



Capital Life – A review of London governance

June 2005

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THE COMMISSION ON LONDON GOVERNANCE

The London Governance Review Commission (now the Commission on London Governance) was first set up in February 2004, with Members appointed by the London Assembly and the Association of London Governments Leaders' Committee. Following a break before the GLA elections, the Commission was re-established on 21 July 2004.

The terms of reference as agreed at the 9 November 2004 Commission meeting are to examine and make recommendations in respect of:

- a) the accountability of service delivery agents;
- b) the participation of the citizens of London in the delivery of services;
- c) the customer perspective on service delivery arrangements, including levels of satisfaction and involvement;
- d) the provider perspective of service delivery arrangements;
- e) the extent and effectiveness of coordination between service delivery agents;
- f) the efficiency and ownership of the funding streams;
- g) the appropriate role of other public sector agencies, quasi-autonomous non-governmental organisations and regional authorities in the provision of services;
- h) any inequalities of service provision to consumers as a result of geographical location;
- h) the scope for increasing public participation in holding public service providers to account

The Commission intends to concentrate on how well London works. That is why the Commission has decided not to review the boundaries of London or its boroughs; the costs and disruption would likely outweigh any possible benefits of better service provision.

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CAPITAL LIFE

A REVIEW OF LONDON GOVERNANCE

Contents

	Page
Executive Summary	2
1. Background	3
2. Past Reviews	3
3. Consultation Process	4
4. Design Principles	5
5. Londoners should have a greater say in their affairs	6
6. More accountability by service providers	8
7. Greater efficiencies should be sought whilst enhancing local accountability	10
8. The restoration of local government	12
9. The role of the Government Office for London	13
10. The return of the business rate to local control	16
11. Next Steps	19

Executive Summary

This is an interim report. Its purposes are to provoke debate and to give an indication of our thinking after the first round of evidentiary hearings. We hope to conclude our hearings by the end of July and to provide a final report by December 05/January 06.

The focus of our concern is the health of government in London rather than its structure. With the advent of an elected Mayor and Assembly, London has a unique governance structure reflecting its unique status in British social, economic and political life. But, over the last 30 years, under successive governments there has been a steady erosion in the ability of London's local authorities to set their own agendas in the light of local circumstances and the will of their electorates.

A combination of a reduced tax base, an ever expanding inspection regime, ever lengthening lists of performance targets, rate capping, conditional grants and financially ring-fenced services have made local authorities more akin to local administration than local government. More than two-thirds of all public expenditure spent on local services in London is outside any local or mayoral control. We need to turn back this tide if we are to restore local democracy to its former and proper place in national affairs.



Cllr Hugh Malyan
Chair of the Commission on London
Governance

We believe that it is a priority for London to have a governance regime which:

- gives Londoners a greater say in their affairs;
- provides more accountability by service providers to service users;
- provides greater efficiencies whilst enhancing local accountability;
- provides more discretion to local authorities to tailor services to meet local needs; and
- restores the link between voting for improved services and paying for those services.

Our thoughts are necessarily tentative at this stage. Based on the evidence we have taken, we believe that there are clear and powerful arguments for:

- a streamlining of current governance arrangements;
- a staged reduction in the size and role of the Government Office for London;
- the further development of councillors into 'local champions'; and
- a return of the business rate to local control.

We would welcome your views on the issues raised in the report that follows.



Bob Neill AM
Vice Chair of the Commission on
London Governance

CAPITAL LIFE

A Review of London's Governance Arrangements

1. Background

1.1 The Commission on London Governance, comprising cross-party representatives from the Association of London Government and the London Assembly, is carrying out a review of London governance. A final report with recommendations to Government will be made by December 05/January 06; this is our interim report.

1.2 There have been two significant previous reviews of London governance since the Second World War and this review builds on that work: the Herbert Royal Commission, led by Sir Edwin Herbert, set up in 1958, which reported in 1960, and the Marshall report, led by Frank Marshall, which reported in 1978. Both reports continue to make interesting reading even today as the authors sought to devise rational systems of administration on "the reality of what is truly London."ⁱ We acknowledge our debt to these works in the paragraphs that follow, but whereas Herbert's Commission was set up by the Government of the day and Marshall's by the then leader of the Greater London Council, Sir Horace Cutler, our Commission has been set up by politicians from across London's political spectrum and operating from a local as well as a pan-London perspective. Its great strength is that it draws on and reflects upon experiences of London life from Croydon to Barnet, from Hounslow to Barking and all places in between. It is London's voice that we seek to project.

1.3 The objective for this Commission is to concentrate on how well London works – the effectiveness, quality and accountability of local public services. London faces unique challenges in delivering its public services and yet so much of what

happens in London takes place outside any locally accountable body. The public is confused as to who is responsible for what service, how to hold providers to account, how services are funded and how they can influence or engage with different service providers. Public expectations are rising yet, despite decades of new initiatives and schemes, public satisfaction levels are in long-term decline and voter participation rates are low.ⁱⁱ

1.4 The Commission is therefore reviewing the present governance arrangements through the perspective of public service delivery. At this stage in our work our consultation process is in full flight; we have however decided that we need to set out some of our initial thoughts, particularly in terms of what we call the design principles that need to be adhered to in order to deliver quality public services.

2. Past Reviews

2.1 The Herbert Royal Commission was tasked to make recommendations as to "whether any, and if so, what changes...would better secure effective and convenient local government" and led to the abolition of the London County Council (LCC) and the establishment of the Greater London Council (GLC) and the 32 boroughs plus the unchanged Corporation of London. For Herbert, the key challenge lay in "hold[ing] a vision of London in mind". London's "astonishing quality of vitality" needed to be "guided and directed for the general good through the medium of self-government". Herbert saw the growth of London outwards as a single great city, rather than a merging of important urban centres once separate and recommended a rationalisation of existing local government. For Herbert the "extraordinary complication of local government", which included 29 Metropolitan boroughs in inner London, Middlesex County Council, boroughs within Essex, Hertfordshire, Kent and

Surrey, three county boroughs and 24 urban districts, was confusing to the electorate and led to poor government. He recommended the creation of the Council of Greater London (GLC) and 32 Greater London boroughs and the Corporation of London.

