

The future of local government: based on *Who stole the town hall?* by Peter Latham (forthcoming 2017 see <https://policypress.co.uk/who-stole-the-town-hall>)

Introduction

Who stole the town hall? applies the approach in my previous book, *The State and Local Government* - which is grounded in Marxist political economy and Antonio Gramsci's theory of the 'historic bloc' - to developments in the UK since the Localism Act 2011. I also argue that, contrary to the government's empowerment rhetoric, their main purpose is to complete the privatisation of local government and other public services - started under previous Tory governments and intensified under New Labour - to restore the conditions in which profitable investment and capital accumulation can take place. The title of Kevan Nelson's paper is 'Critique of DevoManch' and Richard Hatcher's 'New forms of urban governance'. Therefore, apart from a brief reference to my case study of Croydon council's neoliberal transformation, which replicates Richard's approach, I will mainly focus on the other themes in my new book. The full text of the paper (with tables and references) will be put on the EUUsers website after the seminar.

1. The Localism Act, Open Public Services and the neoliberalisation of councils

As George Jones and John Stewart - the leading academic critics of the Localism Act 2011 - concluded: because it 'contains so many means by which central government can prescribe how local authority powers are to be used', it 'could as well have been called the Centralism Act'.

1.1 Why the committee system is not out-dated

The Local Government Chronicle on 19 April 2012 gave exclusive coverage to a report by the Centre for Public Scrutiny (CfPS) and summed up its main findings under the headline 'Committee system could now be out-dated, councils warned'. Conversely, as Andrew Coulson (2012) argues

...committees are much more inclusive than any other form of governance. They give a voice to all the elected councillors, and potentially bring to the table all their talents.... make it harder to take decisions in secret.... allow backbench councillors to specialise, and provide a means to induct them into how council services are run.

Moreover, 16 years after the replacement of the existing committee system with a formal cabinet, overview and scrutiny system, research by the Association for Public Service Excellence showed that non-executive elected members feel marginalised from real decision making with little influence over issues that affect their local areas. **I therefore argue that the overall structure of local government in the UK should be reorganised to eliminate the democratic deficit whereby it has the highest average population size per local authority in Europe. That is, there should be more councillors and councils - each with the committee system and all councillors again making policy - covering smaller areas.**

1.2 Councils that now have committee-style structures

By May 2015, under the Act in England, only 13 more councils - of which only four were Labour controlled - had reverted to the committee system. CfPS's explanation is that committee-style structures are incompatible with privatised services. But the CfPS fails to acknowledge the relevance of the Local Government Act 2000, which massively increased the power of the executive via the 'payroll vote' of special responsibility allowances (SRAs) and the proportion of full-time councillors. For example, Croydon council's Labour leader in 2015/16 received £55,223 (the basic allowance of £11,239 plus SRA of £41,984), which was 4.7 times greater than that received by backbench councillors. And the nine other Croydon cabinet members - appointed by the leader - received an average allowance of £43,967 (the basic allowance plus an average SRA of £32,928), which was 3.9 times greater than that received by backbench councillors; and 15 councillors received more than £571 per week (the median gross weekly full-time earnings in the locality). Conversely, in Labour Hartlepool - a unitary authority responsible for all services where in 2012/13 directly elected mayor Stuart Drummond had received £63,902, which was 11 times the basic allowance paid to backbench councillors - no councillor after changing to the committee system in 2013/14 received more than £494 per week (the median gross weekly full-time earnings in the locality). **I therefore argue that no councillors should be paid more than the median gross weekly full-time earnings in their locality.**

1.3 Open Public Services

The Tory-led coalition government's White Paper on Open Public Services was published in July 2011. The White Paper's privatisation model is also taken directly from *Payment*

for Success published in 2010 by three senior partners at KPMG. Seconding 'experts' into Whitehall departments to develop policy therefore represents the effective privatisation of policy-making.

1.4 Outsourcing

Under the Tory-led coalition government, the number of outsourced contracts rose from 526 under the last Labour government to 1,185. The amount spent on outsourced public services almost doubled from £64 billion to £120 billion; and for local authorities grew from £16 billion to £32.5 billion. Moreover, as the arvato UK Quarterly Outsourcing Index shows, contracts worth £2.08 billion were signed across the UK public and private sectors between January and March 2016, a sharp rise from the £414 million agreed in the final quarter of 2015. Overall 65 per cent of spend came from the public sector and 35 per cent from businesses. Local government clients signed double the number of deals in the first quarter of 2016 compared to the same period in 2015, with a contract value worth £348.6 million. And the offshore secondary market is a £17.1 billion industry buying and selling equity in Private Finance Initiative/ Public Private Partnerships project companies. The total annual rate of return could be between 45%-60%; and the five largest listed offshore infrastructure funds made a total profit of £1.8 billion from 2011-2015 and paid no tax. **The PFI/PPP programme should therefore be terminated and replaced by direct public investment, the average cost of which is 3% to 4%, compared with an estimated financing cost of 7% to 8% for all private finance projects.**

1.5 The neoliberalisation of councils

The decades from Thatcher onwards have seen the neoliberal transformation of cities and councils. For example, the 'new model of local government' in Croydon includes the Croydon Strategic Metropolitan Board (CSMB) - a previously secret organisation, which *The Croydon Advertiser* showed was established in May 2014 to oversee multi-million pound developments. Gavin Barwell MP was involved in the meetings before the group was formally created and is now Minister for Housing, Planning and London. He told *The Croydon Advertiser* that: "I don't think the meetings should be formally minuted." Hence, as *The Croydon Advertiser*, 17 February 2015 concluded: 'There is no public record of CSMB meetings or who senior council officers and elected members have met, nor any formal indication of how these meetings have shaped public policy. At no point has any politician, Labour or Conservative, admitted in the council chambers that a policy they were about to vote through had begun life as the concern of a private company. In short there is currently very little opportunity to scrutinise the political influence of big businesses in Croydon'.

