



# **Power for People and Communities**

**Policy Paper 130**

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## Contents

<b>1. Introduction</b>	<b>4</b>
1.1 Principles and Overview	4
1.2 Scope of the paper	6
<b>2. Devolution Revolution</b>	<b>7</b>
2.1 Parish and Town Councils	7
2.2 Strengthening Principal Local Authorities	8
2.3 Devolved Authorities	10
<b>3. Local Government Fit for the Future</b>	<b>12</b>
3.1 Elections and Political Balance	12
3.2 Openness and Inclusivity	13
3.3 Role of Councillors	14
3.4 Finance	15
<b>4. Community Empowerment</b>	<b>18</b>
4.1 Local Government and the Voluntary Sector	18
4.2 NGO Campaigning	19
4.3 Provision of Services by Voluntary /Not for Profit Sector	19

## Executive Summary

Liberal Democrats believe that:

- Community is the arena in which individuals are able to co-operate with others to achieve their personal and shared goals.
- Democratically elected local government is the key public institution which enables local communities to work effectively together.
- Voluntary community action is also essential to creating a vibrant civic culture, both to express local communities based on place and non-geographic communities of interest.

Liberal Democrats regret that in England government is highly centralised, with central government having far more power relative to lower tiers of government than in almost any comparable democracy, and its attempts to micromanage local decisions and delivery of local services frequently lead to ineffectiveness, waste and a feeling of alienation and disempowerment. We are disappointed by the inadequate progress towards a devolved tier of democratic government within England, with serious consequences for the uneven economic and social development of the regions of England.

The Liberal Democrat vision for the empowerment of people and communities in England should be based on the principles of:

- Decisions being made at the lowest practicable level.
- Openness.
- Inclusivity.
- Representative elections.
- Financial empowerment of democratically elected authorities.

Liberal Democrats will devolve power to the lowest practicable level by:

- Removing barriers to the creation of additional Parish and Town Councils, as well as of neighbourhood forums in areas that so choose.
- Strengthening the powers of principal local authorities over key areas such as education, health and care, transport, planning, housing and the environment.
- Abolishing the role of Police and Crime Commissioners.
- Aiming for the creation of a democratically elected devolved tier across England to be achieved by the end of the next Parliament, using existing local authority areas as the building blocks.
- Ultimately locking in the new settlement for England as part of a Written Constitution for the UK as a whole.

Liberal Democrats will make local government fit for the future by:

- Introducing elections by the Single Transferable Vote in multi-member constituencies for all levels of local government.
- Increasing the openness of decision making, including by requiring webcasting of all council meetings and strengthening transparency rules on council-owned companies and planning decisions on council owned land.
- Increasing the inclusivity of councils by supporting the use of all-women and all-disabled shortlists as a way of correcting underrepresentation as already provided for by law, and legislating to allow for all-BAME shortlists.
- Encouraging the use of deliberative consultation methods such as Citizen's Juries.

- Strengthening the role of individual councillors, for example by giving them a formal right to hold service providers to account in their own ward.
- Empowering Councils over their own finances, including by ending the current capping regime, giving them enhanced powers to call on new income sources appropriate to their area which should be linked to local activities and support local services and investment, and by giving them enhanced borrowing powers, including the power to borrow to enable and deliver housing and required local infrastructure.

Liberal Democrats will strengthen the community and voluntary sector by:

- Updating and renewing the Compact between Government and the Voluntary Sector.
- Implementing the recommendations of Lord Hodgson's review of the Lobbying Act (only applying regulations to campaigns intended to influence votes for candidates).
- Seeking a better balance between 'payment by results' contracts and grant funding, to allow some costs of voluntary organisations to be supported.

Amending the Social Value Act so that service commissioners have to 'take into account' rather than just 'have regard to' social value in procurement decisions.

## **1. Introduction**

### **1.1 Principles and Overview**

1.1.1 Empowering people to have the maximum control over their own lives is fundamental to the thinking of Liberal Democrats. To some extent this can be done by protecting individual rights – the basic civil rights such as freedom from imprisonment without trial for example. However, all individuals are interdependent, and in many important ways we can only empower ourselves by empowering the communities of which we are part. No-one can enjoy a clean, safe area in which to live with a wide range of economic, social and cultural amenities without working together with their fellow citizens to bring this about.

