

THREE PAPERS ON NEW LEGISLATION AND THE CONSTITUTIONAL EFFECT ON LOCAL GOVERNMENT

Paper One: Centralisation, the Common Denominator in Local and Central Plan Strategies

Des McConaghy

Today's debate is about public accountability. It concerns us all regardless of party politics because we are a highly centralised unitary State without regular patterns of regional authorities, with no guaranteed local powers or local institutions and with no written constitution. And within this unitary State, for the last couple of decades or so, the fortunes of local government have steadily declined, almost by stealth, without any significant outcry from the mass of people. One good thing about the Government's ill-considered 'rate-capping' and 'abolition' proposals is that 'Local Government' may become a major national issue.

Therefore we should use this opportunity not merely to defend the *status quo*, important though that may be, but to address the wider circumstances of local government's decline. The general pros and cons of the Government's specific proposals are familiar enough to this School and I shall not encroach on the territory of my colleagues from West Yorkshire and Bromley who can detail them more competently than myself. So I shall look at the defects in our system of financing councils which led to these draconian measures, and at our central planning system which continues to 'turn the screw'.

I shall argue that a programme of ministerial take-over of the finance and functions of local government is an integral part of the system of local government finance. As to the question of 'strategic levels' (the 'veil of tiers') all agree, do they not, that this cannot be resolved outside wider financial reforms. Therefore unless we use the topicality of the present crisis to grapple with the important forces leading to it then—even should this Government be defeated in its proposals—local government will be hammered once again, sooner or later. Finally, inevitable charges of 'special pleading' are best overcome if objections are accompanied by sensible plans addressing these wider constitutional

issues. I will offer two as a basis for controversy.

Centralisation

I ranged around for a title, so I had better explain it. We can agree about the aetiology of centralisation: the exponential rate of technological progress and massive concentration of economic and political power in ever widening global communities. This naturally finds its mirror in the domestic economy and in the way governments organise their business. The adoption too of Keynesian economics after the war, and new social welfare packages, had already combined to make the management of our modern economy an overtly centralised activity. More recently, large-scale and structural unemployment (themselves problems of the technological crisis), depressed regions and so on, all led to greater dependence. None of these factors is going to go away!

World recession and the whiplash of monetarism combined to make this centralism more starkly apparent. Now I

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am simply not convinced that we have ever addressed ourselves to the political diseconomies of modern centralisation as set out today: the relevant Royal Commissions, 'Layfield' or the various governmental Green or White Papers. We might have asked "What are the constitutional implications of this inexorable centralisation for local democracy?" But we did not! So the prevailing trend everywhere has been towards local government by central administrative instruction: a trend recognisable at least two decades ago and more in evidence since the oil crisis of the early 1970s.

This evidence of rapid centralisation offends British notions of 'constitutionality'¹ although strictly speaking there is nothing unconstitutional about it. The British have a tradition, too, of administrative centralism with the Treasury at the centre of everything. Indeed this concept of 'constitutionality' (a necessary dispersal of power) is itself controversial—and not very egalitarian. Perhaps in her haste to get into 'top gear' Mrs Thatcher has damaged the gear-box that ministers of all parties like to use. In any event, given the social and economic causes of centralisation, is there a plausible reverse gear that does not sacrifice the egalitarian principles of central support?

The common denominator

I return to my title: "the common denominator". Democracy is not dividable! For example, a healthy system of local democracy could not exist in a totalitarian state. Can one neatly separate, as Layfield proposed and as the Labour Government rejected, local and central accountability? I think not. In any appraisal of local government and central government relationships, government itself is the common denominator. Throughout all Europe the political economy of local government is so completely intertwined with and determined by central government that

almost any example of local government's problems leads you back to the door of government itself.

Central governments always carry at least as much of the praise or blame as local government for the state of local finances. The recent Audit Commission Report illustrates this dramatically.² The block grant crumbles at an ever increasing pace and the Commission has 'rubbished' it with another mighty blow. However, the blame rests where it falls, with the Government itself, and that mad bureaucrat's paradise, its rate support grant.

