

2

Local government in the 21st century: what is it for?

Summary

This chapter argues that local government enables communities to make necessary collective choices, and has an important role in responding to diversity and distinctiveness, and to modern economic challenges.

While critics question local government's relevance in a modern age and suggest that it can be unresponsive and inefficient, it remains a necessary and important part of our system of government. Our communities are more complex than in the past, which increases the need for local knowledge and understanding, and globalisation is arguably making place more, not less, relevant to economic success. But to be effective, local authorities must engage with citizens and communities to understand their needs, preferences and priorities.

The modern role of local government can be described as 'place-shaping' – the creative use of powers and influence to promote the general well-being of a community and its citizens.

Local government's role in the management and provision of services should include convening the work of other local agencies to pursue the well-being of citizens; providing services, or commissioning them from private and voluntary providers as appropriate; and making full use of the potential of co-production.

Local government thus has an important part to play in contributing to our response as a society to key challenges including building social cohesion in our communities, fostering economic prosperity, and contributing to greater environmental sustainability. It can also help to improve the trust and satisfaction of citizens in government as a whole, and there is a risk that if local government has too little flexibility and scope to respond to views, this can contribute to a more passive, less connected citizenry.

INTRODUCTION

2.1 “Great part of that order which reigns among mankind is not the effect of government. It has its origin in the principles of society and the natural constitution of man. It existed prior to government, and would exist if the formality of government was abolished.”¹ So wrote Thomas Paine in 1792. There is much truth in that statement – our ability to create and sustain social bonds, and to form communities of common interest, does not depend on the formal institution of a government, but on our need for help and society, and our ability to join together voluntarily to pursue collective interests.

2.2 But I would argue that there is value in government, as a device which allows us to frame and enforce rules and laws for behaviour, manage the provision of public services, redistribute resources, and manage frameworks for long-term economic, social and environmental sustainability. All of these things require collective action and collective choices, often choices which have to be binding on a whole community or the whole nation if they are to be effective.

¹ Paine, T., *The Rights of Man*, 1792.

2.3 Local government is potentially an important part of that system of government – and I believe that it is important we consider it as a component of a single system of government, not as something separate. Local government is an important element of the system of governance around the world, and as Chapter 1 showed, has provided an important contribution to governance in the UK in different ways across the centuries. While today's circumstances and the challenges we face in the future are not the same as they were in the past, they too require collective decisions and collective choices, some of which are best made by smaller communities acting for themselves, rather than by national government.

2.4 This chapter draws on the main political theories about the value of local government, and my own work, to set out what I think the role of local government in the future should be. It then discusses how local government can, through place-shaping and its approach to the delivery and management of services, contribute to the overall well-being of citizens, and sets out what I see as the key challenges and opportunities for local government in the future.

THEORIES OF LOCAL GOVERNMENT

2.5 There are many different arguments about the role and value of local government within a political and constitutional system. While a complete review of them is beyond the scope of this report, a brief consideration of some of the main theories will help to set the scene for my description of the modern role for local government.

Economic efficiency 2.6 Perhaps the most prominent arguments in the whole debate come from an economic efficiency perspective. Such arguments were first set out by utilitarian political thinkers such as John Stuart Mill, but have been developed by many writers since then and underlie many modern theories of local government. I drew heavily on these arguments in setting out the arguments in favour of local government in my May 2006 report, *National prosperity, local choice and civic engagement*.

2.7 This approach seeks to deliver the greatest overall 'welfare' for society from the resources available. A local level of government has a set of potential advantages from this perspective. First, by being close to local circumstances and having local knowledge, local government can undertake or influence activity more effectively and efficiently than a national institution, which must always be somewhat separate from the front line. Second, since local bodies should be more accessible than a national government, and are directly concerned only with one local area, local government can be more engaged with the local community, and hence more responsive. Finally, and most importantly, local government enables different communities to choose to have different sorts of services, different levels of taxation and to define acceptable behaviour in different ways in order to respond to their own needs, preferences and opinions. An economist would say that this helps to increase 'allocative efficiency' – targeting resources at the things that most matter in different places increases the overall level of satisfaction and welfare that can be produced from the limited resources available.

Participation and education 2.8 Local government should be the tier of government in which citizens can most easily get involved, because it is physically closer to them and because there are more opportunities for engagement or participation. For these reasons, local government has been seen as offering an opportunity for citizens to engage with the activities of government and political decision-making more easily than they could at a national level, and thus to learn about the operation of government and society. This was a particular concern in the 19th century as successive extensions of the electoral franchise gave political power to new sections of society. Indeed, it has been argued that "the central justification for local government discretion in the British liberal tradition is ... the problem of developing a society which could sustain and nurture a rational morally educated society".²

² Chandler, J., 'Liberal Justifications for Local Government in Britain: The Triumph of Expediency over Ethics' in *Political Studies*, forthcoming.

Constraints on government 2.9 Writers with a range of views have argued that the existence of a number of autonomous local governments leads to a number of potential benefits through the fact that they put constraints, either explicit or implicit, on the power of other parts of government.

2.10 From the perspective of the maintenance of liberal democracy, some have argued that the separate political legitimacy of local government, gained through democratic election, guards against national government wielding absolute power. Jones and Stewart, for example, argue that local government is “a guardian of fundamental values” and that it helps to protect liberal democracy through the “diffusion of power in a society which cannot afford concentrating power in one central location”.³

2.11 From a libertarian standpoint, others, including the famous economist and political philosopher Friedrich Hayek, see competition between local governments for mobile citizens as a constraint on the freedom of action of government (both national and local), and thus as a way of tempering the tendency of governments to expand their power and revenues.⁴ A version of this argument suggests that this division of powers can help to preserve the power and operation of markets and private enterprise against the actions of government, and credits such divisions of power with the economic success of the UK and USA in the 18th and 19th centuries respectively.⁵

Liberty and self-government 2.12 The arguments discussed above emphasise the contribution that local government can make to a successful overall system of effective and efficient government, rather than necessarily as something valuable or legitimate in itself. However, other writers have emphasised a greater inherent worth for local government, based on their views on individual liberty. This is not an argument that has tended to have a great deal of support in British political discussions, but it formed the basis for the anti-centralisation arguments of Joshua Toulmin Smith in the 1850s. He argued that:

*Every man knows best how to manage his affairs; and it is his right and duty to manage them; – points which apply to associated groups of men, in reference to all the affairs which concern them as individual groups.*⁶

2.13 Looking more widely, one can see a related argument in de Tocqueville’s writings, for example in his *Democracy in America*. His support for democracy was based on the principle that communities should be sovereign in decisions that affected only those within the community and did not impinge on the freedom of others. He saw municipal independence as “a natural consequence of the principle of the sovereignty of the people”.⁷ Woodrow Wilson’s distinction between structures that have been invited to exist by central government, “like plants in a tended garden”, and “self-originated, self-constituted, self-confident, self-sustaining, veritable communities” also reflects something of this approach.⁸ In modern political debate, concepts like subsidiarity, and the support for local self-government seen in documents such as the European Charter of Local Self-Government, owe much to these arguments.