1.1.2 Community is essential to individual flourishing, but a liberal vision of community is one where community decision-making is limited, responsive, democratic and open. Otherwise collective action can become oppressive. This means that decisions should always be taken as locally as possible, where there can be the closest relationship between citizens and their representatives.

1.1.3 However, in England government is highly centralised. Labour and Conservative governments over decades have brought about a situation in which central government has far more power relative to lower tiers of government than in almost any comparable democracy. Central attempts to micromanage local decisions and delivery of local services frequently lead to ineffectiveness, waste and a feeling of alienation and disempowerment.

1.1.4 Bureaucrats in Whitehall and politicians in Westminster perform this micromanagement by the creation of laws and Statutory Instruments and enforce their rule through a series of inspectorates and regionally-based bureaucrats such as Regional Schools Commissioners:

- Planning decisions made by people with local knowledge and a local mandate can be overturned by a bureaucrat in the Planning Inspectorate.
- There are regulations about bollards, parking fines and bus lanes.
- Central government decides how many houses we need to build to meet the needs of our communities.

- Cabinet Ministers answer questions in the House of Commons about tiny matters.
- Most parts of central government such as the Health Service have little local discretion to create local solutions to local needs with local partners but wait for direct instruction from central government.

1.1.5 This is rigorously enforced by the financial controls that Westminster imposes. The theory of localism and do what you think is right is supplanted by 'he who pays the piper calls the tune'.

1.1.6 In contrast, Liberal Democrats think that this centralisation is wrong. Liberal Democrats believe that decisions over policies and spending should be made at the lowest possible level. These levels will be different for different types of activity.

1.1.7 Liberal Democrats want to break the power of Westminster and Whitehall over issues of which should rightly be decided by those who have a clear understanding of the nature of problems and can devise local solutions.

1.1.8 The lowest level would be the village, town or neighbourhood – depending on where you are this could be anything from a tiny village of 200 people, to a substantial urban neighbourhood of over 10,000 people. Then existing strong tiers of principal local government, serving districts, boroughs and cities – with structures that work for that area. Then a region or sub-region, depending on what works for that area, with a full level of devolution from Government.

1.1.9 Liberal Democrats recognise that this will mean systems that look different in different parts of the country. This is right. The way you provide services in a strongly rural area should look very different to the way they are provided in an urban area.

1.1.10 At every level local government needs to be democratic and accountable, with directly elected bodies which are accountable to local people.

1.1.11 Our key aim is to involve more people in the design and delivery of services and particularly to ensure that are able to influence the decision-making process.

1.1.12 The key to local decision-making is to ensure that the right decision is made at the right level and involving the people. That will improve the quality of services; reduce the cost of services; ensure greater cooperation between service delivery agencies.

1.1.13 Liberal Democrats also recognise that community empowerment is not just a matter for elected local government. Voluntary civic groups have a vital role to play in helping people come together to tackle the problems that affect them, whether locally or in non-geographical communities. Campaigning organisations also help to scrutinise the actions of elected government. Liberal Democrats want to encourage a flourishing community action sector.

## **1.2 Scope of the paper**

1.2.1 This paper addresses the overall powers and functions of devolved and local government within England, and policies to encourage community empowerment and civic engagement. It is not intended to be a comprehensive set of policies covering everything within the remit of local government, from public health to land use planning to refuse collection. As a party we have detailed policies in many of these areas and we will separately be doing further work in some others (for example through the newly-appointed Health and Care policy working group).

1.2.2 In some areas we are outlining what we think represents good practice, but with discretion for local decision making. In others we are making proposals for legislation.

1.2.3 The FPC is also aware of other proposals being brought to conference on the development of property taxes, and this paper therefore only deals with taxation issues at the level of principle rather than detail.



## **2. Devolution Revolution**

### **2.1 Parish and Town Councils**

2.1.1 Liberal Democrats support a strong level of community and neighbourhood governance, and would extend this to cover all areas which want it.

2.1.2 We will significantly increase the number of people who are able to be involved in local democracy through the expansion of the parish, town or community level of local government where this is wanted, and through the promotion of Neighbourhood Forums in other areas. This will provide new routes into civic involvement for a much broader and more diverse range of people, and we believe lead to a greater diversification of local government.