2.2 Marshall's work built upon the foundations of Herbert, but focused only on the role of the GLC, which he felt had failed to fulfil its role as a genuinely strategic authority. For Marshall the key challenges that London had to grapple with were "problems of the quality of life in a capital city, of economic regeneration, of the resuscitation of obsolescent districts and the revival of communities": issues that are still important today. Marshall sought to consider how "London government can best be organised" to deal with these challenges. Marshall recommended a re-balancing of activity between the GLC and the boroughs with the former taking a more strategic approach. He argued that "the GLC is necessary to take a lead for London": a view that the Government of the time did not share.

2.3 There was no formal review of London governance on the lines of the Herbert or Marshall inquiries prior to the abolition of the GLC in 1986 or the legislation in 1999ⁱⁱⁱ setting up the Greater London Authority (GLA). Five years after the creation of the GLA and the first election of London's Mayor is an opportune time for reflection on the current governance arrangements. Our focus is more sharply practical than either of the preceding reviews although we share many of their underlying principles in how we approach our work.

3. Consultation Process

3.1 At the heart of our work is a wide-ranging consultation process with Londoners from all walks of life. Our consultation is based around a series of key questions relating to current governance arrangements in London and methods of engaging with local people in public service provision. The full consultation paper has been sent to around 1,000 Londoners and organisations involved in or affected by public service provision. Around 50,000 shorter-version 'flyers' have gone out to every public library in London, university Student Unions, Patient Advisory Liaison Services and hundreds of contacts provided by the boroughs – including residents' associations, voluntary and community groups.

3.2 To further support our consultation process the Commission has commissioned a series of focus groups across the capital with a variety of people fully representative of London's diverse communities. We have also held a series of panel sessions where invited guests have come to City Hall to discuss issues around the major themes of governance, accountability and finance. Further sessions will be held during the next two months. The work of the Commission is being supported by the production of a series of background notes by staff at the GLA and ALG. Full transcripts of all our meetings are available at london.gov.uk/assembly/londongov.

3.3 This report is itself part of that consultation process. We are looking for this work to kick-start a debate on the future for the governance of London. We welcome your contribution to the issues raised in later sections of this report.

4. Design Principles

4.1 Our vision of London is necessarily influenced by a very broad understanding of 2,000 years of change; yet certain key elements endure. London and its people are shaped by this same sense of historical continuity. Herbert wrote nearly 50 years ago “Here is a community of unrivalled vitality” and the projections for growth in the Mayor’s London Plan are a more recent assertion of this dynamism. Alongside vitality, there is a reputation for tolerance towards people coming to visit, live, study or work in the city, there is great adaptability in learning new occupations and skills, there is great diversity^{iv} and there is resilience in the face of adversity.

4.2 These unique characteristics give rise to specific ‘London challenges’ to the delivery of public services. In its final report to the Prime Minister (London Project, June 2004), the Cabinet Office Strategy Unit highlighted:

- the high mobility of people in London (eg. pupils, patients, vulnerable children);
- the diversity of Londoners (eg. income, cultural, language); and
- the recruitment and retention of staff.

4.3 The report recognised the steps that government agencies were taking to begin to address these issues, but failed to consider the impact of the governance arrangements on the provision of local services. From the evidence that we have taken there is a strong emerging consensus around some clear design principles as to how to deliver effective and efficient local public services. They are:

- Londoners should have a greater say in their affairs;
- there should be more accountability by service providers to service users;
- greater efficiencies should be sought whilst enhancing local accountability; and
- there should be a restoration of local government (as opposed to local administration) and a greater degree of local funding.

First Principle: Londoners should have a greater say in their affairs

5.1 London is one of the largest cities in the developed world in terms of its total land area and is, by a considerable margin, the most populous city in the European Union. It is also one of Europe's most densely settled areas. Every year hundreds of thousands of people move into and out of London. These factors of size and transience can have a profound impact on people's sense of belonging and identity and hence their engagement with local service provision.

5.2 London is a powerful brand. In a survey conducted for the Commission, some 75% of those surveyed who lived in London and its environs said that they identified with London, even though just 40% of those surveyed were born in London⁹. While we therefore identify with London, a city, to define our place in the world, our sense of community is necessarily more local. In his biography of London, Peter Ackroyd writes: "Of London areas there is no end. Every Londoner has his or her own favourite location...although it must be admitted that most inhabitants of the city rarely know or visit anywhere beyond their own neighbourhood. Most citizens identify themselves in terms of their immediate locale."

5.3 Our neighbourhood is a place in which we feel comfortable, where we feel at home. It may be defined by a collection of community assets (the local school or church, for example) or bounded by major infrastructure (A roads or the river). When a person moves to a new area, a vital first task is to 'get to know the neighbourhood'. A vibrant, cohesive and committed local neighbourhood is vital to both a sense of belonging and in helping to shape public services for all individuals that access them. Commission Members believe that neighbourhoods should be the basic unit for public service provision.

5.4 To capture that sense of local neighbourhoods, London is divided administratively into 32 boroughs (and the Corporation of London), which are then subdivided into 642 wards. Since the 1980s, London wards have had an average size of 10-11,000 adults, when the accepted variation in ward size was reduced from 10% to 5%. But wards do not necessarily fit to neighbourhoods. For example, there is a distinct neighbourhood feel to the area around Finsbury Park, yet it lies at the boundary of three boroughs, complicating the governance of the park and its environs (for example: issues of regeneration, environmental improvement and policing).

5.5 Most London wards elect three councillors to the borough councils and they are expected to bring an understanding of local conditions and local need to borough-wide deliberations. They are the cornerstones of local democracy. The councillors need to be visible, approachable and active in the community to play the required roles of local leadership and political representation. Yet the ability of councillors and local people to influence public service provision is very limited. **We want to initiate a full discussion of the role of local ward councillors in London and the possible role that so-called urban parishes could play in London's political life.**

5.6 We welcome the view of Sir Sandy Bruce-Lockhart (Chairman of the Local Government Association) that "what we need to do is not pretend that everyone on the authority (eg. council) is in some way involved in the strategic, major decisions of the council, because they are not. What we need to do is to build people as the local members, as what someone described as 'the elected mayor' in their constituencies, or their wards...and support them in a new way."

We want to look at ways to develop and strengthen the role of the three ward councillors or 'local champions' as they could become. These 'local champions' could have a delegated capital budget (for example, an indicative figure could be £20,000) for local improvement schemes, and carry local concerns into schools, health care and policing services to shape policy in their ward through an evolving statutory right to be consulted.