2. Police and crime commissioners - another 'half-baked import'

The main arguments against US-style directly elected police and crime commissioners (PCCs) in England and Wales are similar to those against US-style directly elected mayors (DEMs); and the Tories now want there to be a legal duty to collaborate for the three emergency services with shared governance for police and fire under PCCs.

2.1 PCCs lead to cronyism and patronage

For example, in the West Midlands Labour PCC Bob Jones - who died in July 2014 and whose annual salary had been £100,000 - appointed Yvonne Mosquito as his deputy who received a total of £91,841: £65,000 as a Deputy PCC; £16,267 as a backbench councillor; and £10,574 special responsibility allowance as a District Committee Chair.

2.2 PCCs lead to corruption

Dozens of sheriffs have faced indictments for malfeasance while in office over the last decade for everything from destroying incriminating court documents to murder. And every few years in every major US city, there is an investigation with the police commissioner and many senior officers imprisoned. Jessica de Grazia - who served in the New York district attorney's office from 1975 to 1987 - therefore challenges the key assumption underlying the PCC legislation: 'If you are going to take another country's governance system, then you should import the checks and balances from that system. That has not happened in this case. The problem appears to be that they are looking only at crime reduction and not corruption' (*The Observer*, 6 March 2011). Moreover, more than half of the first cohort of elected PCCs (23 out of 41) were investigated by the Independent Police Complaints Commission while only halfway through their first term.

2.3 PCCs are a monoculture, which excludes the working class

The process of selection and election, as in the case of DEMs, has produced a cohort of PCCs who are predominantly from the middle strata, white, male and middle-aged.

2.4 PCCs are the optimal internal management arrangement for a privatised police service

In March 2012, *The Guardian* revealed the massive scale of the plans for police privatisation by the West Midlands and Surrey police forces who had invited bids from G4S and other major security companies on behalf of all forces across England and Wales to take over the delivery of a wide range of services previously carried out by the police. The contract is the largest on police privatisation so far, with a potential value of £1.5 billion over seven years, rising to a possible £3.5 billion depending on how many other forces get involved. Hence, as Adam Crawford, Professor of Criminology at the University of Leeds, concludes

...outsourcing may undermine 'total' or holistic policing, notably where different elements of policing are hived off to diverse providers...and outsourced private contractors will not be subject to the same regulation, oversight and accountability mechanisms that exist for public police employees.

2.5 PCCs are invisible

For example, in April 2016 a poll conducted for the Electoral Reform Society found that 89% of people could not name their PCC; and of those who said they could, 10% actually could not.

2.6 PCCs lack voter support

The second set of PCC elections were held on 5 May 2016. Overall turnout across the 40 PCC elections held in England and Wales was 26.4% - an increase of 11.3% on 2012. The average turnout in England's PCC elections was 24.5 per cent, almost 20 points below the same elections in Wales, which coincided with Assembly elections.

2.7 PCCs have an undemocratic voting system

The supplementary vote system is used to elect both PCCs and DEMs. This allows voters to record their first and second choice on their ballot papers, though they are not required to make a second choice. The first-choice votes are then counted. If a candidate obtains more than 50 per cent, he or she is elected. If not, all the candidates other than the top two are eliminated, and the second choice on the ballot papers for those voting for the eliminated candidates are counted if they are for the top two. In May 2016, only four candidates (all Labour) were elected outright in the first round compared to eight (five Labour and three Conservatives) in November 2012. In the 36 other contests, there was a second count; and in 35 (97%) of these the number of voters who were denied any say in the second round was greater than the eventual majority of the winning candidate. This reinforces the case for using STV in PCC elections until they are abolished: since in 2016 the percentage of contests in which the majority of the winning candidate was less than the number of voters denied any say in the second round was 97% compared to 64% in 2012 - an increase of 33%.

2.8 PCCs cannot be removed

PCCs can only be removed if they are charged with a criminal offence that carries a maximum penalty in excess of two years' imprisonment. Hence, until they are abolished, as I argue regarding DEMs, people should also have a power of recall leading to a new election if their PCC 'turns out' to be 'bad or ineffective'.

2.9 Empowered police authorities versus PCCs

I therefore argue that a programme of democratic accountability and real community control of the police should include the following:

1. Full trade union and political rights for the police.
2. Reorganisation of the structure of local government in England and Wales so that more councils cover smaller areas each with a police authority made up of

elected local councillors, representatives of trade unions and community organisations with greater powers to control policing priorities and appoint senior police officials to ensure they carry out democratically decided policies.

3. Abolition of the City of London Corporation and the transfer of its police force and the Metropolitan Police to more councils in the London area each with a police authority similar to that in 2. above.
4. Abolition of Police Scotland and the Police Service of Northern Ireland and more councils each with a police authority similar to those in 2. above.