2.1.3 For many years Liberal Democrats have also championed the development of 'Neighbourhood Forums' or similar in many areas, including areas without Town and Parish Councils. We will continue to support the Neighbourhood Forums within principal local authorities and encourage local authorities to devolve budgets and decision making to Neighbourhood Forums. They should have a role both in local service delivering and neighbourhood planning. Liberal Democrats councils have a good record of passing power down to local communities in this way, for example the Neighbourhood Committees initiated in Kingston-upon-Thames in 1994.

2.1.4 In many areas, this community level of participation is already delivered through democratically elected Town and Parish Councils. There are already 10,000 parish and town councils and 80,000 councillors in England, responsible for spending £3 billion of public money. With an average population of 2,700, these councils are very close to their communities and uniquely placed to active the strongest community engagement and reflect the views and priorities of their inhabitants. Large areas of urban England are not covered by this tier, but Town Councils are becoming increasingly popular, with recent examples of new councils set up in Kidderminster and Sutton Coldfield. The advantage of an elected parish or Town Council over a Neighbourhood Forum or Committee is that it has the power to raise its own revenue through precepts.

2.1.5 We will encourage communities in areas that wish to develop a thriving Parish/Town/Community level of local government and give increased powers

to this tier of local government so that they can go further in taking over responsibilities. This will be different for different-sized councils, but should include where possible youth services, tourism, maintaining local assets, street cleaning, footpath maintenance, health and wellbeing services and community libraries.

2.1.6 We will seek to ensure that all Town and Parish Councils operate to the high standards expected of a public body and will ensure that principal local government has the correct powers to support and regulate the work of town and parish councils. We will look to remove the potential financial disincentive town and parish councils have on holding contested elections.

2.1.7 We will make the process simpler and remove the barriers to the establishment of Parish/Town/Community councils by:

- Granting a right of appeal direct to the secretary of state where a principal authority has unfairly rejected a campaign for a new local council.
- Making community referendum results where residents vote in favour of a new council binding.
- Requiring Principal authorities to enforce strict internal reviews of their processes during a Community Governance Review.
- Allowing Local councils to be created across principal local authority boundaries, for example, Neighbourhood Plan areas.

2.1.8 We recognise that in some sparsely populated areas there may be a case for merging Parish Councils and would welcome this where it has popular support.

## **2.2 Strengthening Principal Local Authorities**

2.2.1 This country has a proud history of imaginative and creative local government taking decisive action to transform the lives of its residents. Many of the services now delivered at national level, including publicly-owned hospitals and legal aid for example, were once pioneered by local government. Decades of central government overreach and whittling away of the financial resources of local authorities have hamstrung local government, but we want to see a renaissance in the power of local democracy to tackle problems and improve the quality of life of local people. We will give principal local authorities the power to lead and shape their local communities through

giving them strategic powers over key public services within their area. This will include:

- As a first step to ensuring local democratic oversight of local health services, we would extend local authority democratic control over the health services by strengthening the representation of local authorities within Health and Wellbeing Boards on a proportional basis and strengthening the influence of HWBs over strategic health commissioning (however the new Health Policy Working Group will look at detail of policy in this area).
- Shifting money within the health system towards public health measures led by local government to improve the health of the populations as a whole and invest more in actions to improve the social determinants of health (e.g. housing, exercise).
- Giving local authorities democratic control over education in their areas, including by making places planning, exclusions, admissions including in-year admissions, and SEND functions the responsibility of Local Authorities, abolishing Regional Schools Commissioners, and creating a level playing field between Local Authority Schools and Multi-Academy Trusts, ending the assumption that if a new school is needed it cannot be a Community School.
- Giving local authorities greater powers to deliver the housing their communities need, including by letting them borrow from the Public Works Loan Board to buy land for housing and to build both affordable and social housing on the same terms they are currently borrowing to purchase commercial property, giving them the power to abandon Right to Buy, depending on local need, and giving the power to direct the use of publicly owned land before disposal (including land owned by the NHS and Ministry of Defence), including to require its use wholly or partly for affordable and/or social housing.
- Providing principal local authorities the powers to run, commission and regulate the local bus and or tram networks in their area and to introduce smart ticketing systems.
- Transferring lead responsibility for Local Industrial Strategies and the associated funding from LEPs to principal local authorities, while requiring local authorities to consult with LEPs.