5.7 Most boroughs (eg. Hounslow and Lambeth) have what are called 'area committees' which divide a borough into smaller units and devolve down certain powers such as planning, grant support or small scale capital spending. But, for many in London, our understanding of how far devolution can go is tempered by the experience of Tower Hamlets in the 1980s and 1990s when a radical transfer of powers from the Council was organised, including ownership of the housing stock. The experiment was discontinued and a further re-organisation of services, involving powers moving back to the Council, was undertaken.

5.8 Both government policy and many of the local initiatives we have heard of focus on services that can usefully be described as 'well-being' issues: environmental concerns, regeneration initiatives, small capital grants and so on. Few grapple with the big 'life-changing' public services such

as health, education or policing. So as well as reviewing these local neighbourhood projects our final report will also consider initiatives aimed at enhancing Londoners' engagement with services provided by what one of our guests, Sir Sandy Bruce-Lockhart, described as the "quango-state".

5.9 An immediate issue for us to reflect upon is the evolution of the Mayor's flagship policing policy - the 'Safer Neighbourhood Teams'. These mixed teams of police officers and community support officers, engaged in community policing at the ward level, have been introduced into all boroughs on a rolling programme since late 2004. They are designed to provide a visible presence on our streets as well as providing local intelligence for back-up specialist crime units. Their success, measurable in terms of lowering the fear of crime in the ward and also an increase in ward-level detection rates, depends crucially on officers gaining the trust of the local community.

5.10 Mechanisms for dialogue with the community and for providing feedback from officers need to be developed and refined. The objective is for a tailored service, responsive to the needs of the local community, and which delivers high levels of satisfaction for all those that come into contact with the service. This is a goal to which we wish all our public services to aspire.

***Second Principle:
More accountability by service providers***

6.1 For Commission Members 'accountability' plays a central role both in local engagement in public service delivery and as a powerful driver for performance management, improving satisfaction levels and outcomes from service providers. But what do we mean by 'accountability'? Accountability derives from the concept of democracy ('governance by the people'). Many different organisations assess the needs for, plan, procure and/or provide public services to the whole or a sector of the community, and should therefore in some way be answerable to those who fund or receive those services for their decisions and actions in devising, planning, organising and delivering them. As Tony Travers, Director, Greater London Group, London School of Economics, said in evidence to the Commission: "Democratic principles would suggest that, unless the public can broadly understand what is going on when it is explained to it, it is not going to be very democratic and pressures will not be brought to bear on services that would be likely to achieve the most efficient and effective results."

6.2 Words such as *consultation, engagement, ownership, involvement, participation* and *partnership* appear frequently in discussion of these issues. They are indicators of process, based on knowledge and understanding, but they are less adequate when looking at effectiveness or outcomes. Therefore, to achieve 'governance by the people', there needs to be:

- clarity about who does what;
- clarity about who pays for what;
- clarity about service policies, objectives and standards;
- the opportunity for the community to input to the various stages of policy, planning, procurement,

provision and performance review;

- public review of policy and performance; and
- interaction between decision takers, service providers, service users and those who pay for those services.

6.3 These principles will drive our consideration of what changes need to be made to the present governance arrangements for the delivery of local services. Our belief is that a more streamlined government structure, which is more easily understood by the community, will increase accountability and raise levels of public engagement. **London itself needs to decide how best it wishes to organise delivery of its services, even when they are provided by nationally managed organisations such as the NHS.**

6.4 London's local and regional government share many areas of activity (see chart 1). Greater clarity in our roles is a prerequisite to strengthen our argument for further devolution.

6.5 A more streamlined model could mean that for, say, the delivery of health services in the capital there could be:

- a London Public Health Care Strategy devised by the Mayor, in consultation with the NHS in London, subject to statutory consultation with the boroughs, through the ALG, and the London Assembly;
- specific London public health care objectives;
- a single Strategic Health Authority in London^{vi};
- 'excellent' rated boroughs taking over the commissioning role of the primary care trusts (PCTs);

- development of new public engagement forums supported by the boroughs for PCTs, hospitals and GP practices.

6.6 However, devising a more streamlined model for delivering public services in London raises a number of issues for our inquiry which need to be addressed in order to better understand how local public services can be delivered more effectively for Londoners:

- what capacity does a ward level or urban parish have to deliver local services?
- how could borough capacity be developed?
- how should the sub-regional partnerships develop?
- what new powers, if any, should come to the Mayor?
- is the London Assembly able to offer sufficient challenge to a potentially more powerful Mayor?
- are more checks and balances, with the boroughs and the Assembly working together needed if the Mayor's powers are expanded?
- should there be new Pan-London or sub-regional strategies?

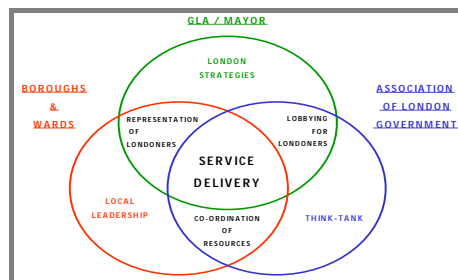
6.7 Our initial survey of major local public services has highlighted concerns over the present governance arrangements in a number of these including:

- the provision of affordable housing and support for the homeless;
- the provision of regeneration services;
- the provision of health care services;
- the provision of education services & life-long learning;
- the provision of community policing;
- the provision of waste disposal services;
- the provision of arts, sport and cultural activities.

6.8 These are all areas of public service provision that repeatedly rank highly in quality of life surveys or citizen satisfaction surveys in London^{vii}. These are the issues, along with transport, which are often raised with local politicians, even though they have little influence over these services.

6.9 In many of these areas there is an identifiable 'democratic deficit' which is impeding local engagement and support and so weakening the effectiveness of service provision. Londoners lack the ability to influence the achievement of desired outcomes at a local level.