3. Local government finance

3.1 UK Public expenditure

Total public spending is planned to fall to 37% of GDP by 2019/20, which is less than for Estonia where public spending, according to the IMF, is 38% of GDP compared to Finland and France where public spending is 55% of GDP.

3.2 Financing of UK local government

Total current and capital expenditure by UK local authorities fell from £101.7 billion in 2011/12 to £80.9 billion in 2015/16; and is planned to fall to £69.4 billion by 2019/20 (i.e. £32.3 billion less by 2019/20 than in 2011/12).

3.3 Councils were cut earlier and harder than the rest of the public sector

Liverpool is one of 12 to 14 councils that are very close to the edge now. But, as Liverpool raises only 10% of its total £1.3 billion funding through council tax because of the city's low property values, it is particularly dependent on government grant that is being cut by 58% between 2010 and 2017. The council's auditors, Grant Thornton, therefore think it is possible that during 2017/18 the council will no longer have sufficient funds to deliver any discretionary services; and that in 2018/19 it could struggle to fund all its mandatory service provision. Moreover, in chancellor Philip Hammond's *Autumn Statement 2016* there was no mention of funding for social care, how business rate retention is going to work and how local government will be financed in the medium to long term.

3.4 A new system of local government finance based on Land Value Tax

LVT allows society to reclaim the rising value of land created by the economic activity of society as a whole instead of going to the owners of land who contribute nothing to its rising value. It would also prevent the escalation of land prices, thus making homes more affordable. However, if a pure LVT regime were introduced immediately, people in large, expensive houses, and people in smaller houses, occupying land of equal value would pay the same tax. This could be avoided if a split tax regime, in which the land

value and buildings were taxed separately, were introduced. Hence - to obtain the £23,964 billion raised by the council tax in England in 2014/15 - the combined rate of land value and buildings tax would need to be approximately one per cent of capital value. But as land prices fell there would be the option of gradually shifting more of the tax onto the land value element. Only freeholders and landlords, moreover, would pay LVT and buildings tax; and the owners of large estates would pay more because their acreage is greater than a semi. Tenants would also no longer be liable to property taxes. Conversely, business rates should be replaced immediately by a pure land value tax. Similarly, agricultural land, which is untaxed, should be valued and taxed at the same rate as for other businesses. Should then LVT be a national tax that is redistributed back to local authorities on a per capita basis or solely a local tax? The advantage of the former is that it would enable a more equitable distribution of the revenue which otherwise would be distorted by Britain's highly unequal society. Its disadvantage is that it divorces the collection of tax from the services provided by local authorities and undermines the relationship and accountability of local politicians to those whom they represent. However, local politicians would still be answerable to their constituents for how the funds at their disposal were spent. A reasonable compromise could therefore be for local authorities to retain up to a third of the revenue collected, with the rest going to central government: which is then redistributed back to local authorities on a per capita basis.

4. Towards a new basis for federal, regional and local democracy

4.1 Laying the basis for 'socialist decentralisation'

The British Parliament should be a federal institution elected by STV in multi-member constituencies with powers over currency, interest rates, banking, trade, foreign policy and defence. And it should primarily be concerned with redistribution from rich to poor, across England, Scotland and Wales (excluding Northern Ireland when Ireland is reunified on the basis of popular consent). Hence 'socialist decentralisation' in a federal Britain requires the following further policies:

- 1) No to membership of the EU single market and TTIP/CETA; negotiation of new bilateral and multilateral agreements for mutually beneficial cooperation with European and other countries; rejection of EU Court of Justice rulings protecting the super-exploitation of migrant workers; reversal of the unfair anti-immigration rules imposed on non-Europeans as part of the EU 'Fortress Europe' policy; enactment of progressive EU social and environmental policies into British law; continued funding of vital programmes previously supported via the EU; guaranteed

residence for EU citizens currently living in the UK; and upholding the Human Rights Act and the European Convention on Human Rights.

- 2) Abolition of the House of Lords and disestablishment of the Church of England as the official state church.
- 4) A directly elected Cornish Assembly to reflect the distinctive cultural and social characteristics of Cornwall.
- 5) The Isle of Man and Channel Isles should both be represented in the Westminster Parliament.
- 6) No state funding for political parties; and corporate political donations should be submitted to a ballot of the employers and employees of the enterprise concerned.

4.2 The crisis of working class political representation and ways in which it is now beginning to be addressed

4.2.1 The alternative economic and political economic strategy

The 2011 TUC adopted an Alternative Economic Strategy and voted for a Land Value Tax; and the 2016 TUC supported a universal basic income, which is also supported by anti-poverty groups, councils in Fife and Glasgow, the SNP and shadow chancellor John McDonnell. Hence there is vital work to do to persuade people across Britain that austerity is unnecessary. Labour's national leadership until the election of Jeremy Corbyn as leader was also committed to neoliberalism, austerity and 'corporate welfare' - all the subsidies and grants paid to business, as well as the corporate tax loopholes, subsidised credit, export guarantees - which was £93 billion and amounted to £3,500 a year given by each UK household (*The Guardian*, 8 July 2015). Therefore, to fund increased provision of directly provided local authority and other public services, the threshold for income tax should be raised to £20,000 per annum, and in stages later, to £30,000, retaining the basic rate of tax at 20 per cent; and a new 60% rate of tax for incomes over £60,000 should be introduced. In addition, the estimated revenue from