- Abolishing Police and Crime Commissioners (PCCs) and ensuring that each police area holds its police to account through a representative body composed mostly of local authority members – we will also resist moves to give PCCs power over the fire service.

2.2.2 The shape of local authority structures will differ to suit different local circumstances, and we welcome local authorities coming together to mould new structures appropriate to their area.

2.2.3 At present, local government has a right to be consulted by government through the EU Committee of the Regions. In the event the UK leaves the EU, this important voice will be lost. We would therefore implement a formal mechanism in domestic law to replicate the advisory role conferred on local authorities via membership of the EU Committee of the Regions within the United Kingdom after exit day.

## **2.3 Devolved Authorities**

2.3.1 Some strategic functions, in particular economic development and infrastructure, cannot effectively be delivered at a local authority level, and we welcome as a first step the start that has been made in further devolution to some Combined Authority areas. However, the governance arrangements for Combined Authorities are deeply flawed. The Mayoral model has led to overconcentration of power in a single person and has been disastrous for diversity, with the new Metro Mayors overwhelmingly white and male. Combined Authority Boards represent only the controlling groups of each local authority in the area, which leads to exclusion of different voices and an absence of real accountability.

2.3.2 Over the course of the next Parliament we will aim to achieve this tier of devolution across England, within the following framework:

- The geographical makeup of the devolved authorities should reflect local opinion. The decision should reflect local views, traditional boundaries and community identification as well as economic units, current council boundaries and travel-to-work areas. In some areas this could be city regions, in others sub-regions or a whole region as one unit. Existing Combined Authorities could be but will not have to be the basis for these areas. We will enact permissive legislation to empower groups of authorities to come together to establish devolved governance. We will

proceed by consensus as far as possible, but will not allow one local authority to veto a coherent proposal.

- The devolved bodies will be able to choose from a menu of powers, including legislative powers over devolved functions and tax varying/tax-raising powers. If they do not feel able to take the full range of powers on offer at first, there will be the opportunity to take greater powers over time; this will not be a one-off take-it-or-leave-it option.
- Devolution must include democracy, and all authorities must have a democratically-elected assembly or council, with the option of a directly-elected Mayor in addition.
- Devolution should be downwards from Central Government, not taking decisions or responsibilities away from local government.
- In the long run and as part of our commitment towards a developing a written constitution for the UK, the place of this devolved tier within England should be entrenched so that it cannot simply be swept away by Central Government whenever it suits them.

### **3. Local Government Fit for the Future**

3.0.1 To meet the challenge of the enhanced responsibilities we wish to see local government take on, it is important that its democratic accountability and openness are also increased. One-party local fiefdoms entrenched by the first-past-the-post voting system cannot be trusted with the greater powers we envisage for local government.

#### **3.1 Elections and Political Balance**

3.1.1 The existing electoral system lets down the citizens of England. It can entrench local one-party states based on a minority of the overall vote share, to the extent that in some areas seats are regularly uncontested because they are seen as forgone conclusions. In 2015 for example, Eden District Council was able to declare 21 of its 38 available seats before the elections had even taken place, with a majority of the council (55%) being returned with no-one voting for them at all.

3.1.2 Parties that benefit from no opposition then become complacent, feeling that they don't need to engage with voters because they're 'safe', and in the worst cases this can breed corruption. The Electoral Reform Society estimates that councils with weak electoral accountability are around a 50 per cent higher corruption risk than their competitive counterparts. This is the reality for whole swathes of the country.

3.1.3 The Single Transferable Vote system makes elections more competitive and more effective in holding ruling groups to account. The introduction of STV in Scotland has dramatically reduced the number of uncontested seats – there were 67 uncontested seats in Scotland in 2003, whereas there were only three in 2017.

3.1.4 The Single Transferable Vote also leads to more diverse representation, with greater numbers of councillors elected from underrepresented groups. This is because it gives parties a clear incentive to field a diverse list of candidates to appeal to the widest possible electorate. For example, the proportion of women candidates in the 2017 Scottish local elections was an all-time high, and 50 per cent greater than before the introduction of STV.