Chart 1: A stylised structure of local and regional government in London



Third Principle: Greater efficiencies should be sought whilst enhancing local accountability

7.1 The provision of local public services takes place within a changing arena of new technologies, new ways of procuring and calls for ever greater efficiencies. For Commission Members the London boroughs, as defined by their 1965 boundaries, must remain at the heart of local service provision. Many of our guests have argued in their support; for Simon Jenkins "the boroughs have worked..." with Londoners navigating themselves across London and through local services via the boroughs. For Paul Wheeler, Director of Political Skills: "The reason I think London boroughs have worked is because they are a reasonably good balance of poor and rich. They do comprise... a good cross section of population." For others, such as the Mayor of London, Ken Livingstone, some of the boroughs are too small to effectively discharge their current responsibilities, and their lack of real power means they are unable to draw in a sufficiently strong talent pool at a senior officer level; the Mayor therefore argues for just five 'super-boroughs'. Alternatively it is contended that such large boroughs would be too remote and bureaucratic and therefore lacking in accountability.

7.2 Our belief is that the boroughs are important democratic and administrative units for managing local government in the capital. They are of a human size; Londoners instinctively look to their local council as a vital signpost to orientate themselves across a complex terrain of local and national services. We need to preserve that and build on it to strengthen the connection people have with their local services. However, we need to strengthen further the range of partnerships that arise to tackle certain issues; for example, be it across the public services in housing or neighbourhood renewal or cross-borough working in areas such as

procurement or adoption schemes. But we can go further still; there could for example be some "intervention right" for excellent and good boroughs to intervene if any public services are failing in their area.

7.3 All boroughs have Local Strategic Partnerships (LSPs) which, although they do not have their own budget or any independent powers of their own, bring together stakeholders from the statutory public sector (including local government, the police and the Primary Care Trust), the business community and the voluntary sector to better align their own organisations' efforts to achieve commonly defined goals (for example in the field of regeneration where LSPs distribute the 'Neighbourhood Renewal Fund').

7.4 Local Area Agreements (LAAs) go further. They bring together central government, local government and other partners. They set high-level objectives to deliver outcomes related to national objectives, pool budgets and are built around the themes of healthier communities and older people, safe and stronger communities and children and young people. There are two such pilots in London: Hammersmith and Fulham and Greenwich.

7.5 But London's local and regional government needs to do more than wait for new government initiatives. We need to be continually looking for ways to enhance the effectiveness of local service and to derive economies of scale in areas where boroughs act as commissioning agents or provide a service where the catchment area can no longer be deemed to be the individual borough. So, alongside a desire to reinvigorate political activity at the ward level, we are keen to examine mechanisms for joint procurement, the role of lead boroughs for specialist services and the further development of London's sub-regional structures. This agenda is being pursued through the

London Centre of Excellence (LCE) which is one of nine regional centres of excellence funded by ODPM and is hosted by the ALG. Further details of the role, governance and staffing of the LCE can be found in Appendix 1.

7.6 As an example of the kind of area where such new thinking is required, at our panel session on 15 March we heard from a number of guests involved in housing and homelessness service provision^{viii}. All agreed that the present governance arrangements were "complex and there are a lot of players." (See Appendix 2.) For Donald Hoodless (Group Chief Executive, Circle 33) it was clear that there was a need for "one strategic body in charge of the delivery of more housing for London with better management at the very local level. I think it inevitably has to be the GLA..." For others of our guests what mattered most was that local authorities had the ability to decide how best to plan and build within the broad parameters of the Mayor's London Plan.

7.7 Alongside consideration of who should be in charge of the housing strategy for London, our guests also discussed how the funding should be delivered. One borough Director of Housing argued that "I certainly think that the funding allocation should come through that strategic authority. I think that there should be that role; the strategic housing plan for London needs to have the power to allocate funding to enable that authority to do its job properly. I also think that authority should not be responsible for the operational delivery of those plans." Other Directors of Housing were less sanguine, fearing that the Mayor could override local initiatives, thereby weakening the local voice.

Fourth Principle: The restoration of local government

8.1 Most of London's public services are the responsibility not of the Greater London Authority or the borough councils, but of central government departments or agencies and other bodies set up for specific purposes. These all contribute to a complex structure of governance in the capital. Tony Travers, in evidence to the Commission, argued that "What I think [Londoners] find very difficult to understand is the incredible clutter of institutions, quangos and government departments that are variously responsible for other services...in terms of what is commonly called transparency, it is very difficult for people to know whom to hold account if something does or does not work."

8.2 In evidence to the Commission, Paul Wheeler (quoting MORI opinion poll evidence) argued "...people actually do prefer things local. When they are asked "Who would you rather run your services: the local government, the central government or private companies?": 67% say local government...fundamentally what they are saying is that they tend to trust things that are more local". The

Commission believes that, at the heart of a new relationship with central government, London needs a return to local government as opposed to local administration.

8.3 As part of our final report **we expect to make recommendations for a systematic review of the regulations and targets that restrict local initiative to shape services to meet Londoners' needs.**

8.4 We welcome Sir Sandy Bruce-Lockhart's call for a "**new settlement**" with central government, which would clearly demarcate the areas of local government as opposed to central government responsibilities. In many service areas, for example in primary and secondary education, local councils are often berated for poorly performing establishments, yet funding is ring-fenced by central government and councils only have partial and sometimes indirect responsibility in performance management. Councillors are seen to have responsibility but have no power or influence. Chair of the Commission, Cllr Hugh Malyan added "It is this issue of the 'naked Councillor' that the Commission must convince government and others to address.

Moving Forward

The following sections set out our initial thoughts in two areas: the Government Office for London (GOL), and the return of the business rate to local control.

9. The role of the Government Office for London

“As the vast majority of Londoners do not know of GOL’s existence, I do not believe it is accountable to the citizen. It is another tier of central government and the question must be asked as to why government departments can’t deal directly with local authorities.”^x

9.1 It is ten years since Government Offices were set up in the English regions in an attempt to take locally-focused central government activities closer to the public. Their introduction followed concerted local-level criticisms of restrictive Whitehall departmentalism, excessive numbers of national policy initiatives, lack of integration between projects, the short-term nature of government funded programmes and insufficient local autonomy. In spite of progress in some areas, many of the same criticisms continue to be voiced.

9.2 The Government Offices now represent the interests of ten Whitehall departments: Office of the Deputy Prime Minister; Department of Trade and Industry; Department for Education and Skills; Department for Transport; the Cabinet Office; Department for Environment, Food and Rural Affairs; Home Office; Department for Culture, Media and Sport; Department for Work and Pensions; and Department of Health. The ODPM has lead responsibility for the regional offices.