- a 2% annual wealth tax on the richest 10% of the population - who owned 45% of Great Britain's wealth in 2012/14 estimated to be £11.1 trillion - would be £100 billion a year;
- ending tax dodging by the super-rich and big business would be £120 billion a year

4.2.2 Jeremy Corbyn - twice elected Labour Party Leader

New electoral boundary proposals will slash the number of MPs from 650 to 600 when the population is growing. Hence alliances will be crucial to beating the Tories. Corbyn's second victory will also require turning a mass membership into a mass movement for change. Finally, the separation of most Labour councillors and MPs from

the people makes the issue of democratising the British local and national state an urgent issue.

3,399 words

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Municipal unions argued over a century ago that modernisation should mean direct labour managed, not through the profit and patronage motive, but through the principles of public service devoted to public need (Whyeda Gill-McLure, 2014, p 388).

Introduction

My interest in local government began when I left school and was employed as a clerk in Manchester Education Committee's Publication Section and joined NALGO. In the late 1960s I was employed at the LSE as a research officer on a direct labour versus private contractors' project. I then joined the local government section of SELTEC - subsequently Lewisham College - teaching day release students: and completed my PhD in 1976. Hence only when I retired in 2007 from my post as a full-time official in the UCU did I have the time to think and write seriously again.

I am therefore very pleased to be here today with Kevan whose union - plus the GMB and FBU - financed the Labour Campaign for Open Local Government (LCOLG) from 1999 to 2006. I was its Secretary and LCOLG campaigned against US-style directly elected local authority mayors. Moreover, during this period the mayoral option was rejected in 23 (66%) out of the 35 referendums held: which partly explains why - despite Capita Group plc in 1999 wanting **every** council to have them (Latham, 2011a, pp 106-107) - there are now only 16 such mayors. My new book is therefore dedicated to the memory of Ron Stockbridge (former Chair of LCOLG and leader of Lewisham Council from 1984 to 1985) who died on 15 January 2011. Rodney Bickerstaffe, former general secretary of UNISON - who wrote the foreword to *Who stole the town hall?* - also introduced me to Kevan who reviewed my previous book: *The state and local government*. Patrick Ainley introduced me to Richard.

The aim of the seminar is to examine the impact of local government reforms on public services and explore democratic alternatives. The title of Kevan Nelson's paper is 'Critique of DevoManch' and Richard Hatcher's 'New forms of urban governance'. Therefore - apart from my case study of Croydon council's neoliberal transformation, which replicates Richard's approach - I will mainly focus on the other themes in my new book. My previous book, *The State and Local Government*, analysed developments in

the UK, other advanced capitalist countries, the south Indian state of Kerala, Cuba, Venezuela and the Brazilian city of Porto Alegre: to show that there are alternative models of 'socialist decentralisation' in local government to neoliberal 'austerianism/localism'. This new book applies the approach in *The State and Local Government*, which is grounded in Marxist political economy and Antonio Gramsci's theory of the 'historic bloc', to developments in the UK since the Localism Act 2011. *Who stole the town hall?* also argues that, contrary to the government's empowerment rhetoric, their main purpose is to complete the privatisation of local government and other public services - started under previous Tory governments and intensified under New Labour - to restore the conditions in which profitable investment and capital accumulation can take place.

1 The Localism Act, Open Public Services and the neoliberalisation of councils

The 2011 Act contains provisions for over 100 orders and regulations in addition to its 483 pages, 223 clauses and 34 schedules. Hence as George Jones and John Stewart - the leading academic critics of the Act - concluded:

It is ironic that a Localism Act contains so many means by which central government can prescribe how local authority powers are to be used, their procedures developed and criteria to be applied by them.... its development has been conditioned by the dominant centralist culture of central government with the result that.... **[it] could as well have been called the Centralism Act** (2012, pp 93-94, my emphasis).

1.1 Why the committee system is not out-dated

The Local Government Chronicle on 19 April 2012 gave exclusive coverage to a report by the Centre for Public Scrutiny (CfPS) and summed up its main findings under the headline 'Committee system could now be out-dated, councils warned'. The CfPS takes this view because it considers 'consensus decision-making makes partnership working less responsive' now 'decisions are made at partnership level, and many services are contracted out, jointly commissioned or procured and delivered in other, innovative ways' (CfPS, 2012, p 5, p 27). That is, 'partnership working' (CfPS's euphemism for outsourcing and privatisation) is incompatible with 'consensus decision-making' (CfPS's euphemism for policy-making by all councillors). Conversely, as Andrew Coulson (2012) argues

...committees are much more inclusive than any other form of governance. They give a voice to all the elected councillors, and potentially bring to the table all

their talents. They make it harder to take decisions in secret. They give councillors a means of putting into effect the commitments they make when they stand for election, and they keep council officers on their toes because they can never be quite sure what will happen when they attend a committee - even if most of the major changes that might be made to a report will have been agreed in the group meeting of a majority party beforehand. They also allow backbench councillors to specialise, and provide a means to induct them into how council services are run.