³ Jones, G. and Stewart, J., *The Case for Local Government*, 1985.

⁴ Hayek, F.A., *The Constitution of Liberty*, 1960; Brennan, G. and Buchanan J.M., *The Power to Tax: Analytical Foundations of a Fiscal Constitution*, 1980.

⁵ Weingast, B., ‘The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development’, in *Journal of Law, Economics & Organisation*, vol. 11, 1995.

⁶ Smith, J.T., *Local Self Government*, quoted in Chandler, ‘Liberal Justifications for Local Government’.

⁷ De Tocqueville, A., *Democracy in America*, 1835.

⁸ Woodrow Wilson, *Constitutional Government in the United States*, New York: Columbia University Press, 1908, pp.182–3, quoted at Martha Derthick (ed.), *Dilemmas of Scale in America’s Federal Democracy*, Cambridge University Press, 1999, p.8. According to Derthick, Wilson appears to have been referring to the states rather than localities.

2.14 This line of thinking has some similarities with wider theories about the basis of government, such as those of Hobbes, Locke, Rousseau and Paine. These arguments concentrate on the rationale for, and moral basis of, national governments, but I would argue that the underlying issue – the idea that people have to band together to achieve and protect the benefits of society – applies in certain circumstances to the role of smaller communities and their rights to govern their own affairs.

2.15 It is worth recognising explicitly that the economic efficiency argument described earlier depends in large part on views about individual and collective liberty. The economic efficiency argument is based on a recognition that different communities will have different wishes and preferences and make different collective choices, and argues that allowing communities to make their own choices will lead to the greatest overall welfare. One can see that argument emerging in analyses from a range of different perspectives, including that of Beatrice and Sidney Webb, founders of the Fabian Society and influential figures in the development of local government in the early 20th century. They argued that:

*The case for a local administration of industries and services rests primarily on the consciousness among inhabitants of a given area, of neighbourhood and of common needs, differing from those of other localities; and of the facility with which neighbours can take counsel together in order to determine for themselves what shall be their mental and physical environment and how it can be best maintained and improved.*⁹

2.16 A combination of these arguments underpinned widespread views on the role of local government in 19th century Britain. The existence of powerful local self-government was seen as something that separated Britain from the rest of Europe, particularly France. For example, in 1855 *The Times* argued that “local self-government is the most distinctive peculiarity of our race and has mainly made England what she is, while the nations of continental Europe are still held in tutelage by their rulers”.¹⁰

Criticisms of local government

2.17 While political and economic theory sets out a potentially powerful and important role for a local tier of government, the institution of local government in this country has come in for significant criticism, particularly in the past three decades. It is worth considering those challenges, for there is much in them that is valid and needs to be acknowledged in setting out the role of local government for the future.

Government is inefficient and unresponsive

2.18 Local government has been criticised for being inefficient and unresponsive, often as one part of a wider critique of government or state action in general. Its critics have argued that, lacking the pressure that comes from operating in a competitive market, and able to take money from citizens by compulsion through taxation, it has little incentive to provide services efficiently, or to take pains to ensure that it provides the services that people want and in the manner they want. These critics fear that governmental bureaucracies, lacking external challenge, are more likely to pursue their own interests and those of provider and professional groups, rather than the interests of the citizen. These sorts of arguments formed part of the justification for a number of reforms of government and the public sector, including local government, during the 1980s and 1990s, which sought to expose services to greater competition and stronger accountability.

⁹ Quoted in Chandler, ‘Liberal Justifications for Local Government’.

¹⁰ *The Times*, 15 November 1855, quoted in Hunt, *Building Jerusalem*, 2004.

2.19 In a related vein, public choice theories have also argued that some of the services provided on the basis of collective choices by local government can and should be made subject to individual choices. Such an approach gets closer to a market situation by allowing each person to choose what best meets their needs, and creating incentives for providers to be responsive to users' choices, and thus should improve satisfaction and efficiency.¹¹ These theories have supported a number of reforms introduced by the current Government, including several in health, education and housing.

Local choice creates and perpetuates unfairness

2.20 There is a long history of support for the equalisation of resources between communities to tackle deprivation and poverty, often associated with a recognition of the limits of local government as a vehicle for securing those ends, because of its reliance on unequally distributed local tax resources.¹² There are also those who would go further, and argue that the discretion to make different local choices in itself creates undesirable differences within different parts of the nation. The so-called 'postcode lottery' – the idea that it is unfair if access to services, and service standards, differ between areas – is frequently raised by the media and in public debate on public service provision, and it also appeared in the opinion research conducted for the Inquiry. We can perhaps link the concern about this to a sense of national entitlement created by the development of a national welfare state over the past century. Council tax has also been heavily criticised as contributing to unfairness because of its design, a subject to which I will return later.

Place and locality are no longer relevant

2.21 A final challenge to the institution of local government concerns the power and importance of place in modern society. Increasingly rapid communications and cheaper transport, and a growing concern about global, rather than local, issues potentially reduce the importance of place and the relevance of locality in both the social and economic spheres.

2.22 From a social perspective, some would argue that the greater speed and lower cost of travel and communication, both within one country and across the world, are reducing the importance of place as a way of organising our lives and framing our identities. We construct our identities in a more complex way, and we may not have the social and family relationships at a local level that we once did, because we can now maintain social connections across a much wider area and with a larger group of people. As one academic puts it, "individuals are free to build relations and communities across space, throwing into disarray the old hierarchical order of local communities."¹³ That potentially means that people are less interested in, and feel less connected with, their immediate community, and that decisions made on the basis of communities defined by geography risk being arbitrary, rather than responsive to the needs of differentiated communities. For example, a study of community identity in shire areas of England in the mid-1990s found that "the largest group [of people] have no sense of attachment to any of their neighbourhood/village, their district or their county. Nearly one in three fall into this category."¹⁴

2.23 Related arguments about the impact of changes in information and communications technology and transportation suggest that places will become less important for understanding patterns of economic activity and pursuing economic prosperity. For example, while suggesting that the notion that 'geography is dead' is only half true, Kevin Kelly argues that "the new economy operates in a 'space' rather than a place, and over time more and more economic transactions will migrate to this new space."¹⁵ The importance of government action, and particularly that of local action, is much less important in the pursuit of economic prosperity in such an analysis, and will become less so in the future.

¹¹ Le Grand, J., *Motivation, Agency and Public Policy: Of Knights and Knaves, Pawns and Queens*, 2003.

¹² See, for example, Walker, D., *In Praise Of Centralism*, Catalyst, 2002.

¹³ Strassoldo, R., 'Globalism and localism: Theoretical reflections and some evidence' in Zdravko Mlinar (ed.), *Globalization and Territorial Identities*, 1992.

¹⁴ Young, K., Gosschalk, B. and Hatter, W., *In Search of Community Identity*, Joseph Rowntree Foundation, 1996.

¹⁵ Kelly, K., 'New Roles for the New Economy', 1998.