9.3 Since the Government Office for London was established, the capital’s governance structure has diverged from the other eight English regions. It now

has, with the creation of the Greater London Authority, an elected executive Mayor and full-time Assembly. These major developments, however, have not led to changes in the scope of the Government Office for London or reductions in its size.

9.4 GOL’s running costs in 1999/00, a year in which the office was preparing for the first Mayoral and Assembly elections and the establishment of the GLA, were £16m. In each of the subsequent two years these fell to £13.2m but by 2003/04 GOL’s running costs had risen again to £16.6m. The 2003/04 administrative expenditure of the Government Office for the South East, a region comparable to London in terms of population but without elected regional government, was £14.1m. Most of GOL’s expenditure is on staff. Numbers fell from 370 in April 2000, to 240 in April 2001, but have since risen again annually and now stand at around 320.

9.5 A breakdown of GOL’s £2.72bn programme expenditure for 2003/04 is shown in Appendix 3. Although a large part of this is passed on as grant to the GLA family of bodies and other service providers, GOL is involved in managing more than 40 individual programmes on behalf of Whitehall departments.

9.6 Many of our guests and respondents to our consultation paper have argued for the abolition or radical downsizing of GOL. One particularly telling argument is that “GOL has the ultimate conflict of interest: to seek to represent London’s interests to Government whilst being Government’s agents in London”. In respect of housing, one of our guests argued that “The strongest reason for getting the GLA to take over is that GOL have done such a bad job of having the strategy and having the money. They have represented us badly...they are essentially paralysed; they cannot do anything about it because one bit of Government would be seen to be

arguing with another bit of Government.^{xv}

9.7 Others have argued for radical change from a variety of different perspectives including:

■ “Experience of GOL will vary across boroughs and activities. We certainly have questions about value added in relation to some activities...funding streams could be channelled through the GLA or directly to London boroughs.”^{xi}

■ “GOL has responsibility for a significant volume of funding streams and its role and the resources available to it seem entirely disproportionate in relation to that of the GLA and what might be expected to be a more rational local government structure for London following the GLA’s inception. Certainly having such funding streams administered through the GLA, for example, rather than the GOL, would increase accountability for obvious reasons.”^{xii}

■ “The Council’s main concern about GOL is that it has not been successful in presenting London boroughs with a single face...[GOL] is not accountable at all...”^{xiii}

9.8 The continued size and influence of GOL contrasts with the scaled-down way in which central government has been represented in Scotland and Wales since devolution. The former Scottish and Welsh Offices, now called the Scotland and Wales Offices, have become part of the Department of Constitutional Affairs. Their main function is to represent Scottish and Welsh interests at Westminster and liaise with the devolved administrations; they are not involved directly with on-the-ground services and they have staff complements of about 66 and 55.

9.9 The Scotland and Wales Offices provide an alternative model for central government’s relationships with London now that it is – and for the foreseeable future will remain – the only English region with elected regional government. On such a basis, the test would be whether it was absolutely necessary for GOL, rather than elected regional and local government, to fund or monitor a particular programme; where it was not, GOL would withdraw.

9.10 A system of dual responsibility between central and London government could be adopted where necessary. The London Development Agency (LDA) is an existing example of such a dual approach. Although one of the nine statutory English regional development agencies, the LDA is a GLA functional body. Its board is appointed by the Mayor rather than the government, and its performance targets are agreed by both the Mayor and government.

9.11 Most of GOL’s activity is in areas where it overlaps with London’s regional and local government; a reduction in its role would simplify structures and offer opportunities for efficiency savings.

First steps: Where should policy go from here?

9.12 We propose that GOL should be released from the standard structure of the English government offices to one reflecting London’s unique status in having elected regional government, taking account of the Scotland and Wales Office model. GOL has low visibility among Londoners, and transferring responsibilities to the GLA and the boroughs would increase public awareness and improve local democratic accountability.

9.13 There are a whole host of activities that GOL is involved with,

distributing funds and managing programmes. Yet many of these in the fields of policing, skills capacity building and community regeneration and renewal should come directly to the boroughs. There are also specific areas where devolution to the Mayor/GLA makes sense in order to increase democratic accountability (for example, the transfer of responsibility for management of European Structural

Funds from GOL to the London Development Agency on behalf of the Mayor when the new EU funding programme starts next year, 2006).

9.14 As part of our call for a 'New Deal for London' we will be considering how further changes to the roles and responsibilities of GOL could be taken forward. Further recommendations will be made in our final report.

10. The return of the business rate to local control

Funding London's public services

10.1 **London controls little of its own money for spending on public services.** Of the £57 billion^{xiv} that came into London's public services in 2004-05, just £2.5 billion (4.4% of the total) was raised locally. Between them the boroughs and the Mayor/GLA spend some £20 billion annually, but around two-thirds of the total spent in London on public services is spent outside the scope and influence of local control. **A virtual 'secret state' provides the bulk of London's public services.**

10.2 London's financial flows are a complex web of national and local payments. The provision of a particular service (for example, care for the elderly) may bring together a range of funding streams from government and private providers and not-for-profit organisations. Government funding may be provided in the form of bloc grants, be set by complex grant formulae, or be bid for by organisations seeking access to public funds. Detailed mapping of these flows by finance officers and academics is at an early stage in development, with our knowledge increasing as more disaggregated national statistics become available.

10.3 In evidence to the Commission, Tony Travers argued that "it is interesting to note that, as recently as the late 19th century, which in London's terms is not that far away, almost all the money raised by London and in other major city authorities was raised from the local tax payer. We have now moved to a point where, of all the taxes that are paid in the United Kingdom, the council tax, the only local tax, is 4% of the total. The other 96% are paid to the Exchequer."

10.4 The low level of taxes raised locally to fund London's public services and the extent to which we remain at

the 'mercy of central government' is a consistent refrain from our guests and contributors. Representatives from the business community argued that "powers and finance have to go together and, so long as central government keeps hold of the purse strings, you have not got real devolution."

10.5 Sir Sandy Bruce-Lockhart argued that there was a direct link between taxation and voting turnout: "You can find very neat examples – they are almost too neat – that, in the UK generally, local authorities raise about 25% and local government turnout in elections is somewhere around 30-35%. You can look at France, which is about 50% they raise; in local elections, it is 50%. You can find the right country in Scandinavia to take you to 75% raised locally and 75% turnout. However, if you look across the pattern, I think there is some truth that generally, where more is raised, the turnout and the interest is higher."