Moreover, 16 years after the replacement of the existing committee system with a formal cabinet, overview and scrutiny system, one of the main issues emerging from research by the Association for Public Service Excellence (APSE) is the feeling of disillusionment amongst non-executive elected members, who feel marginalised from real decision making with little influence over issues that affect their local areas. APSE found that 65% of executive councillors thought local government modernisation measures had worked well, compared with 37% of non-executive councillors. While 58% of executive members believed separating decision-making powers from scrutiny had increased transparency, less than 30% of backbenchers agreed. Significantly, two out of three non-executive members thought the modernisation agenda had marginalised their role. The report also suggests that fiscal austerity has dented councillors' belief in their capacity to further improve services. Whilst almost 75% of councillors overall thought their authority was committed to service improvement, 87% of cabinet members believed they personally could contribute to improvements whereas only 43% of backbenchers believed they could contribute (APSE, 2015). 'Some would see this as an opportunity to make arguments for a cull of councillors - suggesting that if there isn't anything for them to do then get rid of them'. But as Paul O'Brien, APSE's Chief executive, also states: '...if we believe that democracy is a fundamental principle of our society then why would we want to slip further down the ladder as one of the most underrepresented countries in Western Europe?' Moreover, the overall structure of local government in the UK should be reorganised to eliminate the democratic deficit whereby it has the highest average population size per local authority in Europe. That is, there should be more councillors and councils - each with the committee system - covering smaller areas.

1.2 Councils that now have committee-style structures

Prior to the Localism Act coming into effect 79 councils in the UK (the Isles of Scilly, 28 English district councils with 'alternative arrangements', 24 Scottish unitary authorities and all the 26 councils in Northern Ireland) had committee-style structures. By May 2015, as Table 1 also shows, 77 councils (two London boroughs, three English county councils, four English unitary authorities, 32 English district councils, the Isles of Scilly,

24 Scottish unitary authorities and all the 11 new 'super' councils in Northern Ireland) had the committee system. By May 2015, under the Localism Act in England, 13 more councils - of which only four were Labour controlled - had reverted to the committee system:

- Two out of the 13 are London boroughs (Barnet, which is Conservative controlled and Sutton, which is Liberal Democrat controlled);
- Three are county councils (Cambridgeshire and Norfolk, which have no overall control and Nottinghamshire, which is Labour controlled);
- Four are unitary authorities (Brighton & Hove, Hartlepool and Reading, which are all Labour controlled, and South Gloucestershire where the Conservatives have minority control);
- Four are district councils (Newark & Sherwood, which is Conservative controlled, Stroud, which is controlled by an alliance of Labour, Liberal Democrats and Greens, Fylde, which is Conservative controlled and Canterbury, which is Conservative controlled).

1.3 Why only 13 more councils have switched to committee-style structures

CfPS's explanation is that committee-style structures are incompatible with privatised services. Yet this did not prevent arch-privateers Easy-jet Conservative Barnet Council reverting to the committee system in May 2014 (see Table 1). Moreover, the CfPS fails to acknowledge the relevance of the Local Government Act 2000, which massively increased the power of the executive via the 'payroll vote' of special responsibility allowances (SRAs) and the proportion of full-time councillors. Hence in 1998 the annual average allowance in England for leaders of £7,749 was twice the £3,699 average for backbench councillors. However, by 2008 the average leader's allowance of £23,852 was four times the average for backbench councillors; and the average allowance of £15,809 for cabinet/executive members was three times the average for backbench councillors (Latham, 2011a, pp 82-83).

Nor has the situation changed since 2008. For example, according to Croydon council's website, the Labour leader in 2015/16 received £55,223 (the basic allowance of £11,239 plus SRA of £41,984), which was 4.7 times greater than that received by backbench councillors. And the nine other Croydon cabinet members - appointed by the leader - received an average allowance of £43,967 (the basic allowance plus an average SRA of £32,928), which was 3.9 times greater than that received by backbench councillors. The leader and the Labour Group also control the allocation of 23 out of 29 SRAs. Hence - unless in the forthcoming period a broad alliance is able to win a return to the committee system - members' material interests will ensure the status quo continues.

1.4 No councillors should be paid more than the median gross weekly full-time earnings in their locality

Since the Paris Commune working class organisations have demanded that elected representatives be paid no more than the people they are representing. In Croydon in 2014/15, according to the Council's website and neighbourhood statistics, 15 councillors received more than £571 per week (the median gross weekly full-time earnings in the locality). Conversely, in Labour Hartlepool - a unitary authority responsible for all services where in 2012/13 directly elected mayor Stuart Drummond had received £63,902, which was 11 times the basic allowance paid to backbench councillors - no councillor after changing to the committee system in 2013/14 received more than £494 per week (the median gross weekly full-time earnings in the locality). Hence the above analysis suggests that the prospect of fewer and lower SRAs may be the main reason why only 13 councils have reverted to the committee system since the Localism Act.

1.5 Open Public Services

The Tory-led coalition government's delayed White Paper on Open Public Services was published in July 2011. Commentators have been divided on its significance. Tessa Jowell, the Blairite former Cabinet minister, claimed that it contained 'nothing new'; and that the paper's ideas for personal budgets, more choice and more staff forming social enterprises were 'lagging behind the action taken by the last Labour Government' (quoted in Hatcher, 2011). Conversely, according to the late Left Labour MP Michael Meacher's blog, the White Paper was 'just the softening up to the real meat which is indiscriminate privatisation across the whole range of public services'. Moreover, in press releases dated 11 and 12 July 2011 Alan Downey, head of KPMG's Public Sector Business, stated

The White Paper marks a watershed in the approach to the delivery of public services and could usher in a revolution that will transform the public sector landscape....What the Government needs to do next is....to move quickly to translate its statement of intent into practice...publishing a comprehensive list of the services that are to be opened up to competition and the timetable for allowing potential new providers to bid.

