwithstanding our emotional attachment to our local hospitals we would all want to go to the place that is best able to give us the treatment we need – it may have been Lewisham’s A&E that diagnosed my cancer but I was more than happy for the surgery to take place at Guys where the expertise lay.

What we haven’t done is come anywhere near a consensus on what should be provided locally and the NHS addiction to organisational change has not helped. Nevertheless it is possible to envisage a system where the basic assumption is that keeping people out of hospital is what we aim to do. This would require local authorities and primary care providers to work ever more closely together offering better prevention and community based care. We even have the bones of a way to do it by building on the current Health and Wellbeing Boards.

The challenge however is what we do about the acute sector and how its services are to be commissioned. The sector does need to change significantly, and winning over the public to support this change requires close working between all those local partnerships and those responsible for the acute sector. For that to happen councils will need to work together, something we are getting significantly better at, but also NHS England need to accept that local government has to be at the heart of designing a fit for purpose health care system for a society that has less money but lives longer.

If we assume that can be achieved, and it would require some very different approaches to those we currently experience, how could we move from

the impending crisis to a stable future system? It will require a period of “Invest to save” which will mean that at national level politicians of all parties agreeing to increase in real terms spending on health and social care for the duration of perhaps a whole parliament, while the local partnerships prepare and implement plans that radically reduce the demands on the acute sector. Together there would have to be a restructuring of acute services to reflect what is being built. Thereafter we will need to see expenditure reducing to a sustainable level.

Delivering that change will require winning of the trust of local communities and the development of a consensus that goes beyond trying to win short term political advantage. It can't be politics as usual. But the prize is one that is worth putting aside our usual divisions whether between the centre and localities, NHS and Local Government or left and right. The alternative is a slow decline of the quality of healthcare in the UK punctuated by intermittent crises with short term fixes applied.

Speaking of America's healthcare system Walter Cronkite said “it is neither healthy, caring, nor a system”. Britain's healthcare system most certainly is caring, but needs to be more about health, less about illness and to become a system that can be sustained without constant tinkering. We are right to be proud of our NHS – we just need to have the collective courage to make it something that will serve us, our children and our children's children in the years ahead.

# A LOCAL APPROACH TO HOUSING AND PLANNING

## Tony Clements

**Councils are always asked to make the case for why more power and money should be devolved downwards. Can they prove they can be trusted? Do they have the competence to take on more responsibility? Will more devolution mean more inequality?**

Let's turn that question around. In thirty years of a centralised housing system, what case can central government make that housing policy and delivery should stay in Whitehall?

Is it that the centre has ensured that the nation has the supply of housing we need? Only once did housing supply come near to meeting demand in the last 25 years: in 2007. Today we need 250,000 new homes a year. Last year we built 110,000.

Is it that the centre has ensured homes are affordable across the country? Average house prices are seven times the average salary, homeownership is in decline, private rents are spiralling in many cities and social rents have been replaced by near-market 'affordable rents'.

Has the centre protected the consumer by making sure that new homes are good quality? Britain builds the smallest homes in Europe and they're getting smaller.

And, the argument often used by defenders of centralism – what about inequality? The gap between the housing haves and have-nots has rarely been wider.

The need for new homes of every type and tenure has rarely been more acute.

When Ed Miliband enters Downing Street, he should ask the Department for



Communities and Local Government and Her Majesty's Treasury why they should still be trusted with housing the nation. If he's unimpressed with the answer, he should then turn to his friends in local government for more of the solutions. Here's where to start:

## **DIRECT DELIVERY**

Many councils are building homes again, not just for social rent, but for sale, shared ownership and market rent. They can do this thanks to the last Labour government, by being eligible for government grant once more, by borrowing to invest and by developing their own land.

However, they have one great limitation: they cannot borrow against the full value of their existing council homes to build new ones. This is an unnecessary and damaging restriction. There are tens of billions of pounds locked up in our council homes and in a time of housing crisis it is critical that we release it now.

There is an interminable debate about the technicalities of councils borrowing to invest. Whether it should increase public borrowing, be accounted for differently or if the impact on the national finances is material. However, if Labour can't agree to councils raising money against their own assets to invest in their communities, then localism isn't out of the starting blocks.

Labour's reforms in its last term opened the door to council house building again. Councils now have the biggest programme for 20 years. The next Labour government needs to finish that reform and let authorities get on with it.

## **HOUSING ASSOCIATIONS**

A Labour government needs to grapple with what role housing associations should play in our housing system: they own half of our affordable housing and are likely to remain the largest builders of affordable housing for some time to come. Ironically, these 4,000 or so independent social businesses are one of the most centralised parts of our housing system. Associations' only 'hard' line of accountability is to the regulatory function of a government agency (The Homes and Communities Agency), which is a body

of the Department of Communities and Local Government. It is a matter of choice for each association if and how they engage with councils, local communities and their tenants.

A Labour government should do more to ensure accountability at a local level. A more locally responsive sector will deliver homes that are properly integrated with local economies and public services. It will deliver homes, in terms of tenure, size and affordability, that meet the needs of local populations, not central government targets.