10.6 Boroughs also argued for greater financial freedoms to allow funding to better match needs:

- The Royal Borough of Kingston upon Thames argued that "the existing funding regime is in need of review" because it "significantly restricts our ability to provide the level of services that we would wish for our residents."
- Lambeth argued that "current funding arrangements such as the Formula Grant Distribution system do not sufficiently recognise the diverse needs of the communities resident in many London boroughs."
- Wandsworth argued that "London needs a fair share of resources to meet its special needs. Ideally more should be raised locally. We would support

a return of business rates to London councils, with suitable equalisation arrangements.”

10.7 Commission Members remain concerned that the very low level of taxes collected locally has a number of key detrimental impacts on civic life:

- it impedes a local collective sense of responsibility over the efficiency of public services (if people know they are paying for something they want to know their money is being well spent);
- it weakens the incentive to engage in local political discourse (if people know they are paying for something then they want to know what their money is being spent on); and
- it undermines the nature of accountability (if people know they are paying for something then they want to know who is spending it).

10.8 Our purpose in the months ahead is not to run a mini inquiry alongside of Sir Michael Lyons’ Balance of Funding review. Our aim is to add value and to:

- improve the transparency of funding flows that deliver London’s public services (ie the public’s understanding of local funding issues);
- assess the demand for greater local control of both the raising and spending of monies to deliver public services (the political ability to deliver a switch to new local taxes);
- assess very broadly the technical issues involved for a portfolio of additional tax measures that would offset taxation raised by central government (technical feasibility).

10.9 Our objective is to marshal the argument for greater financial flexibility for London’s local government and to

propose ways to improve both the accountability and the lines of financial responsibility so as to enhance the public’s understanding of who pays what for London’s public services.

London’s financial landscape

10.10 Of the £57 billion funnelled into London’s public services in 2004/05 the largest component of government expenditure is social protection (ie social security). Then follows ‘health and personal social services’ and ‘education’. Together these categories make up around 55% of total spending in London. Of this total just £11 billion is funnelled through London’s local authorities, and £9 billion through the GLA. But even then much of this funding is ‘ring-fenced’ or nationally directed (for example, much of the spending on education).

10.11 Table 1 gives the latest available figures for tax receipts in London.

Table 1: Tax receipts in 2002/03

<i>Tax</i>	<i>Yield (£bn)</i>
Income tax plus tax credit	18.2
Council tax	2.4
Vehicle tax	0.7
Social contributions	9.9
Valued added tax	9.6
Corporation tax	4.7
Stamp duty	0.9
Total customs and excise duties*	6.9
Petroleum tax and oil royalties	0.2
Capital gains tax and inheritance tax	0.5
Business rates	3.5
Other taxes and royalties	1.7
Interest and dividends	0.7
Other receipts	3.1
Total	63.0

* excluding value added tax

10.12 Though council tax accounts for just 4% of London's total tax take, it is the only tax that can be set by locally elected representatives, albeit subject to potential government capping powers. The main difficulty is that because the council tax meets around 25 per cent of spending by councils, this means that, for each 1 per cent added to spending, there is an average increase of around 4 per cent in council tax. This gearing effect, and the fear of capping by central government, limits the ability of local people to have control over their own financing needs.^{xv}

10.13 The Commission has therefore agreed to look at areas of tax policy that could be used to enhance local control and be off-set against the amount raised at national level. There is also interest in exploring mechanisms by which London's authorities can be incentivised to raise revenue through supplementary sources by allowing them to keep some or all of the gains without compensating reductions in Formula Grant.

Returning the business rate to local control

10.14 The main area which the Commission has looked at so far, is the issue of returning the business rate to local control. A strong point in favour of the return to local control is that there is no longer any link between what businesses pay and the service improvements they enjoy; for example, they are major beneficiaries of transport investment. In evidence to the Commission, politicians from across the political divide support this move.^{xvi} This could, according to GLA Economics figures, have involved the return of around £3.5 billion to London's local control in 2002/03 – albeit that the final amount would depend on decisions about the level of the rate.

10.15 The business community is cautious in proposing any changes to

the current tax regime. London First set out some key principles for tax policy in the city: people who pay the tax should have an effective voice in setting the tax and in deciding what happens to the money; there should not be variations in the tax across geographical boundaries; new taxes should offset existing taxes. For London First an important model that could perhaps be extended is the Business Improvement District (which has been pioneered in some US cities and there are now six in London) "where you actually give business a vote on the level of the business rate" (ie a supplementary business rate). We support the need to find a simple way for the business community to be involved in setting the business rate and in deciding priorities for new spending.

10.16 The London business rate could be levied as a proportion of the rateable value of the business and the number of businesses owned. One variation could be that a London-wide standard business rate could have a differential, within certain predetermined bands, set by the boroughs. A further variation could be developed so that boroughs could be rewarded if they were able to grow their business districts above a predetermined long-run average. This is what the Government's proposed Local Authority Business Growth Incentive (LABGI) scheme will do. It was meant to start on 1 April 2005 but the fine detail of how it will operate has yet to be released. For the Director of Policy at London First one of the key issues is "how one would get the legitimacy at a London-wide level – whether that would be any easier than it would be at the borough level."

10.17 There are a large number of technical issues still to be resolved, including issues around the timing of revaluations, and safeguards to prevent excessive increases. We will return to these issues as our evidence gathering continues and we will look to work up further proposals during the summer.

Next Steps

11.1 Our initial thoughts based on the evidence we have taken so far are necessarily modest at this stage; though the direction of travel is clear. Our conclusions and recommendations will be made in our final report to be produced in December 05/January 06. At this early stage we are proposing the following clear design principles through which we believe the provision of local services can be made more accountable to Londoners, with the express intention of improving the quality of service provision:

- Londoners should have a greater say in their affairs;
- there should be more accountability by service providers to service users;
- there should be a closer match between the provision of local services and the need for greater efficiency;
- there should be a restoration of local government (as opposed to local administration) and a greater degree of local funding.

11.2 Based on the evidence we have taken so far, we believe that there are clear and powerful arguments for:

- a streamlining of current governance arrangements;
- a staged reduction in the size and role of the Government Office for London;
- the further development of London's local councillors into 'local champions'; and
- a return of the business rate to local control.