The White Paper's privatisation model is also taken directly from a report called *Payment for Success* published in 2010 by three senior partners at KPMG. And in February 2011 David Cameron appointed Paul Kirby - one of the authors - as the Government's head of policy development. Though Kirby has now returned to KPMG officially because 'he felt his main work had been done' - but unofficially because his request for promotion to permanent secretary was rejected. In the KPMG model, as Downey et al. (2010, pp 9-12) state, there are three types of publicly funded provision:

1. 'personal services' (e.g., education and health) which should 'replicate the way that...real consumer markets work');
2. 'national services - where central government should be a strong national customer, but not necessarily the provider' (e.g., courts, prisons, probation, immigration, national roads, benefits and job centres);
3. 'local community services' (e.g., council environmental, leisure, children, housing and economic development services) where there should also be 'a structural separation of provider from purchaser' plus the handing back of some services 'to the community' (for example, libraries that 'are spending scarce resources on premises').

Moreover, the White Paper also divided the privatisation menu for public services into these three categories (HM Government, 2011, p 12).

One of the other key themes of the White Paper is local democracy: 'Both elected and unelected consumer and citizen champions will need to take a prominent role in pushing for increased quality and greater choice' (HM Government, 2011, p 15). For example, as George Jones noted: '...democratically-elected representatives will hold providers to account through the process of local overview and scrutiny, and increasingly will commission services from a wide range of providers to ensure that the voters have the choice they want'. But, what George Jones also refers to as the 'sub-localism' of 'unelected consumer...champions' will further undermine the position of elected councillors (Jones, 2010). 'People, according to the White Paper, should also 'use their voice in designing and managing the services they use...'' (HM Government, 2011, p 11). However, this can mean no more than making your own cuts. For example, around 100 councils are currently offering budget consultations on which services to cut as part of the 'big society' in action (Latham, 2011a, p 396).

The White Paper also claims that public employees will be empowered through the formation of mutuals: 'We are giving public sector staff new rights to form new mutuals and bid to take over the services they deliver, empowering millions of public sector staff to become their own bosses' (HM Government, 2011, pp 42-43). Yet, as Steve Davies in his report *Mutual Benefit?* written for UNISON concluded, the fact that the Tory-led coalition government had

...nothing to say about the extension of mutualism in the private sector in general, or among the private sector contractors providing public services in particular, shows the hollowness of the government's claims and the lack of commitment to the values of mutualism. The real objective is to shrink the state and marketise all public service provision (Davies, 2011, p 31).

Seconding 'experts' into Whitehall departments to develop policy therefore represents the effective privatisation of policy-making. Nor, as outsourced public services are not covered by freedom of information legislation and 'commercial confidentiality' is frequently cited as an excuse not to divulge information on their performance, are they transparent and democratically accountable. Thus, as Zoe Williams states: '...a "shadow state" is emerging, where a small number of companies have large and complex stakes in public service markets, and a great deal of control over how they work' (2012, p 4).

1.6 Outsourcing

Under the Tory-led coalition government, according to Information Services Group consultancy, the number of outsourced contracts rose 125% from 526 under the last Labour government to 1,185. The UK outsourcing market is now the second largest in the world outside the US; and the amount spent on outsourced public services almost doubled from £64 billion to £120 billion. Broken down by sector, the value of central government contracts rose sharply from £37 billion under Labour to £67 billion. In healthcare, they grew from £9 billion to £16.5 billion; in education from £1.8 billion to £3.7 billion, while in local authorities they grew from £16 billion to £32.5 billion. (*The Financial Times*, 30 April 2015).

Public Private Partnerships (PPPs) are used to fund major capital investments. They cover a range of business structures and partnership arrangements, including joint ventures, the sale of equity stakes in state-owned businesses and outsourcing where private sector operators use existing public sector assets, as well as the Private Finance Initiative (PFI) discussed below. PPP contracts usually last ten years with an option for a further five years.

The European Services Strategy Unit's database of PPPs for ICT and corporate services, Planning and regulatory services, Educational support services, Police support services, Fire and rescue support services, Property services, Highway services and Waste and environmental services at the end of 2013 is titled *UK outsourcing expands despite high failure rates*. The 45 waste management contracts included are virtually all PFI projects valued at £29.8 billion, of which nine include household waste collection and other local environmental services. The total value of the 60 contracts was £13,442 million and they employed 26,575 workers. Three companies - Capita, BT and Mouchel - had a 58.9% market share of operational contracts by contract value and 63.2% share of staff employed. Just over 38% of the contracts by value and 38.4% of jobs were in the North. In 2011 the North had a 50% share of contracts and the shift southwards illustrates significant increases in the value of contracts in the West Midlands, London and the South East/South. London, the South East/South and South West had 45% of contracts, 35.4% by value and 34.2% of jobs. The equivalent figures in 2007 were nearly half this level at 24.2%, 21.2% and 19.3% respectively. Conversely, there was only PPP contract in Wales worth £100 million employing 110 people; two in Scotland worth £415 million employing 380 people; and none in Northern Ireland. The level of contract terminations and problems has remained at the same high level at over 22% (Whitfield, 2014).