3.1.5 It is also a good principle that the processes for ensuring money is wisely spent by authorities should be led by those that are not part of the ruling

group. This is the principle by which the chair of the Commons Public Accounts Committee is always chaired by an opposition MP. We therefore propose that:

- All elections to all levels of local government will be by Single Transferable vote in multi-member constituencies.
- To ensure proper oversight of finances in principal local authorities and in the new devolved authorities, we will require in statute a powerful Audit Committee chaired by an opposition councillor with independent non-political members.

## **3.2 Openness and Inclusivity**

3.2.1 Transparency of public business is an absolutely fundamental liberal principle. The people have the right to know what decisions are being made on their behalf and for what reasons. Our proposals are:

- All council decisions must be made in public (except for those exempted for legitimate legal, privacy or commercial confidentiality reasons). We would require that all council meetings are made available by webcast.
- Bringing in transparency rules on council-owned companies and rules about how non-executive directors are appointed to them.
- Where councils submit planning applications for their own land, force any viability assessment to be made public.

3.2.2 We believe in the highest levels of inclusivity in councils. This includes:

- Making it mandatory to consult and take into account the views of disability access groups, BAME forums, and other similar bodies when preparing Equality Impact Assessments on statutory plans, major capital projects and significant policy decisions.
- Supporting the use of all women and all disabled shortlists as a way of correcting underrepresentation as already provided for by law, and we would further allow for all-BAME shortlists.

3.2.3 There have been many positive examples of the use of deliberative forums of various kinds to deepen public engagement in issues and to widen the range of options which politicians can consider. They allow for a deeper and better-informed discussion of issues than surveys of one off meetings can deliver. There are a wide arrange of formats for these but they often involve

about 12-16 people selected to be representative of the local community, and typically have about four days of intensive session taking expert evidence. They can of course be combined with other types of consultation such as focus groups and surveys. In recent years they have been used in local government in the UK to deal with quite high-level issues such as overall priorities for budget savings, or more specific decisions such as priorities for spending in dementia care services or the best location of a community hospital.

- We will encourage use of deliberative public engagement methods such as Citizen's Juries, while being clear that these are to inform decisions and increase the range of options but do not make decisions in place of elected bodies.

### **3.3 Role of Councillors**

- We will seek to develop and enhance the role of ward councillors, though giving ward councillors the statutory right to be consulted on issues that affect the ward they represent, and the right to call to account service providers in their ward. This will include the right of access to any local authority service provider within the ward, including privatised services. Many local authorities already support the work of ward councillors through devolved budgets and we would encourage all councils to do this.
- We will give local authorities a duty to enable participation of councillors from across society, including disabled people, people who work and study, and people with responsibility as a carer.
- We will empower authorities to allow for remote participation in council meetings, as already happens in Wales, on the principle that the contributions of those participating remotely must be as transparent to the public as those in the council chamber.
- We will restore the Access to Elected Office fund to give greater support for disabled people to be councillors.
- At present, there is a wide variation in the level of responsibility allowances paid to councillors, with local discretion over the levels of allowances. It is in principle questionable for councillors to be allowed set their own allowances, and allowances tend to be higher in authorities where the governing party has safe majority. This can give



rise to understandable public cynicism. To tackle excessive allowances, for principal local authorities we will work with the Local Government Association to set recommended bands for Councillor Allowances, appropriate to the size and function of local authority, within which local determination can be made, and that these should be linked to cost of living increases in local authority pay.

- Many councillors give up full-time paid employment in order to give full attention to their council roles. Councillors should be encouraged to provide for retirement – the absence of a mechanism to do this only makes it more likely that people of working age will be discouraged from serving the community in this way. Councillors should be able to participate in local authority pension schemes on the same terms as employees.
- We will create a legal entitlement to a minimum three days a year paid public service leave, which could be used by those serving as councillors. This would be in addition to any contractual provisions for unpaid leave.
- We will increase the levels of training and policy support for councillors.

3.3.1 There are a number of different models for the governance structure of councils, with cabinet-based systems becoming preponderant. The danger of this model is that a small number of majority group councillors can have all the executive power, with most backbench councillors and all opposition members relegated to purely scrutiny roles. We think there are clear advantages in a committee-based system which gives every councillor a meaningful role in participating in the running of the council. This also gives a more effective voice to opposition groups. Since the Localism Act 2011 allowed councils the option of a committee system many have taken this up, and while Liberal Democrats believe that the details of councils' internal arrangements should be a matter for local discretion, it is a trend we welcome.