For all major questions of accountability governments correctly invoke the sovereignty of Parliament; but to what extent is this a 'democratic gloss' when curbing, or sweeping away, the powers of subordinate councils? In 1981, at the height of the row between Lothian and the Scottish Office, I asked Malcolm Rifkind (then Minister) if his new powers of central control did not just shift the need for accountability to the centre. He agreed—but desperately threw in the safeguard of needing Parliamentary Orders in acting councils.³ Therefore any consideration of local accountability leads back to the effectiveness of central accountability. I quote Joel Barnett: "The present position whereby huge sums of money are granted to the Government virtually without debate is quite intolerable in a directly elected Parliament".⁴ It is relevant to ask how MPs can say what Kirkcaldy (or Kent) should spend when they vote through many billions in supply estimates 'on the nod', and when they have no effective means of debating the Government's own public expenditure plans. How can Parliament vote for orders determining the budgets of councils throughout the country when its own control of expenditure remains notorious?

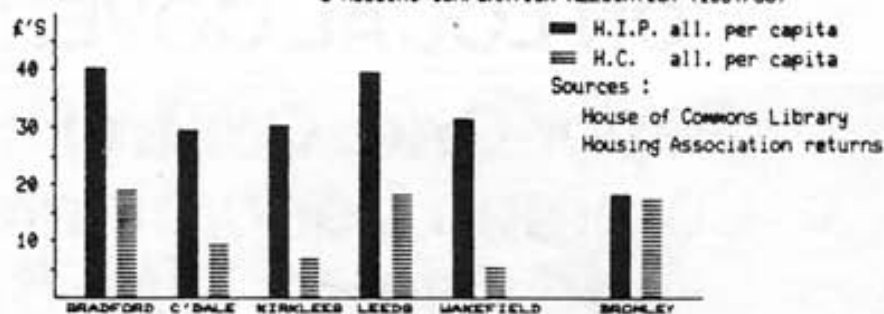
Inevitable takeover

The seeds of all this were sown well before the 1974 reorganisation. I refer to the perfidious nature of alleged central 'disengagement', the bias against special purpose funding for councils and consequent over-dependence on the rate support grant. Financial relationships between central government departments and between central and local government departments are necessarily crude. One exception is the rate support grant which aims at perfection: but if one tries to perfect something inherently ridiculous, one just gets something perfectly ridiculous!

It is absurd for this reason: a refined calculus in which every source of varying need is reflected in a variation of central grant has never been compatible with either efficiency or local independence. Special-purpose finance was always needed for additional tasks that were too

INTER-AGENCY INFORMATION: For example this housing slide from the CPP database shows the crucial importance of adding agency (Housing Corporation) allocations to Local Authority allocations if one wants a true picture of public sponsored activity.

COMPARISON BETWEEN WEST YORKSHIRE & BROMLEY - H.I.P. ALLOCATION & HOUSING CORPORATION ALLOCATION (1984/85)



'lumpy', or otherwise exceptional, for a formula-based grant. 'Inner Area' problems of the late 1960s were one example of the latter. Exceptional development tasks, like Tyne and Wear's Metro, were another. We needed to hammer out common principles for the operation and control of such priority funding, based on a locality's own expenditure-based plans. TPPs, and TSG, are examples which gave both shire and met. counties some 'strategic dignity'—and various central spending departments made similar uncoordinated attempts; but the whole principle was and is disliked by the DoE.⁵

So the grant was made to do more and more with less and less, while special tasks and problems multiplied in our post-industrial society; and these were increasingly beyond the resources of local communities. Therefore, since ministers had to be seen to be taking action, bipartisan support grew for transferring functions to special-purpose agencies with separate financial regimes. Mrs Thatcher's instant conversion from 'quangocide' can be easily explained: appointed boards had become an integral part of the system.⁶ Thus *ad hoc* priority funding continues through a growing plethora of agencies leaving local government no clear strategic funding capacity. Without 'strategic funding' you cannot have 'strategic functions' and districts have to part with the exceptional executive tasks, in particular where they most occur, in urban areas. A future Labour Government could pepper appointed boards from health to housing with their appointees including, following 'abolition', the new Met. and London Boards. And under the 1980 Act good reasons could be found for setting up urban development corporations in outer London boroughs!

Central and local plans

At the very centre the Treasury's main concern remains that public expenditure survey ceilings be held and that its sums add up. The dislocation of central planning and local government planning,

etc is of little interest to Treasury planners. There was always some doubt about Treasury intentions in following the 1961 'Plowden' proposals for public expenditure planning. What cannot be in doubt are the technical rewards this brought for central control and the more chilling achievement of transforming such mechanisms into a non-objective-orientated annual budgetary sum. As a control system PESC is one of the best in the world, but it is fundamentally weak in terms of accountability.⁷

So the central planning system provides no coherent link between the management of the economy and territorial or strategic tasks, no built-in constituency dimension. In the high-spending 1960s this commonplace conflict did not matter: enough wealth trickled down to nourish subordinate democratic forums. But it became critical with the end of the growth in public expenditure, and when large across-the-board cuts randomly disturbed existing equities throughout the system. The Treasury still holds the line that Crosland's Consultative Council is local government's framework for discussion; but as all our LG Associations, and COSLA in Scotland, well know, categorically there is no framework for debate.