The PFI model was first launched in 1992 as part of the then Conservative government's initiative to increase the level of private sector involvement in the delivery of public services. PFI contracts are usually for 25-30 years. In recent years, the cost of PFI - due in part to the economic downturn - has risen dramatically. Consequently, it is currently very difficult for PFIs and PPPs to demonstrate value for money compared with conventional public sector projects when governments build or purchase physical assets and use public sector employees or a private contractor to deliver the required service. The PF2 model was launched on 5 December 2012: but unlike PFI it requires construction companies to invest a substantial amount of their own money as equity, which acts as a buffer against the risk borne by lenders. This allows investments still to happen while deferring their budgetary impact to the future, when future taxpayers must bear them. But the effect, as Mark Hellowell concludes, is also likely to be an increase in the cost of private finance faced by public authorities because equity carries a higher rate of return than loans (see <http://blogs.lse.ac.uk/politicsandpolicy/the-move-from-pfi-to-pf2-is-likely-to-make-it-more-rather-than-less-expensive-to-deliver-new-healthcare-facilities-in-the-future/>).

Table 2 shows that in the UK on 31 March 2012 there were 717 PFI projects with a total capital value of £54.6 billion, which is normally calculated at the financial close of the project. By 31 March 2015 there were 723 projects (578 in England, 93 in Scotland, 29 in Northern Ireland and 23 in Wales), of which 679 were operational; and the total capital value had risen to £57.7 billion (HM Treasury, 2016a, p 5).

Meanwhile companies that were awarded contracts to build and maintain state schools for 25 years had doubled their money by selling on PFI projects just four years after finishing them. Four contractors alone made profits of more than £300 million - Balfour Beatty, Carillion, Interserve and Kier (*Independent*, 4 June 2014).

More than 200 schools built in Scotland under PFI schemes are now at least partially owned by offshore investment funds. In one project in Edinburgh, 17 new schools were built, with the council paying £1.5 million a month. The latter schools were closed for repairs in 2016 after construction faults were found; and 7,600 primary and secondary school children in the capital were affected (*BBC News Scotland*, 22 August 2016). Moreover, the offshore secondary market is a £17.1 billion industry buying and selling equity in PFI/PPP project companies. The three-way profit gain - original SPV shareholders, secondary market fund sales and shareholder dividends of secondary market funds - means the total annual rate of return could be between 45%-60%: three to five times the rate of return in PFI/PPP final business cases. The five largest listed offshore infrastructure funds made a total profit of £1.8 billion in the five-period 2011-2015 and paid no tax. The PFI/PPP programme should therefore be terminated and replaced by direct public investment, the average cost of which is 3% to 4%, compared with an estimated financing cost of 7% to 8% for all private finance projects (Whitfield, 2016, pp 6-9).

Social impact bond projects are the latest new 'buy-now, pay later', off-balance sheet schemes to increase private finance of public services. There are currently 54 operational in 13 countries with at least a further 23 at the planning or procurement stage. The UK is the global leader with 32 operational projects with outcome payments valued at £91 million, followed by the US with nine projects (Whitfield, 2015, p i). Moreover, as Whitfield (2015, p ii) also notes:

Payment-by-Results is a fundamental part of social impact bond projects and the UK's Troubled Families contracts achieved 100% performance even in major industrial cities and assumed the turnaround in people's lives was permanent!

Yet a poll conducted for campaign group We Own It in November 2015 showed that:

- 61% of the population think that local and central government should run services in-house as the default;
- only 21% want to see more outsourcing;
- 67% of people think public service contracts and performance data should be publicly available;
- only 22% think Atos, Capita, G4S and Serco are motivated by providing the best service to the public, which 80% think should be important.

There has always been a flow of single service local government contracts that have returned to in-house provision, either because they have been terminated due to poor performance or at the completion of the contract. For example, Islington LBC since 2012 has brought housing management, gas servicing and housing repairs in-house. But such developments 'do not represent a "wave" of re-municipalisation or re-nationalisation in the UK when compared with the increasing rate of outsourcing and privatisation' (Whitfield, 2014, p 9). For, as the arvato UK Quarterly Outsourcing Index shows, contracts worth £2.08 billion were signed across the UK public and private sectors between January and March 2016, a sharp rise from the £414 million agreed in the final quarter of 2015. Overall 65 per cent of spend came from the public sector and 35 per cent from businesses. Local government clients signed double the number of deals in the first quarter of 2016 compared to the same period in 2015, with a contract value worth £348.6 million.

Furthermore, the continuation of austerity policies with further large cuts in public spending planned up to 2020 will increase budget pressures on local authorities and other public bodies to obtain 'savings'. The severing of public sector employment responsibilities means less concern for the terms and conditions of employment. Staff are increasingly transferred between employers with drastic consequences for the continuity of terms and conditions, pensions, training and career development for most staff. In-house service reviews and improvement plans are replaced by options appraisals, business cases and procurement, frequently carried out by management consultants. Combined authorities will also have an increasing role in setting infrastructure and service priorities.