## **3.4 Finance**

3.4.1 As Liberal Democrats, we believe that local public resources are just one means to support and enhance people's lives and communities. However, local government funds and services frequently are a crucial catalyst and foundation that enable individuals and communities to respond to the needs and issues they face.

3.4.2 A better local government finance system is essential to enable practical decision-making that reflects the needs and wishes of local communities. It will provide the ability – and responsibility – that empowers local people and their representatives to choose how they manage, shape and invest in their areas. It will also streamline the current convoluted local government finance structures to create greater efficiency and better alignment with local activities and capabilities so increasing the resources available for frontline services and improving the results achieved.

3.4.3 It has become a cliché to say that council tax is broken and no longer fit for purpose. Introduced as a temporary replacement for the abandoned poll tax in the early 1990s, it has instead remained in place without any changes since then. Unbelievably, property values remain those of 1991 and neither bands nor band charges have been adjusted to account dramatic increases in property values since then. The result is that council tax has become a deeply regressive tax, with lower value households paying a much higher percentage of property value in tax than higher value households.

3.4.4 Business Rates as currently designed are bad for the economy because they directly tax capital investment in structures rather than taxing profits.

3.4.5 We recognise that to improve local democracy local government must be able to adequately fund and manage local services. Severe reductions in local government funding in recent years have made this impossible and deflected time and attention away from addressing crucial local issues.

3.4.6 In the short-term, we will reform council tax by adding higher bands for more expensive houses and properties, so that those with the most local resources make a greater contribution.

3.4.7 We support giving local councils enhanced powers to call on new income sources appropriate to their area (e.g. hotel night taxes, parking place taxes, vacant property taxes, capture of land value uplift, infrastructure use tolls, district improvement pools, ear-marked levies for specific purposes). These should be linked to local activities and support local services and investment. We will work with councils and other partners to develop good practice and support for these to be efficiently designed.

3.4.8 We will replace the existing business rates with a new form of tax, taxing only the land value of commercial sites. Taxing land means rents go partly to

the public purse as well as to private landlords, but does not reduce investment and cannot be avoided. Empty property and land in development are currently undertaxed, reducing supply and – in terms of housing – allowing developers to deliberately limit build-out rates. We would end discounts for empty and derelict premises, and allow councils to tax commercial and residential developments beyond a reasonable construction period.

3.4.9 We support giving local councils enhanced borrowing powers, including the power to borrow to enable and deliver housing and required local infrastructure.

3.4.10 We welcome the Liberal Democrat policy on a hypothecated national health and care tax, giving the opportunity to lift some of the burden of social care funding off council tax and other local government spending demands.

3.4.11 Levels of Government grant support for local government should be sufficient to ensure that ‘negative’ Revenue Support Grant does not happen, so that Council Tax collected in an authority is spent in that authority.

3.4.12 In the medium term, local taxation needs to be reviewed within a wider reform of tax policy. The principle of local government funding should be that as much finance as possible is raised locally to pay for local services and investment, alongside a fair and efficient redistributive mechanism to ensure that all places can provide for their residents’ needs.

3.4.13 Taken together with strengthening of local communities’ ability to act and more representative local democracy, these proposals will help areas to better and more responsibly respond to the particular needs and priorities of their population and localities, both on their own initiative and in partnership with other local areas, civic society organisations, and central government.

## **4. Community Empowerment**

4.0.1 Liberal Democrats recognise that community empowerment is not just a matter for elected local government. Voluntary civic groups have a vital role to play in helping people come together to tackle the problems that affect them. Campaigning organisations also play a crucial role in scrutinising the actions of elected government. Liberal Democrats want to encourage a flourishing community action sector, which is often a way in to participation for people from a diverse range of backgrounds who will not put themselves for public office. Voluntary groups have a particularly important role in representing communities and interests whose common factor is not primarily place based.

### **4.1 Local Government and the Voluntary Sector**

4.1.1 Locally elected representatives should engage with charities, who often bring trust, legitimacy and expert insight to issues. People want to get involved in their communities, and services are better when they are able to do so. Charities or local community organisations are usually the route through which people initially come together to get involved in these issues.

4.1.2 Local government should encourage and enable a diverse group of people to contribute and have a say in their local communities – and a failure to do so will further cement distrust and alienation amongst some.