2.24 These criticisms of the legitimacy and value of local government all have some validity. However, I do not believe that they tell the whole story, nor, where they seek to provide solutions to the problems they identify, that those solutions deal with all of the issues involved in collective decision-making, and the management of public services. Informed by this discussion, I now go on to set out my conception of the modern role for local government.

THE MODERN ROLE FOR LOCAL GOVERNMENT

2.25 We need a new vision for local government's role, which combines its role as a place for discussion, representation and decision-making with its role as deliverer of the welfare state and public services, and a desire to achieve efficient and responsive services and government. As I will shortly discuss, my concept of place-shaping aims to encompass all these elements. In considering this issue, it is important to see local government as part of a single system of government, focused on meeting the needs of citizens.

Pursuing the well-being of citizens

2.26 The arguments in favour of local government as a device for allocating public resources and effort efficiently and effectively to secure the well-being of citizens remain strong and compelling. While competitive markets, in which individuals make free choices about where and how they spend their money, are the most efficient approach to the allocation of resources in many situations, and while quasi-market approaches can be used in some public services to enhance the quality and responsiveness of provision, some issues remain resolutely collective. This includes the provision of what an economist would call 'public goods', but also decisions about the best use of public money and the management of other publicly subsidised services in particular places.¹⁶ That does not necessarily mean that those services need to be publicly owned and directly provided, but it does mean that there must be the capacity for collective action and choices about the use of public revenues. Local government has a unique role in that it can not only exploit its local basis and knowledge, but it is also the sole body in the locality which has a responsibility for stewardship of that place, and accountability to all the citizens in the area and a responsibility to enhance their well-being.

2.27 The need for local government to have space and flexibility to act on local preferences and choices is strengthened by the fact that, while people have sought to define measures of well-being, there is no single definition or blueprint for how governments should act to improve it. Indeed, there are significant risks in any one person, or central government, or an inspectorate, defining and measuring well-being as an indicator of success, because all individuals, and all communities, are different. What a community most values and would benefit from at a particular point in time will not necessarily be the same at a different time or in a different area. Economists and philosophers have long grappled with this dilemma. The best practical solution is to allow people to make their own choices – in the language of economists, to show their 'revealed preferences'.¹⁷ In considering how best to improve the well-being of local communities, similar questions arise – while it may not be possible or desirable for people to make individual choices, we can and should give people the choice to make decisions as communities when individual choices are not possible.

¹⁶ The economic definition of a public good is one which is non-excludable (once provided, no-one can be prevented from benefiting from it) and non-rival (one person's consumption does not diminish the amount another person can consume). Local government services which are to some extent public goods include street-lighting and parks and open spaces.

¹⁷ See, among many others, Dowding, K., *A Defence of Revealed Preference Analysis*, London School of Economics, 2002.

2.28 For this reason I am in principle attracted to giving satisfaction greater weight as a measure of well-being, because it can reflect the opinions of local people themselves – in fact explicitly because it is a subjective measure, rather than being defined on behalf of local communities by distant bureaucrats or experts. I recognise this raises significant challenges, since satisfaction is often not a consistent measure of service quality or well-being over time or between areas, but nevertheless I want to recognise the value of people's own conception of what is important to them, rather than designing systems which assume that one definition of well-being can capture what is important for all communities or all individuals.

Place remains relevant 2.29 For this analysis to have weight, we need to be confident that geographically defined communities are still relevant, that needs and preferences do vary between places, and that some issues will affect some communities in different ways than they will affect others. Changes in communications and individual mobility are undoubtedly changing the way people look at the world, and their ability to sustain contact, and feelings of community well beyond the boundaries imposed by geographically defined communities.

2.30 However, the fact that our communities are now more complex than in the past, because of social changes and greater mobility and cultural and ethnic diversity, can in some cases accentuate the need for local knowledge and understanding. The arguments for a local role in determining the actions of government and the provision of public services are, in fact, becoming stronger as our understanding of the multi-faceted nature of social and economic problems grows, and as our aspirations to solve them and to govern uncertainty and diversity increase. A recent study by the Tavistock Institute concluded that the need for distinctive responses will become stronger in the future as our society becomes more complex and more diverse:

*in 2015 many of the pressures on government will manifest most dramatically at a local level. More flexibility and responsiveness at a local level would significantly enhance government's capacity to meet those challenges successfully: to enhance life chances; improve the responsiveness of the economy; regulate and change behaviour; and address social tensions and conflicts.*¹⁸

2.31 There are also a number of arguments which show that locality and place are still relevant as a focus for collective decisions. Analysis in my May report showed that the people of different local authority areas do have different views, both on what it is that makes somewhere a good place to live, and on what they would prioritise for improvement in their area. Other academic studies confirm this, demonstrating that the people of different local areas would choose to spend additional resources in different ways.¹⁹ Research shows that many people continue to feel a strong sense of attachment to the local level – though this attachment is often at a lower level than that represented by our present administrative boundaries, something which poses a challenge to local authorities.²⁰

2.32 In addition, a host of issues remain fundamentally local issues because of the scope of their impact. That is particularly the case for matters concerned with land use planning – the location of new housing, the accessibility of public services, shops and businesses, and the impact on the environment and local public space of new development, for example, are never likely to be issues that fail to spark local interest, support and opposition.

¹⁸ Tavistock Institute, *All Our Futures*, ODP, 2006.

¹⁹ Dowding, K. and Mergoupis, T., *Local government and its discontents: citizen preferences for local services*, Economic and Social Research Council, 2005.

²⁰ Young, K. et al., *In search of community identity*; see also research conducted for the Boundary Committee for England for the local government reviews in the North East at www.boundarycommittee.org.uk

2.33 It is also clear that place still matters a great deal from an economic perspective – indeed some would argue that globalisation and the increasing mobility of highly skilled people and firms makes place more important as a competitive asset, and thus puts more of a premium on the management of that asset. Different theories give different explanations about why some places succeed and others do not – but all identify local characteristics as important to outcomes, whether that is about local physical and human capital assets, local market failures and the way in which those are addressed, or local conditions and amenities which make some places more attractive to talented and creative people than others.²¹

2.34 Modern economic theories also emphasise the importance of sub-national economies being able to respond to the challenges of both growth and decline through the utilisation of local assets and local comparative advantages. The Organization for Economic Cooperation and Development (OECD) has argued that national policies which simply seek to redistribute investment between places, for example by providing simple fiscal incentives to relocation by firms, “do little to stimulate growth and employment ... and may even be costly blind alleys”.²² That puts a greater premium on the ability of local economies to adopt an evidence-based approach to using their comparative advantages, and to adopt different approaches in different places in order to tackle local market failures.

Necessity of local choice 2.35 Accepting these arguments means accepting some degree of variation and difference between different parts of the country in their governments and their use of resources. Some would not agree with that view, as I noted above, but it is a point of fundamental importance. As the Layfield Committee recognised, I believe that we face choices in the way in which we are governed. At one extreme, we can be governed in a way that places a high value on people receiving similar standards of service, regardless of where they live. On the other hand we can be governed in a way where it is accepted that standards of service may vary from place to place, where this is a consequence of local choice. Local government can engage with the local community and work with local partners to design and deliver services that meet the community’s priorities – a plural system which values diversity and delivers greater overall well-being. In a world of constrained resources, where we cannot all have everything that we want, the need for local choice in order to respond to pressures on resources through prioritisation is also critically important.