There are a range of different options for increasing responsiveness:

- **Local and regional bodies:** Combined authorities, LEPs, groups of sub-regional authorities (e.g. in London, the Growth Boroughs or West London Alliance) should take on the HCA's current responsibility for grant funding and determining what is built for that public money.
- **Tenants and local communities:** There is currently little stipulation that housing associations should have any tenant or community accountability. A Labour government could set a level of involvement in governance for residents and people from the wider community.
- **Local authorities:** Associations currently have no obligation to support the housing priorities of local authorities. Labour could give associations a duty to help local authorities meet their statutory responsibilities for homelessness and housing need.

There is a better balance to be struck between maintaining the advantages of housing associations' freedom and independence and their accountability to the public for the taxpayer's investment in them. That accountability should primarily be to the people and the communities they serve, not to Whitehall.

## PLANNING

Everyone thinks the planning system is broken. Homeowners feel it allows development of their area over which they have no control or say. Housebuilders think that planning requirements are the major cause of Britain's lack of new homes – holding them back from building more. Councils

often think that the centralised elements of the planning system limit their ability to get more homes built (e.g. by preventing green belt development) and allow developers to make large profits, without giving enough back to the community through affordable housing. It is the most contentious part of the system, because it's the point where all the competing interests in the housing market come together around specific areas.

There is an appetite in many local authorities for a more vigorous and proactive approach to planning and an opportunity through decentralisation for them to become innovative and creative.

- Local authorities could be devolved greater 'zoning' powers: the ability to stipulate what type of development goes where, so that new homes can be supported by new infrastructure and public services.
- They could be given greater powers to free up land for development. They could offer land owners options to co-invest in new developments if they bring their land to the market early. Or by having the powers to purchase land at its current value from land owners in areas where new homes are needed for the growth and success of a place.
- Local authorities might set up specific development corporations with planning and investment powers, of the type that built the new towns of the past, or like the London Legacy Development Corporation that manages the development of the Olympic Park.

Much of this sounds radical to central government. They are reluctant to attempt further reform in a market which already struggles to build enough and where recent central government planning changes caused uncertainty and reduced output.

But change does not have to come from the centre and reform does not have to affect the whole market at once. Labour can give local authorities the freedom to innovate and exercise a wider range of planning powers. Some will choose not to take this up, but some will seize on this opportunity to grow right away. In time, devolution will show which planning reforms are successful for the private sector, local authorities and their communities. This does not get around the issue of conflicting interests over development.

However, the only level where conflicting interests can be reconciled is locally, when real proposals come forward. Central government policy can't do that. And where those interests can't be reconciled, then local government, with its democratic legitimacy and accountability, should take the tough decisions.

## THE ROOTS OF THE CRISIS

It is sometimes forgotten that greater localism also has positive effects on central government. Local government's 'gain' does not need to be central governments' 'loss'. In housing, devolution can free up central government to tackle our fundamentally broken housing system.

The private market needs reform so that it can respond to rising demand and increase its output. We need new settlements; new towns, eco-towns, garden cities, which need to be mandated and commissioned from central government. We need new, expensive and large scale infrastructure to enable homes to be built. And we need to get a grip on the operation of the financial markets and the availability of credit which, when combined with a shortage of housing, continues to threaten the economy as a whole.

These are the tasks that Labour needs DCLG and the Treasury to take on. These are things that can't be tackled at a local or regional level. A more ambitious central government needs to change the rules of the market and get the foundations right so that towns and cities in Britain can grow to provide the housing people need in neighbourhoods where they want to live.

# ABOUT THE AUTHORS

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Karin Christiansen is General Secretary of the Co-operative Party. Karin's long career in international development includes as the founder and director of Publish What You Fund, the global campaign for aid transparency. Prior to that she was the European Policy Manger with the ONE Campaign and for many years a Research Fellow at the Overseas Development Institute.

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## **Sir Steve Bullock, Mayor of Lewisham**

Steve Bullock was elected as the London Borough of Lewisham's first directly elected Mayor in May 2002 and he is now in his third term of office. Immediately prior to becoming Mayor he was serving as Chair of University Hospital Lewisham NHS Trust. Steve was first elected as a councillor in 1982 and served as Leader of Lewisham Council from 1988 to 1993. He is currently Chair of the Local Government Association's Human Resource Panel and London Councils' executive member for Strategic Housing. He is a member of the Horniman Museum's finance advisory committee.

## **Tony Clements**

Tony Clements has worked in housing in both local and central government and currently works for an East London Housing Association. He is a former advisor to Labour Housing Minister, Rt Hon John Healey MP and is part of the London Labour Housing Group.

**One of the key critiques of the last Labour government was that, in their haste to improve public services, they too often centralised power in ways that squeezed out local initiative from public servants and, crucially, local people themselves. Now in opposition, the Labour movement increasingly recognises the need to devolve power out of Westminster and Whitehall.**

The question is no longer whether this should be the change but how this change is enacted. What are the policies that will demonstrate and bring about this cultural change? How far should localism go and what is the appropriate role of each tier of government?

This collection from NLGN and the Fabian Society contains a range of Labour voices offering concrete suggestions as to how the Labour manifesto for the 2015 general election can deliver a new offer for Labour localism.