11.3 But Commission Members are interested to explore a number of key issues in relation to the future governance arrangements for London. In particular;

- should there be an intervention right for excellent and good boroughs to intervene if any public services are failing in their area?

- if more powers are devolved to the Mayor should that be balanced by a strengthening of the Assembly's powers vis a vis the Mayor?

- do the Mayor's planning rights and responsibilities need clarification?

- what steps can be taken to improve regional cooperation beyond the GLA boundaries?

- is there scope for enhancing the accountability of the Metropolitan Police Service?

- does London need new structures for waste management, for the provision of post-16 education and skills training, for Rail services in London?

- how is the Port of London Authority or the Environment Agency held accountable to Londoners?

11.4 Over the next few months we are particularly keen to hear from individuals and organisations involved in the provision, procuring or receipt of the following key services:

- the provision of affordable housing and support for the homeless;

- the provision of regeneration services;

- the provision of health care services;
- the provision of education services (especially post-16);
- the provision of arts, sport and cultural activities.
- the provision of community policing; and
- the provision of waste disposal services.

We believe that there is a significant 'democratic deficit' in these areas and that the current governance arrangements could be improved to bring the service more in tune with the needs and desires of Londoners.

We would like to hear your views. Comments on all these issues can be emailed to islondonworking@london.gov.uk or sent to Mital Shamji at City Hall Secretariat, The Queen's Walk, London, SE1 2AA. The closing date for comments is Friday 29 July, 2005.

Endnotes

- ⁱ Royal Commission on Local Government in Greater London 1957-60, October 1960, paragraph 5.
- ⁱⁱ See for example, the Association of London Government's Survey of Londoners, Winter 2004
- ⁱⁱⁱ There was however a Government consultation leading to a referendum
- ^{iv} In a recent article in the Guardian entitled 'London: The World in One City', 21 January 2005, the author wrote "Never have so many different kinds of people tried living together in the same place before."
- ^v MORI – What is a Londoner? April 2004. Details are available on the London Assembly and ALG website.
- ^{vi} The NHS in London announced at the Commission meeting on 24 May a review into the case for centralising some Pan-London functions, where appropriate.
- ^{vii} MORI – Annual survey for GLA & ALG Londoner's survey 2004
- ^{viii} Full transcripts of the 15 March and 4 April meetings are available at <http://www.london.gov.uk/assembly/londongov/index.jsp>
- ^{ix} LB Waltham Forest
- ^x Berwyn Kinsey, Head of London Housing Federation
- ^{xi} LB Camden
- ^{xii} Royal Borough of Kingston upon Thames
- ^{xiii} LB Lambeth
- ^{xiv} Latest data from HM Treasury: Public Expenditure Statistical Analyses 2005
- ^{xv} The Council Tax contributes different proportions of total funding for the London boroughs. For example council tax contributes just 13% for Tower Hamlets, but 50% for Richmond.
- ^{xvi} For example, including the Mayor of London, Wandsworth and Royal Kingston upon Thames.

London Regional Centre of Excellence

Background

The launch of the National Procurement Strategy in 2003 and the setting of a target efficiency gain of £6.45 billion were significant landmarks for local government. In February 2004, the Government established nine Regional Centres of Excellence (RCEs) to support the implementation of the National Procurement Strategy and the delivery of council efficiency targets.

The ALG hosts the RCE for London (LCE), working closely with the London Borough of Hammersmith and Fulham and the City of Westminster. It is funded to 31 March 2007 and receives £1.65m ODPM funding per annum to undertake the roles outlined below.

LCE Governance

The LCE is owned and managed by local government and has been established with support from the Government (ODPM). Governance structures and delivery plans enable authorities from across the region to play an active part. The LCE Management Board comprises:

- the ALG
- chief executives (or representatives) from six London local authorities;
- the GLA family; and
- the Society of London Treasurers.

London NHS has also been invited to nominate a representative to enable cross sector collaboration. Regional representatives from the ODPM/GoL and IDeA are also invited to attend as is the Chair of the London Contracts and Supplies Group.

The ALG Leaders' Committee provides governance at the elected member level.

LCE Role

The main roles of the LCE include:

- acting as the first point of contact for London local authorities in relation to the efficiency agenda;
- coordinating and analysing data relating to local authority performance across the four workstreams to enable decision makers in authorities to understand the options for improved performance;
- providing support, including identifying and bringing to bear available resources, to local authority-led projects designed to achieve efficiencies;

- developing opportunities for shared working across local authorities and the wider public sector, involving, where appropriate, the private and the voluntary and community sectors; and
- coordinating the support for local authorities to ensure that the efforts of individual organisations support the needs of the region.

Each RCE also takes a lead role in one or two 'Gershon' workstreams and the LCE has the lead for productive time and social housing management and is working with national partners from the IDeA, Employers' Organisation and Audit Commission to take that work forward.