2.36 The argument that this will lead to an unfair ‘postcode lottery’ thus over-simplifies some complex issues. As I said in my May report, if the people of one area collectively choose to use the public resources at their disposal in a different way to the people of another area, it is hard to argue that this is unfair. Some commentators have in fact argued that local choice and variation, backed by national minimum standards, can be a way of pursuing greater social justice by addressing inequality.²³ We should also acknowledge that proponents of ‘universal’ provision tend to underestimate or ignore the level of prevailing variation.

²¹ See, for example, Florida, R., *The Rise of the Creative Class*, 2002.

²² OECD, *Devolution and Globalisation: Implications for Local Decision-Makers*, 2001.

²³ Pearce, N. and Paxton, W., *Social Justice – Building a Fairer Britain*, ippr, 2005.

2.37 There are therefore strong arguments in favour of a degree of local choice. In practice, the public desires both national standards and local variation, with opinions varying between different services. The research I commissioned suggests that people want an assurance that key services will be delivered to similar (generally minimum) standards across the country, but also that they want the ability to influence the shape and delivery of services and to take decisions locally – and where they have that opportunity they are much less concerned about difference between places. There is a balance to be struck between an appropriate set of national or minimum service standards, and the variety and community choice which, in my view, is a positive part of a healthy and sophisticated system of governance. My conception of the modern role for local government is therefore of a system which delivers the right degree of ‘managed difference’ through meaningful local choice over public services, and through place-shaping more broadly.

Importance of engagement

2.38 However, all of these advantages of local government as a way of pursuing the well-being of communities depend on it being able to understand and respond to the needs and concerns of its citizens – and on the well-being of citizens, rather than the interests of the organisation or producer groups, being the objective and motivating principle of its actions. As noted above, this is an area in which it has been criticised – with low levels of turnout, a lack of diversity within the councillor body and a generally poor opinion of local authorities, who are seen as separating local government from local people. While this is an area to which local government undoubtedly needs to devote more attention, it is one where I do believe it has a great deal to offer. Ensuring that local government is fully and transparently accountable to local people, for the decisions it takes in the pursuit of their interests and the use of their resources, is critical to an effective system of local government.

2.39 The local democratic process of debate, scrutiny and, ultimately, election is a means by which local citizens can hold local authorities to account, and make choices about how they want to be governed, what they want for their communities and what they want from local public services. However, election alone does not confer knowledge and legitimacy on local government, and closer engagement with the public is needed to develop a more finely grained understanding of what local people want – as citizens, service users, and as taxpayers. It is only through ongoing engagement and dialogue with the community that local choices can be informed by a strong understanding of people’s needs, expectations and aspirations, balanced by a grasp of what they are willing to pay for through charges and local taxes. Results from recent surveys suggest there is a relationship between satisfaction with the authority as a whole, and opportunities for participation and the degree to which respondents think they can influence local decisions.²⁴ Creating robust and effective arrangements for engagement and influence at the community and neighbourhood level, beyond the council offices, is also likely to be important as part of this process of engagement.

2.40 Many elements of this will be inherently political, and part of the process of local government for which only elected councillors can take responsibility. We should emphasise the role of the elected as ‘representatives’, not as managers. This includes making judgements where difficult choices and trade-offs need to be made for which there is no ‘right’ administrative answer, and where there may well be tensions concerning the different priorities of taxpayers and service consumers. Those judgements – and their acceptance by local people – rely on the council’s ability to make well-informed decisions which are based on a clear understanding of local priorities and views on the necessary trade-offs. The local authority has a part to play as arbitrator, as different parts of the community will have different experiences, needs and aspirations.

²⁴ Communities and Local Government, *Best Value User Satisfaction Surveys 2006–07*, 2007.

Single system of government 2.41 This description of the role and value of local government in the 21st century is not intended to imply that local institutions are always the best way to deal with the governmental needs of our society, nor that local choices are necessary or appropriate on all topics or for all situations. There are decisions we may wish to make as a society – for example on many aspects of taxation, healthcare and law and order – at a national level, and there are governmental activities which benefit from a consistent national approach or national coordination. In some cases, for example on climate change, a global approach may be needed. My concern is rather to ensure that the unique value of local government is recognised as part of a single system of government.

2.42 Despite all of this, in discussing the role of government, at any level, we should take care not to give it too great a share of the story. As I noted at the beginning of this chapter, government exists to serve and support society, but it is not the same thing as society, nor is government inherently necessary for collective activity and the benefits of such activity to exist. Even the architect of the welfare state, William Beveridge, was clear on that. His third report, *Voluntary Action*, published in 1948, argued strongly that self-help and voluntary action were a key contribution to a successful society, and that government should be wary of eroding the potential for such action. That remains an important lesson for us today.

Place-shaping

2.43 The modern role of local government can be described as ‘place-shaping’ – the creative use of powers and influence to promote the general well-being of a community and its citizens. It includes the following components:

- building and shaping local identity;
- representing the community, including in discussions and debates with organisations and parts of government at local, regional and national level;
- regulating harmful and disruptive behaviours;
- maintaining the cohesiveness of the community and supporting debate within it, ensuring smaller voices are heard;
- helping to resolve disagreements, such as over how to prioritise resources between services and areas, or where new housing and development should be located;
- working to make the local economy more successful, to support the creation of new businesses and jobs in the area, including through making the area attractive to new investment and skilled workers, and helping to manage economic change;
- understanding local needs and preferences, and making sure that the right services are provided to local people through a variety of arrangements including collective purchasing, commissioning from suppliers in the public, private and voluntary sectors, contracts or partnerships, and direct delivery; and
- working with other bodies to respond to complex challenges such as natural disasters and other emergencies.

2.44 Some have seen the place-shaping role as being in the main about physical development and regeneration, but it is actually a much wider role. Fundamentally, I see place-shaping as a way of describing my view that the ultimate purpose of local government should not be solely to manage a collection of public services, but rather to pursue the well-being of a place and the people who live there by whatever means are necessary and available. This does not mean that I advocate that the improvement of public services should become a lower priority than it has been in recent years. Rather, I think that wider local outcomes will be improved by a broader view of the locality's interests now and in the future, with local government's role in delivering and influencing services providing many of the tools necessary for place-shaping to happen.

Services

2.45 Total local government current and capital expenditure in England in 2005–06 was over £140 billion, funded from government grants, redistributed business rates, council tax, and various other forms of income including rents, sales, fees and charges. Local government spending makes up around 27 per cent of total government expenditure and supports a wide range of services. My *Interim Report and Consultation Document* provided a breakdown of local authority spending on services, and I do not propose to repeat that here, but detailed information can be found in *Local Government Financial Statistics England*, produced by Communities and Local Government. Table 2.1, below, provides a slightly simplified summary of local authority service responsibilities.