In a word, the system is 'dictatorial'; sooner or later it had to sponsor an attack on alternative centres of power at their financial and electoral roots. Currently the Treasury exploits Mrs Thatcher's dislike of local government to fulfil its long-standing ambition to take control of £30 billion council spending; but what of local planning?

DoE planners' ideas grew in a vacuum. Throughout the critical reorganisation period they bitterly resisted local government expenditure-based planning innovations on the completely spurious notion that, one day, their development plan system would link the management of the economy to local planning through regional plans, structure plans and that kind of matter. This was always conspicuous rubbish, never related to the realities of public administration or

finance at any level of application.⁸ Local government 'structure planning' could never have become operational in the way envisaged by the DoE.

The Scots did try a different, and highly intelligent course by promoting financial planning in the 1970s to bring the new authorities into a collaborative process within the PESC cycle. Bruce Millan as Labour Scottish Secretary, and Dingwell-Smith at the Scottish Office set out to realise the Wheatley Commission's inspiration that "local government should be enabled to play a positive part in the running of the country". The system would be a framework for "regional reports" (structure plans), Transport Plans and Programmes (TPPs), Water/Sewerage Programmes, housing plans (HIPs) and much else. But staff work went into the capital side⁹ whereas the crunch had to come on the revenue side. It is easy to say with hindsight, but they should have spearheaded financial planning with special-purpose finance for priority tasks, keeping a simple grant formula for routine services. Even then the Scottish tail couldn't wag the Treasury dog and the whole system failed amid confusion and acrimony.

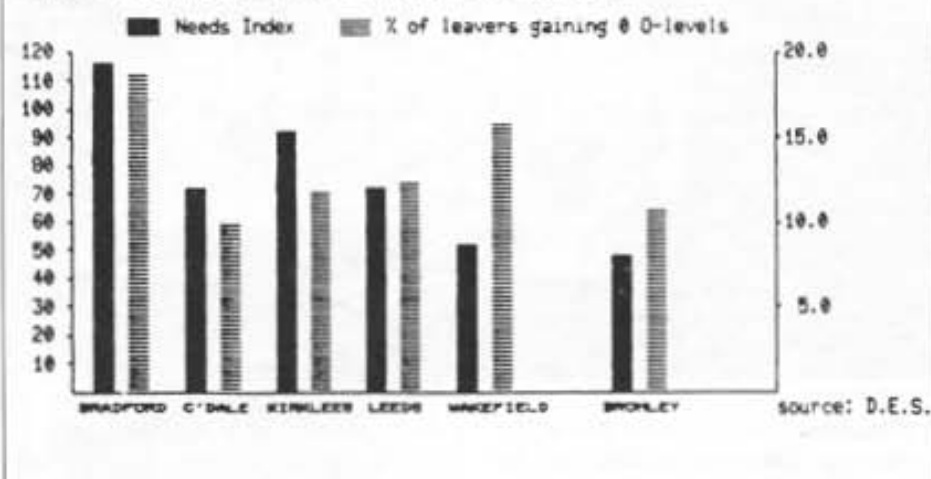
The budgetary haze

By now it should be crystal clear that our quest for public accountability involves a great deal of the machinery of government; there can be no isolated islands of sanity. We have seen, too, that Whitehall has no tradition of financing expenditure in an accountable way. The point can be dramatically illustrated in Northern Ireland where most local services have been centralised under a pyramid of quangos. A Secretary of State has been striking local rates since 1972; but this rate remains a "hypothetical rate" with no relationship to expenditure. Centralised services lost their separate

Capital Planning Project - location of premises



INTER-AGENCY NEEDS : For example, this Education slide from the CPP database demonstrates how a wide discrepancy in needs and performance calls for strong CENTRAL discrimination and consequent loss of autonomy.



identities and "as normal parliamentary financial controls did not require it, no separate accounts of their costs have been kept by administering departments".¹⁰ Perhaps Dr Rhodes Boyson, Northern Ireland's Finance Minister, could demonstrate to us all how to strike a local rate that is not 'excessive' or 'unreasonable' before Parliament is asked to cap our rates!