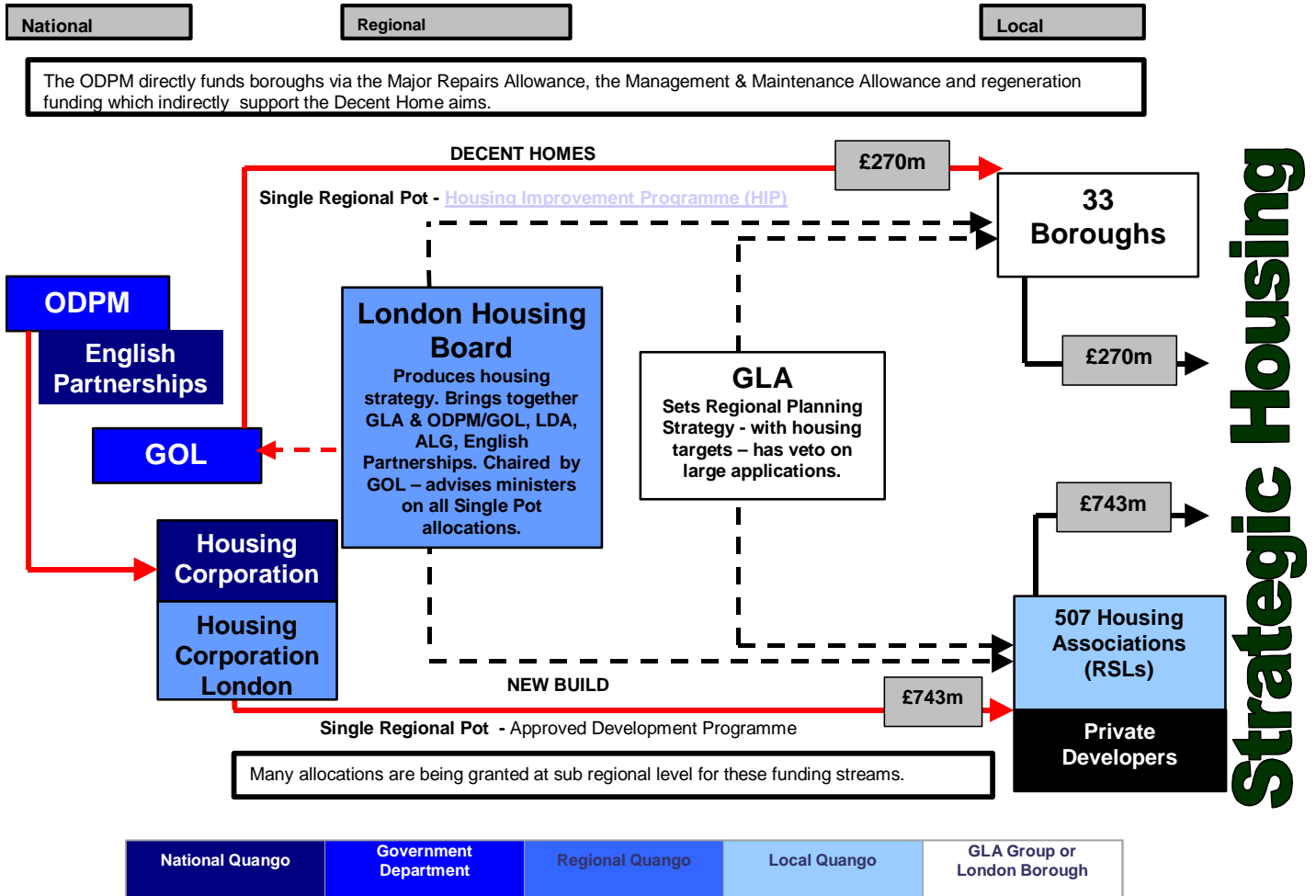
LCE Staffing

The LCE has set itself a target of 20% of funding directed to operational costs and 80% to support London authority activity and projects on procurement and efficiency. The staffing is, therefore, at minimum level with a Director who is a procurement and markets specialist and a Project Officer for general business and communications support. The programme management for the LCE funded efficiency projects has been contracted out and ALG resources are used for support activities like capacity building, research and surveys and web content management.

Further information about the role of the LCE can be found at www.lcpe.gov.uk.

Appendix 2 The provision of affordable housing in Londonⁱ

ⁱ Background paper prepared by officers from the GLA



Explanation: Red lines are funding flows and dotted lines are strategic influence.

Appendix 3 – Government Office for London (GOL) funding streams

Source: PQ [149601] Session 2004-05

1. Funding streams over £10m per annum

		£
1.	Greater London Authority Transport Grant	1,681,932,000
2.	London Development Agency Grants	317,704,000
3.	Housing Investment Programme (HIP)	269,709,000
4.	<i>Neighbourhood Renewal Fund</i>	97,410,141
5.	<i>Connexions Grant Funding</i>	69,995,638
6.	<i>European Structural Fund (ESF) Objective 3</i>	59,724,332
7.	<i>New Deal for Communities</i>	54,552,250
8.	<i>Greater London Authority General Grant</i>	35,958,000
9.	<i>European Regional Development Fund (Objective 2)</i>	24,206,183
10.	<i>Housing Action Trusts</i>	24,145,000
11.	<i>Disabled Facilities Grant</i>	15,399,000
12.	<i>Building Safer Communities Fund</i>	11,590,616

2. Funding streams over £1m per annum

		£
1.	<i>Basic Command Unit Fund</i>	9,430,277
2.	<i>Positive Action for Young People</i>	8,080,744
3.	<i>Community Chest</i>	5,545,083
4.	<i>Estate Action</i>	5,000,000
5.	<i>European Structural Fund (ESF) Objective 2</i>	4,137,134
6.	<i>Street Crime Wardens</i>	3,782,498
7.	<i>Community Empowerment Fund</i>	3,549,119
8.	<i>Street Wardens</i>	2,129,882
9.	<i>Home Office Directors' Allocation Fund</i>	1,459,795
10.	<i>Transforming Youth Work (Development Funding)</i>	1,438,396
11.	<i>Community Learning Chest</i>	1,321,477
12.	<i>Neighbourhood Wardens</i>	1,227,217
13.	<i>Neighbourhood Management Pathfinders</i>	1,204,177
14.	<i>Neighbourhood Renewal Capacity Building Fund</i>	1,200,000
15.	<i>Special Educational Needs/Disability Act</i>	1,039,814

3. There are another 20 plus funding streams each of under £1m per annum

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Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে नीचेर फोन नम्बरे वा ठিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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London Assembly

The London Assembly is the scrutiny arm of the Greater London Authority (GLA). Its 25 Members hold the Mayor to account. Assembly Members scrutinise his £9.6 billion spending plans and examine how he is fulfilling his wide-ranging responsibilities towards services in London, such as transport, policing and economic development. Empowered by statute to carry out scrutinies – akin to House of Commons Select Committees – the London Assembly also raises issues of importance to Londoners. Assembly Members test those in charge of public, private and voluntary sector agencies, highlighting any failures and proposing solutions that will improve the lives of Londoners.

Association of London Government

The Association of London Government (ALG) is a voluntary umbrella organisation for the 32 London boroughs and the Corporation of London. It is committed to fighting for more resources for London and getting the best possible deal for London's 33 councils. Part think-tank and part lobbying organisation, it also runs a range of services designed to make life better for Londoners. It lobbies for more resources and the best deal for the capital, taking a lead in the debate on key issues affecting the capital. Most important, the ALG provides the London boroughs with a single, powerful voice in negotiations with the Government and other organisations in London.

LONDONASSEMBLY



Association of
London Government