Table 2.1: Local authority responsibilities

	Met. areas		Shire areas			London		
	Single purpose	MD	SC/UA	SD/UA	Single purpose	City	LB	GLA
Education		X	X			X	X	
Highways		X	X			X	X	X
Transport planning		X	X			X	X	X
Passenger transport	X		X			X		X
Social services		X	X			X	X	
Housing		X		X		X	X	
Libraries		X	X			X	X	
Leisure and recreation		X		X		X	X	
Environmental health		X		X		X	X	
Waste collection		X		X		X	X	
Waste disposal	X	X	X			X	X	
Planning application		X		X		X	X	
Strategic planning		X	X			X	X	X
Police	X				X	X		X
Fire	X		X		X			X

MD=metropolitan district; SC=shire county; SD=shire district; UA=unitary authority; LB=London borough; GLA=Greater London Authority.

Source: *Local Government Financial Statistics, England, CLG*.

2.46 While this is useful context, debate too often focuses on which services local authorities are directly responsible for, as if this is the true measure of the importance and worth of local representative government. This is perhaps a reflection of the changes that took place during the 20th century, as particular responsibilities or powers were moved in and out of local government, and new welfare services developed inside and outside the formal scope of its responsibilities. It also reflects, particularly in more recent times, arguments about whether local authorities should own and provide services in-house or whether services should be privatised or commissioned from private and voluntary sector providers, which should really be a separate discussion.

Well-being and convening

2.47 A new conception of the role for local government needs to go beyond these debates to reflect the well-being and place-shaping agenda. The issues that affect communities and the lives of individual citizens are not confined to the organisational limits and boundaries of different service agencies. The work of these different agencies therefore needs to be brought together. That requires not just the joining-up of resources and activities, but also a leadership and influencing role to ensure that the efforts of all agencies are focused on the outcomes of greatest importance to local people. Local government is well-placed to play this convening role.

2.48 The local authority should have a role in representing the community interest and influencing any service that has an impact on local people, whatever the formal arrangements for the management of that service. That is especially important where those impacts fall on the community as a whole, or in a way which means that they are unlikely to be dealt with through the actions of individuals alone. Local authorities should be recognised as the body in the locality with the responsibility of bringing together the efforts of the public sector, and also of relevant parts of the private and voluntary sectors, to secure local well-being through a convening role. That is at the heart of what place-shaping is about.

2.49 Concentrating on the promotion of well-being also helps to cut through some of the difficulties involved in the debate on the role of private and voluntary sector provision. The focus should be on the objectives and outcomes from the service, and who sets and manages those, not about whether the service is ultimately delivered by the private, public or voluntary sectors.

Market-shaping

2.50 Local authorities also have the potential to use their power, particularly their purchasing power, and their long-term perspective to shape markets so that independent provision can meet the needs of individuals and communities, where the market may not immediately be able to do so unaided. Appropriate regulation and effective commissioning enable the reliable and trusted independent provision of services that might once have been seen as the prerogative of the public sector, for example in childcare and domestic care for the elderly.

Co-production

2.51 Many of the key governmental and public service challenges we face – from reducing obesity, to improving community safety or tackling climate change – require the active participation of citizens, communities and service users if efficient and effective outcomes are to be secured. Local government's ability to engage with individuals and communities in a direct way should make it well-placed to enable the 'co-production' of services and outcomes from public services – what has been described as "the missing factor – labour from the consumer – that is needed in every sphere of social endeavour".²⁵

²⁵ Boyle, D., Clark, S. and Burns, S., *Hidden Work: Co-production by people outside paid employment*, Joseph Rowntree Foundation, 2006.

2.52 This will be a critical role for local government in the future, working with individuals and voluntary sector institutions, as we seek to address complex and seemingly intractable problems that cannot be resolved through straightforward service delivery approaches. This is not just about providing services at lower cost, but, more importantly, about delivering services better suited to the needs of individuals, and thus helping to enhance satisfaction. In some cases – our impact on the environment and use of natural resources, for example – it will involve changing behaviours as well as engaging people more closely in provision.

Role in service delivery

2.53 There remains an important discussion to have about which services are best determined by local authorities, and which by other agencies, and the role which local and central government should have in determining the approach, standards and financing of those services. I do not propose in this report to come to detailed conclusions on all of the many services in which local government has a role, and how responsibilities and powers should be allocated between the different tiers of government. The detailed analysis and investigation required would be beyond my remit and my resources. More importantly, such conclusions involve a strong element of political choice – views of national entitlements and acceptable standards are inherently political decisions – and I do not wish to prescribe the job of the elected or of governments by implying there is a single right answer. Across the world, one can see that almost all services are delivered by a state, regional or local government somewhere in the world, even including services which have a strongly national tone in this country such as defence and social security. There are genuine choices here for governments and societies to make.

2.54 However, I do want to offer some observations in this report on specific issues that have come out of my work. In my May report, I set out the following principles which can help to inform decisions on which aspects of services are most appropriately determined locally:

- local variation in needs, preferences and costs of provision: if these factors vary, then the most efficient way to use resources will also vary between areas. Under this heading we should also consider the extent to which a service is seen as one to which people should have an entitlement as a citizen of England or the UK;
- local benefit: if the benefits of a service are felt by local people, then decisions taken locally will reflect the value people put on the service. This is particularly significant where the benefits fall on people as a group, rather than on specific individuals;
- local costs: if the costs of the service, both in financial terms and also in terms of environmental and other impacts, are felt by local people, and there are few spillovers onto other areas, then decisions should be made locally, again because they will better match the value local people put on the service;
- strongly influenced by the behaviour of the individual and with potential value from co-production: engagement with citizens and consumers can be easier and more effective if undertaken in a locally responsive and tailored fashion. This also suggests that if there are benefits in value for money or outcomes to be found by engaging users in the co-production of a service, then such services will benefit from local discretion;
- synergies and economies of scope with other local services which mean there are benefits from joining-up at the local level. If the quality of a service or the way in which it is delivered has an impact on the outcomes achieved by other local services, those should be taken into account when making decisions;

- limited economies of scale: if the savings to be made by managing or procuring more of a service are small, there is less of an efficiency argument for not managing it as locally as possible (taking into account the costs and difficulties of achieving economies of scale in practice); and
- potential advantages from innovation or experimentation to test and develop new approaches: we do not always know the most effective way to solve complex problems and the possibility of testing out different approaches in a smaller area, without risk to the whole of the country, offers potential benefits.

2.55 Later chapters of this report return to these points when discussing specific services on which I undertook more detailed work or commissioned research.

WHAT DO WE WANT FROM LOCAL GOVERNMENT?

2.56 There are many different ways in which we can summarise and analyse the opportunities and challenges that we face as a country and as a society. In my May report I highlighted five in particular:

- a rapidly changing global economy;
- demographic and socio-economic change;
- growing expectations of the responsiveness and customisation of goods and services;
- environmental pressures and climate change; and
- the changing nature of political engagement.