4.1.3 To ensure devolution reflects the needs and aspirations of local communities, there should be representation of the voluntary and community sector on appropriate local forums such as Local Enterprise Partnerships (LEPs).

4.1.4 To work effectively with the voluntary sector, government both central and local needs to respect basic principles such as:

- Meaningful notice being given for funding decisions.
- Reasonable contract terms being agreed and entered into.
- The independence of voluntary sector organisations being respected and upheld.

4.1.5 The Compact is an agreement between the government and the voluntary and community sector. It sets out key principles and establishes a way of working that improves their relationship for mutual advantage. It was

made in November 1998 and renewed in 2010. It considers areas such as involvement in policy design and consultation, funding arrangements (including grants and contracts), promoting equality, ensuring better involvement in delivering services, and strengthening independence. The Compact agreement plays a key role in cross-sector working and ensuring that organisations are better able to influence and deliver services and policies which will have the most positive impact within their community.

- We believe that the Compact is now due for updating and renewal.

## **4.2 NGO Campaigning**

4.2.1 Voluntary organisations play an important and legitimate role in running campaigns around issues that matter to their supporters and this is welcome in a vibrant democracy. The Lobbying Act sets spending limits and makes it a legal necessity for all organisations that spend more than £20,000 in England or £10,000 in Wales on regulated campaigning in the year prior to an election to register with the Electoral Commission. This legislation was well-intentioned in preventing third party campaigns from being used to undermine election expenses rules (in the way that is commonplace in US politics), and the letter of the law does not unduly restrict legitimate campaigns. It has however undoubtedly had a chilling effect on many voluntary sector groups. Lord Hodgson in 2017 made proposals to address this by applying the requirements of the Act only to campaigns intended to influence votes for candidates. We support that proposal.

## **4.3 Provision of Services by Voluntary /Not for Profit Sector**

4.3.1 Liberal Democrats welcome the excellent work of many voluntary sector bodies and social enterprises in giving an attractive option for delivering services.

4.3.2 We need further reforms to how government buys and provides public services. Public bodies could use grant funding instead of large contracts, and spend public money in a way that takes account of the wider social value of a contract.

4.3.3 This will deliver better services for people and extra value for money for taxpayers.

4.3.4 The environment in which charities work has changed dramatically in recent years, particularly for those which are in receipt of public funding. There has been a significant shift in the funding of charities, with many grants replaced by contracts, alongside a reduction in the overall level of public money available.

4.3.5 While it is important that there is clear accountability to ensure any investment of public money delivers public benefits, this transition from grants to contracts is a particular challenge for smaller charities bidding for and operating contracts. Furthermore tightly-prescribed contracts that dictate the process of delivery, rather than the desired outcome, can be the greatest inhibitor of innovation.

4.3.6 Grants on the other hand can be a more efficient funding mechanism than more complicated contracts: they allow to test new ideas and innovate during both the early scoping and development of services, and their later delivery.

4.3.7 Such funding can generate positive returns, through supporting new and more effective ways of working, while also contributing to the sustainability of the charity sector and generating potential cost-savings for commissioners.

4.3.8 Strengthening the Social Value Act would be a powerful tool for both generating long term savings and achieving better outcomes. By using the Act, contracting authorities can secure significant cost savings through more efficient public services.

4.3.9 71 percent of respondents to a Social Enterprise UK survey of local authorities and housing associations in 2014 said that a focus on social value had led to 'better service delivery', with 70 percent adding it had led to 'opportunities for innovation'. Importantly, 52 percent of respondents said delivering social value leads to cost savings.

4.3.10 We would strengthen the capacity of the not-for-profit sector to serve communities in this way by:

- Seeking a better balance between payments by results contracts and grant funding to allow some costs of voluntary organisations to be

supported, recognising that in some cases a grant to a voluntary organisation is more appropriate than a contract.

- Amending the Social Value Act so that service commissioners have to 'take into account' rather than just 'have regard to' social value in procurement decisions.

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 8.4 of the Federal Constitution.

Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom.

The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas.

The Party in England has chosen to pass up policymaking to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.



## Working Group on Power for People and Communities

Note: Membership of the working group should not be taken to indicate that every member necessarily agrees with every statement of every proposal in this paper.

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