Generalities emerge from Scotland and Northern Ireland that apply increasingly in England and Wales. Here I refer to the 'budgetary haze' that is always the handmaiden of centralisation. It is the condition, too, of arbitrary power, extreme but fairly recent examples being National Socialist and Stalinist chaos. The present 'budgetary haze' is now creeping across urban society. For example, when I was campaigning for official inner urban initiatives from Liverpool in the late sixties, local government in the area now

coinciding with Merseyside County Council accounted for over 60% of relevant public expenditure. By 1975/76 this was only 49%, and just before the 1981 Toxteth riots our elected members' share was down to 38%.

The Urban Development Corporation (UDC) has already joined our enormous list of 'quangos' administering health, water, much of housing, employment services and, increasingly, education. So the proportion of accountable spending by directly elected councils falls still further. By 1985, if 72% of Met. County services are transferred to boards with centrally controlled budgets, the proportion of accountable local spending will drop yet again. At this rate of decline our English urban areas have about six years to reach the total collapse of politically accountable control found in Northern Ireland.

A couple of plans

My point is clear: we are locked into a programme of centralisation which entails a progressive loss of accountability at both local and central levels. Back in 1972 Evelyn Sharp ("the Dame" in Crossman's Diaries) told me "we will move towards some form of modified prefectural system". We seem to be on some such course. Local government has little political leverage but fortuitous events now place it quite high on the political agenda. I cannot be too hopeful that a politically divided and diminished institution will get its show together; but adequate plans to bulwark local democracy must address the inexorable forces of centralisation and bite at all levels. I promised a couple of ideas "as a basis of controversy" . . .

The first tackles the issue of this paper in a traditional way:¹¹ demand that the workable proposals of the Audit Commission's August Report be



Toxteth burning 1981

implemented (a simple grant that works being better than a sophisticated one that will never work; a reduced percentage of relevant expenditure when governments want to reduce expenditure; abolition of targets different from GREAs). The Commission's proposals for three-year planning cannot work: as the Treasury has said, "no plans are immutable"! But split off a fraction of Block Grant towards 'strategic priority tasks' covering allocations of supplementary capital and revenue grants on the basis of councils' expenditure-based plans. Place annual allocations in a politicised framework of debate within the PESC round: a "cutting edge" to parallel the Consultative Council.

Establish this priority funding as a separate line in the Government's public expenditure plans. As a very small proportion of local expenditure and a yet smaller fraction of overall public expenditure, set up a three-year rolling programme (providing a secure planning 'lead time') with a call on the Treasury's Contingencies Fund as a last resort. Finally, form a Select Committee to report annually on the deployment of

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priority local funding. Nothing here needs new legislation; but note that there is still no statutory authority whatsoever for any payments from the Contingencies Fund: the Treasury admits this needs tidying up! But if massively used to restore 'democracy' in the Falklands it could stand by to serve the cause at home! *Quod esset faciendum!*

The second plan transforms the problem and meets it in an entirely new way. Our crisis is, at base, a crisis of technology which our governmental apparatus (and that of socialist societies) was not built to handle. It seems appropriate, therefore, to use the most advanced technology to bulwark public accountability in a manner commensurate with the 'information revolution'.

Centralisation has seen such a fragmentation of agencies that it is now difficult for anyone (including government itself) to know what is really going on in any one area. Directly elected members have to have knowledge crossing all public jurisdictional and institutional boundaries, to reassert their interest in the key "Life Chance" services. Almost a year ago, six young

unemployed Merseyside graduates, helped by the Manpower Services Commission (MSC) and Merseyside County Council, set up a national data-base on the exact spot where the 1981 Toxteth riots erupted. By May 1984 the data-base covered the entire range of local programmes, their expenditures, needs and full demographic data for all parts of England. Automated routines instantly cross all boundaries and aggregate or disaggregate up or down to any levels. The inspiration is Stafford Beer, a member of our Project Committee, who first built public information systems for Allende in Chile. He points to the relevance of good cybernetics to our debate: "the polarity between centralisation and decentralisation—one masquerading as oppression and the other as freedom—is a modern myth . . . Hence the systems I have to tell you about are designed for workers to use, as well as ministers".¹²

I include a random computer slide including some facts nobody has seen before about the authorities of this morning's speakers (see more on PRESTEL 482312). Now if six young people can achieve this in a year one might think that local government could manage an information revolution of its own: information power on which to build a "Platform for Change"! So here are two plans, and there are many others. But if we are to limit criticism to a defence of the *status quo*, then our last state must be worse than our first.

Notes and References

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