2.57 The Government has also recently published its own detailed analysis of the key long-term challenges and opportunities for the UK in preparation for the 2007 Comprehensive Spending Review.²⁶

2.58 In this report, I want to take a slightly different approach, building on this prior analysis, to identify four areas where I think local government has a significant role to play in delivering important outcomes that arise from the manifold opportunities and challenges we face:

- first, in providing safe and secure places to live in, where communities are cohesive and integrated;
- second, in helping to foster the greater prosperity which benefits individuals and allows us to fund public services, including engaging with the challenges and opportunities posed by globalisation;
- third, addressing the impact we are having on the environment by taking steps to make our lifestyles more sustainable through engagement with citizens and through the performance of its statutory functions; and
- fourth – and this needs to underpin all of our work if the overall system of government is to be sustainable – improving the level of engagement with, and trust in, our system of government, at both local and national levels.

²⁶ HM Treasury, *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review*, 2006.

2.59 I consider each of these issues in further detail below.

Building social cohesion 2.60 Social cohesion – the existence of mutual trust and relationships between individuals and communities of different backgrounds and characteristics – is an important quality for communities. The basic values of trust, respect and tolerance on which it is built are fundamental to life and economic activity in a modern democratic society. Social cohesion also contributes to quality of life and the attractiveness of communities, and its absence can create significant challenges for the maintenance of law and order, and detract from the sense of safety and security which can be so important to individual well-being. Indeed, the term ‘co-production’ was originally coined to explain why neighbourhood crime rates went up in Chicago when police stopped walking the beat and lost their vital connections with local community members.²⁷

2.61 Building and maintaining social cohesion is becoming more challenging and more important as our society becomes more diverse and more open to information, comparison and influence from elsewhere in the world, and as the ethnic and religious backgrounds of the population of the country become more varied. However, social cohesion is not just about ethnicity and religion. As the Commission on Integration and Cohesion has argued, “differences and tensions can arise between people from different age or income groups, different political groups, and within the boundaries of single ethnic groups”.²⁸ The nature of relationships between different age groups can be important; debates on anti-social behaviour, for example, show the importance of understanding and trust between people of different age groups. There is also a live debate among sociologists about the ways in which relationships between individuals in general are changing over time, with a general concern, perhaps most clearly set out by Robert Putnam in his work, that the links and trust between individuals are being eroded by modern lifestyles and attitudes.²⁹

2.62 Such connections are often referred to as social capital. Definitions of social capital vary, but the key elements include ‘neighbourliness’, belonging to social groups and networks, and taking part in local activities. Social capital may be seen in networks which bond individuals together through shared race, faith, social class or locality. But it is also needed to form bridges between communities, creating a wider and more inclusive identity leading to mutual understanding between people with different backgrounds. Building social capital can support a range of policy objectives. Research has shown that higher levels of social capital are associated with better health, higher educational achievement, better employment outcomes and lower crime rates.³⁰

2.63 The influences on social cohesion and social capital come from a variety of sources. Some are the reflection of wider trends in society and lifestyles, and many others are the result of national and international events and policies, including foreign and immigration policies. However, the characteristics of individual places and the relationships between people within them are also of great importance and, whatever the causes, any attempt to address deficiencies or develop greater cohesion must reflect the complexity of those places and people.

²⁷ Boyle, D., Clark, S. and Burns, S., *Hidden Work: Co-production by people outside paid employment*, Joseph Rowntree Foundation, 2006.

²⁸ Commission on Integration and Cohesion, *Our Interim Statement*, 2007.

²⁹ Putnam, R., *Bowling Alone: The Collapse and Revival of American Community*, 2001.

³⁰ Woolcock, M., ‘The place of social capital in understanding social and economic outcomes’, in *ISUMA* 2 (1), 2001.

2.64 Given the importance of local characteristics and relationships, and the need for locally relevant and sensitive solutions, local authorities, with their detailed local knowledge and ability to engage, should have a central role to play in building cohesion and helping to develop social capital. Engagement and action by authorities can provide the connections for integration and cohesion by developing trust and mutual respect within the wider community, building community identity and pride in place, and developing relationships between citizens within a locality. The Commission for Integration and Cohesion argues that the need to develop shared civic values is an opportunity for local government, and Ted Cante, who chaired the independent review into the disturbances in Burnley, Bradford and Oldham in 2001, has argued strongly that the local authority has to lead on social cohesion issues – and is particularly well-placed to support this by involving local people in building a compelling vision for the area, which everyone can understand and feel able to accept.³¹ It has not been something that local authorities have always seen as part of their role.

2.65 The principles for improving cohesion set out by Sir Robert Kerslake are a useful illustration of what local government can contribute in addressing challenges to social cohesion.³² They all require the detailed local knowledge and engaged and sympathetic approach from government that local government should be able to demonstrate:

- understand the changing mix of local communities and the challenges they face;
- recognise that there is a positive leadership role for councils to create a sense of belonging, standards and values for a community;
- create a level-playing field. Iron out issues of myths and perception by communicating why specific actions are taken for one neighbourhood over another;
- create a feeling of being part of the community by ensuring equal representation of all residential groups in local decision making; and
- prevent groups becoming isolated by helping new communities interact with those that are more settled.

2.66 The work on social capital conducted by the London Borough of Camden and the Institute for Public Policy Research since 2002, and Camden's response to the London bombings, shows how local authorities can engage in these issues.

³¹ IDeA, 'A diverse agenda: local authorities and local identity', 2006.

³² As cited in *Local Government Chronicle*, 11 January 2007.

Community cohesion in Camden

Camden is one of the most ethnically diverse parts of London, with a large Muslim population. The council sees promoting community cohesion through building and supporting mutual understanding and respect as one of its core roles.

It has taken a number of steps to reinforce cohesion through mainstream services, specific projects and partnerships with community and faith groups. These include a statement of common public values produced by the faith communities partnership, and the publication of a 'myth-busting' booklet about refugees and asylum seekers to tackle misconceptions and prejudice. In 2005 the Council ran its second large-scale survey on social capital to assess the state of community relations, neighbourliness and people's sense of empowerment, which is helping to inform service developments and cross-cutting strategies.

Community cohesion became especially important in July 2005 when Camden was at the centre of the terrorist attacks on London, with two of the bombsites located in the borough. In addition to working with the police, the community safety partnership and voluntary groups to provide reassurance, the Council took steps to address possible tension. In the days following the attack, it brought together local faith, community and civic leaders to demonstrate unity in defiance of the terrorists and reaffirm a shared commitment to a united Camden. It decided to go ahead with several community festivals, including the Bangladeshi Mela in Regents Park, even though it presented security and other risks, and also brought children from across Camden's schools together to provide a means for them to share their feelings and responses. These and other immediate steps succeeded in avoiding major community tensions.

Promoting economic prosperity 2.67 Government at all levels has a role in enabling individuals to create and benefit from wealth, with due regard to fairness and to environmental sustainability. Greater wealth can provide more choices, greater security and more opportunities for personal realisation for individuals. Greater prosperity can also fund the provision of better public services and support for vulnerable groups, by increasing the revenues that governments can raise through taxation – the 'cake' available to fund our collective ambitions for the country. Indeed, over the years a significant proportion of our growing national wealth has been used for new and expanded services and welfare support – for example, the introduction of pensions, other forms of social protection and also the creation and expansion of the National Health Service, as part of the development of the welfare state. Growth also allows us to invest for the future in the public and private assets like transport infrastructure and education which are necessary for our continued prosperity.

2.68 Our expectations of the potential for improvements and expansions in public services, and for the provision of more generous financial support to those who need it, are substantial – in part encouraged by the ambitions of successive governments. Not all of those expectations can ever be met, but a focus on continuing the growth of the economy offers the potential to meet some of them as tax revenues increase.

2.69 While it is in the main private sector activity and investment that generates economic growth, government and the public sector do have an important role to play in setting frameworks, dealing with collective issues and trade-offs and intervening to address market failures. Fostering economic prosperity and growth needs to be a shared objective for all levels of government. Many critical factors, including basic legal and financial frameworks, monetary and most aspects of fiscal policy, and international trade arrangements, are clearly national responsibilities.

2.70 The performance of the UK economy in recent years has been enviable, with the longest period of unbroken growth on record combined with historically high levels of employment and low levels of unemployment and interest rates. The Government's economic reforms must be given a substantial share of the credit for this, with the OECD stating that "this performance is a testament to the strength of the institutional arrangements for setting monetary and fiscal policy as well as to the flexibility of labour and product markets".³³ However, as noted earlier, recent economic theory and analysis identifies local factors and institutions as important influences on economic change and growth, and emphasises the importance of sub-national economies being able to respond to the challenges of both growth and decline.

2.71 Local government thus has a part to play. It already has many powers and responsibilities relevant to economic development and prosperity, not the least of which are its responsibilities for land use planning. Given the wide range of factors that contribute to a successful economy, and the unique characteristics of each local economy, it is desirable that the agencies which seek to improve economic prosperity should have a wide range of powers, and the capability and legitimacy to influence and guide others. Local government is well placed to do that, and studies have shown the importance of strategic capacity and leadership in local government in achieving economic growth.³⁴ The case study of Sheffield below shows how local government can respond to changing economic conditions.

Economic Development in Sheffield

For the first half of the 20th century Sheffield prospered as a producer of high quality steels and cutlery. However, during the late 1970s and 1980s, it suffered a severe economic shock from the loss of jobs in steel and manufacturing as its major industry struggled to compete with a range of new producer countries in a world economy where steel capacity was running ahead of demand. Within a decade the city had lost a quarter of its jobs. This heavy reliance on steel production made Sheffield's challenge in modernising its economic base greater than in many cities of comparable size.

Sheffield has recovered impressively over the past ten years from a very low point. Gross Value Added per head has increased at a rate matching the best of the major cities in the UK, business growth has been strong in key industries, investor confidence has returned to the area and unemployment has fallen significantly to converge with the UK rate. Key contributions to this progress have been the pivotal leadership role played by the Council in harnessing the strong sense of partnership in the city, and the use of innovative arm's length arrangements that enabled a clear focus on economic objectives and an unremitting focus on delivery.

In an increasingly competitive environment, the Council's focus is now on targeting new objectives. They want to accelerate the growth of knowledge-based businesses, capitalising on the excellent research facilities of Sheffield's universities and business innovation capacity, and inculcating a far stronger sense of enterprise, particularly in Sheffield's more deprived areas. They would also like to significantly increase educational and skill levels throughout the city. The Council hopes to extend the success of the city centre renaissance into other parts of the city, and to strengthen the overall marketing of the city. This includes capitalising on Sheffield's environmental and cultural assets in order to position the city in the UK and internationally, raising its profile as a competitive location for knowledge economy businesses and promoting it as a key tourism destination.

³³ OECD, *Economic Survey of the UK 2005*, 2005.

³⁴ See, for example, Kauffman, Leautier and Mastruzzi, 'Governance and the City: An Empirical Exploration into Global Determinants of Urban Performance', World Bank Discussion Paper, 2004 and Parkinson et al., *Competitive European Cities: Where Do The Core Cities Stand?*, ODP, 2004.

Sustainable environmental policy 2.72 As we pursue greater economic prosperity, undeniable scientific evidence is making it increasingly clear that we also need to face up to the threats posed to the sustainability of our planet's environment and natural resources.

2.73 Sir Nicholas Stern's recent report, *The Economics of Climate Change*, has demonstrated that, without concerted action, global warming will have a significant impact on societies and economies across the world. However, it also shows that action is possible, and is more efficient than doing nothing. Taking action to ensure we are using resources in a sustainable way is necessary if we are to maintain our quality of life and economic progress, and to secure them for our future and for future generations.

2.74 There is also a range of other pressures on natural resources and the environment which should not be forgotten. Ensuring that we use finite resources effectively, and that we balance economic development with environmental protection and the protection of biodiversity, are all significant challenges, again with important implications for our quality of life and the sustainability of our lifestyles.

2.75 Tackling environmental problems like these often requires collective solutions as the impacts do not fall solely on those who consume resources or undertake certain forms of activity. Sir Nicholas Stern has described climate change as "the greatest market failure the world has seen", requiring governments and societies across the world to act to reduce carbon emissions. Some of the environmental challenges are less global than climate change – ensuring sustainable and appropriate mixes of land use within a country or a community, for example – but they still require collective solutions and often a greater or lesser level of government intervention in the operation of the free market, whether at national or local level.

2.76 Local approaches and solutions are particularly relevant to the issues with a more local focus. Local authorities are responsible for the development of local plans to regulate land use, for waste management and for other aspects of the natural and built environment. They can make a very substantial contribution to sustainable development through their statutory responsibilities and through their wider place-shaping responsibilities for the well-being of their citizens and communities.

2.77 Local government can also make a significant contribution to even the most global of challenges, such as climate change. While local authorities cannot solve such problems alone, it is clear that the sense of responsibility felt by local people, local politicians and local authorities as institutions to the world and to the future of their places has led to action on this issue. A good example of local authority commitment in this area is the Nottingham Declaration, a voluntary pledge to take action on climate change, described in the box overleaf.

The Nottingham Declaration on climate change

The Nottingham Declaration is a voluntary pledge committing local authorities to take action to address the causes and impacts of climate change. It commits them to:

- work with central government to contribute locally to the delivery of the UK climate change programme;
- prepare a plan with their local community to address the causes and effects of climate change;
- commit, within that plan, to reducing greenhouse gas emissions produced by the Council's own operations;
- work with and encourage all sectors of the local community and key service providers to reduce greenhouse gas emissions and to assess, identify and suggest ways to adapt to the potential effects of climate change; and
- provide opportunities for the development of renewable energy generation in their area.

Advice and support helps councils to reduce their greenhouse gas emissions and help their community adapt to the impacts of climate change through developing a community-wide strategy, and focusing on council estate management, services provision and their role as community leaders.

The pledge was originally launched in 2000, and re-launched in December 2005. Over 200 councils have signed up to date and examples of the work being done include:

- Kirklees Metropolitan Council, whose SunCities project involved installing solar electricity panels and hot water panels on six care homes, two schools and around 500 homes. Kirklees now generates 4.9 per cent of the UK's solar electricity.
- Brighton and Hove City Council, one of the earliest signatories to the declaration, whose all-encompassing approach to sustainable energy extends from in-house green procurement policies, to the design of their public library – the most energy efficient public building in the country.

Further details on the Nottingham Declaration, and the councils who have already signed up, are available from: <http://www.nottinghamdeclaration.org.uk>

2.78 A number of local authorities, including Woking (which featured as a case study in my May report), Nottinghamshire, Shropshire, Cornwall, Leicester, Nottingham, Lewisham and High Peak have taken this agenda particularly seriously and sought to minimise the carbon impact of the authority and the community. In the future, new frameworks and expectations which may be introduced, such as the emissions trading schemes advocated by bodies such as the Sustainable Development Commission, could further enhance the importance and necessity for local action on this issue.

2.79 Addressing climate change and sustainable development will require individuals, as well as governments, to make different decisions. Here there is another role for local government. While people's 'environmental literacy' is increasing all the time, there is more to do to explain and influence behavioural change. Local government's closeness to the community should enable it to contribute to this as well, for example through work with schools and community groups.

Satisfaction and trust in government 2.80 The final challenge that I believe exists for local government (and, indeed, for central government) is to address levels of trust and satisfaction among the public. Neither of these concepts are necessarily inherently desirable – many would argue that citizens should not trust governments because of the risk that those with power will be tempted to abuse that trust, and the fact that it is very difficult for any individual citizen to know enough about the processes and decisions of government to be sure that they agree with the decisions taken. Nevertheless, if we are to completely ignore criteria such as this, we are left with little means of assessing the health of our democracy. A lack of trust is a problem for today because it makes it more difficult for governments (including local government) to make difficult trade-offs and reconcile conflicting views within the local community while retaining support. It is also a problem for the future because it weakens the breadth of our political culture, and is likely to make it more difficult to build participation in politics from across the community at both political and officer level, and to motivate people to engage in public service, whether in local government or in other local agencies of government such as local health trusts.

2.81 Trust in government and politicians in the UK, and participation in politics through the most obvious route – voting in elections – is low and, while it varies from election to election, appears to be on a downward trend. Analysis, including that of the Power Inquiry, has diagnosed a population less and less willing to engage with formal political processes such as party membership and voting in elections, but more interested in pursuing interests through single-issue campaigns and boycotts.³⁵ Thus, the problem may not be one of a lack of interest in politics arising from contented apathy, but failure in the systems and institutions of government.

2.82 We should not be alarmist in this analysis. It is true that trust in politicians is low, and in an Ipsos MORI survey in 2006 72 per cent of the public said they did not trust politicians to tell them the truth, compared to 5 per cent not trusting doctors and 56 per cent not trusting business leaders.³⁶ But that level of distrust has remained fairly constant over the past 25 years – 75 per cent did not trust politicians to tell the truth in the same survey in 1983. That is nothing to be proud of, but it does suggest that we are dealing with a long-term problem, not a new crisis.

2.83 Local government as an institution also suffers from problems with public trust, and the public are less likely to trust their local councils than other local public sector organisations such as local hospitals or the local police force. In 2003, 48 per cent of survey respondents did not trust their local council very much or at all compared to 18 per cent for local NHS hospitals and 24 per cent for the local police force.³⁷ This is perhaps not entirely surprising, given that local authorities are responsible for less popular activities such as taxation and regulation, not just the provision of widely-supported public services.

2.84 Local government also has a particular problem with public perceptions of fairness, linked both to concerns about ‘postcode lotteries’ and to concerns about council tax. But fairness can often be an ill-defined and highly contested concept, meaning different things to different people at different times, and consensus on what is fair is almost certainly impossible. For example, in relation to the financing of local public services, many people wrote to the Inquiry to complain at the unfairness of the council tax, but they did not agree on what that unfairness was. Some thought it was unfair that council tax did not take account of someone’s ability to pay. Others, on the other hand, thought that it was unfair that it was not a flat rate tax for service use.

³⁵ Power Inquiry, *Power to the People*, 2006.

³⁶ Ipsos MORI, for the Royal College of Physicians. Base: 2,074 GB residents, aged 15+, in-home face-to-face, October 2006.

³⁷ MORI, *Trust in Public Institutions*, Audit Commission, 2003.

2.85 Addressing these problems will be a complex and lengthy task, but it is an essential one. It is one in which local and central government have a joint interest, as I believe that what undermines trust in one part of government is likely to colour people's opinions of the wider system of government. A blame game between local and central government, and the lack of transparency in decision-making, damages opinions of government and politics at all levels.

2.86 Addressing the issue of fairness in particular is both important in its own right and essential if other reforms are to succeed. People's worries about council tax and the provision of services in their area are real and deserve careful consideration. But when concerns about council tax dominate discussions about local government to the extent that they do now, it can become very difficult to take a wider view of what sort of governance we want in this country and what reforms might take us there.

2.87 Local government has the potential to contribute to increasing public trust in government as a whole. Trust and involvement are built through responsiveness, choice and voice. Local government can thus help to strengthen the relationship between the individual citizen and the state through measures to build trust, honest taxation and a recognition that people do want to be able to influence government and public choice decisions. There is a risk that if local government – the most immediate level of government and the one with which people are most likely to engage – has too little flexibility and scope to respond to views, this can contribute to a more passive, less connected citizenry. That means engagement is crucial, and given that most people will not want to be directly involved most of the time, it puts a premium on clear lines of responsibility, good information, good feedback and elected representatives who are able to make a difference, be held to account and challenge the authority and expose it to scrutiny.

2.88 Local authorities can also contribute to improving fairness and social justice (and perceptions of fairness) at the local level, through the services they provide and more widely through their responsibility for the well-being of communities. There is inevitably a need for local authorities to make difficult decisions which benefit some people and disappoint others – and therefore a critical need for them to engage with communities to inform and validate those choices, and to explain them so people can understand why they were made. Understanding the difficulties involved in making choices locally can, I believe, help citizens to feel the decisions themselves are fair ones, even if they are not the choices they themselves would prefer.

CONCLUSION

2.89 To address the challenges and opportunities of the future, we need government as a whole to be flexible and responsive, able to react to economic and social change, and engaged with citizens. I believe that local government has a crucial part to play in that overall system. The place-shaping role, which I have set out in this chapter and in earlier work as the strategic role for local government, is intended to be a role that local government can play across a wide range of agendas through responding to local needs and preferences and in shaping and managing difficult social, economic and political issues. It is important to see this as part of a single system of government – it should not be a competition between local and central government for a finite amount of legitimacy, power and resources, but a shared agenda to which each brings particular skills and advantages.

2.90 However, we do not at present have a local government system which is likely to support or enable all local authorities to take on this place-shaping role. The following chapters of the report therefore consider the problems and barriers that currently exist, and then set out a series of recommendations and challenges on function and funding. Both central and local government will need to respond if we are to succeed in developing the confident and responsive local government we need to play its part in our overall system of government.