1.7 Why 79 local government representatives attended the international property market's biggest trade event in March 2015

Le marché international des professionnels de l'immobilier (MIPIM) is an international property event hosted in Cannes annually over a period of four days (see <http://www.mipim.com/>). These 79 local government representatives - funded by private sector developers - were from 24 councils:

- The City of London (11)
- Coventry (7)
- Ealing and Leicester (both with 6)
- Haringey, Hounslow and Birmingham (each with 4)
- Warwickshire, Solihull, Northampton, Manchester, Barking & Dagenham and Croydon (each with 3)
- York, Wakefield, Sheffield, Oldham, Newham, Leeds, Broxbourne and Bradford (each with 2)
- Wandsworth, Newcastle and Harlow (each with 1)

The majority of these councils (75%) - 18 out of 24 - are Labour controlled. Moreover, the decades from Thatcher onwards have seen the neoliberal transformation of cities and councils, which now see the local state's key role as that of capital accumulation based on city centre development by property developers and big business.

For example, Croydon Labour leader Tony Newman, Croydon North Labour MP Steve Reed and Croydon Central Tory MP Gavin Barwell (who is now Minister for Housing and Planning and for London) all uncritically endorsed the neoliberal consensus in October 2014 when the council unveiled its blueprint for devolved powers to deliver more than £5 billion private sector regeneration (Latham, 2014). And there was little public debate about what would happen if Westfield and Hammerson failed to deliver on their £1 billion new shopping centre. Yet, as Sean Creighton - convenor of Croydon TUC's working party on the Council's Growth Plan and its Croydon Assembly local economy working group - on the final day of the compulsory purchase order (CPO) inquiry stated:

Bankruptcy...is the big risk facing all developers and Westfield and Hammerson is not necessarily immune from that possibility. The danger is that if Westfield/Hammerson demolishes the Whitgift Centre and does not proceed with construction, it will leave a derelict site, further blighting the town centre. If their scheme is not approved, then the existing shops have a chance to survive...the partnership should be required to guarantee it would not demolish the existing centre until it had the finance and construction contract in place.... [and there could be]...predatory buying out of either one or both of the companies...creating further delays and possible abandonment of the project by new owners (quoted in *The Croydon Advertiser*, 13 March 2015).

Creighton - following his report to Croydon TUC's AGM on 12 March 2015 which unanimously agreed that the Westfield/Hammerson Partnership (CLP) should only use construction firms that employ their own workers, not use umbrella companies and pay at least the London Living Wage - also asked the Inspector on 13 March 2015 to consider recommending that the Secretary of State modify the CPO to require CLP to implement the TUC's proposals: which was ignored. Conversely, when Julie Belvir, Director of Democratic and Legal Services for Croydon Council, requested that councillors refrain from commenting on the CPO inquiry - as Susan Oliver in her final submission to the Whitgift Centre CPO Inquiry on the 13 March 2015 noted - all of Croydon's 70 councillors agreed to say nothing and none of them even complained about this request.

The 'new model of local government' in Croydon also includes:

- *The Croydon Council Urban Regeneration Vehicle* (CCURV). This is a partnership with John Laing - a major construction company and one of the founder members of the Consulting Association, which blacklisted building workers (House of Commons, 2013a, p 7). CCURV, according to the Council, was established in November 2008; and the partnership is 'a 28-year exclusive joint venture...into which the Council commits land and in return John Laing invests equity funds as well as development expertise'.
- *The Croydon Strategic Metropolitan Board* (CSMB) is a previously secret organisation, which *The Croydon Advertiser* showed was established in May 2014 to oversee multi-million pound developments, including the Westfield and Hammerson scheme. Gavin Barwell MP was involved in the meetings before the group was formally created and named. He told *The Croydon Advertiser* there were "regular diarised meetings" involving the Croydon Partnership, the name given to Westfield and Hammerson's joint plan, Transport for London, the Mayor's Office and the council. At that point the meetings were chaired by politicians such as the former Council leader Mike Fisher or Sir Edward Lister, the former Deputy Mayor of London, policy and planning. Gavin Barwell further said: "I don't think the meetings should be formally minuted." Hence, as *The Croydon Advertiser*, 17 February 2015 concluded: 'There is no public record of CSMB meetings or who senior council officers and elected members have met, nor any formal indication of how these meetings have shaped public policy. At no point has any politician, Labour or Conservative, admitted in the council chambers that a policy they were about to vote through had begun life as the concern of a private company. In short there is currently very little opportunity to scrutinise the political influence of big businesses in Croydon'. Subsequently, Croydon Council rejected the paper's request under the Freedom of Information Act for the minutes of the CSMB's six meetings held since May 2014 'on the grounds that this would prejudice both the "effective conduct of public affairs" and the commercial interests of the private companies involved, to whom it has promised the discussion will "remain confidential"' (quoted in *The Croydon Advertiser*, 17 April 2015).
- *The Develop Croydon Forum* (DFC) was formed in 2012 'to provide a collaborative, private sector-led approach to promoting the London Borough of Croydon and encouraging inward investment. It currently represents up to 50 key stakeholders, across the private, public and third sectors, who want to realise the regeneration and economic renewal of the borough'. DFC 'also leads a Croydon delegation to the international property market's biggest trade event, MIPIM, in France'. And, at MIPIM's March 2015 conference, Croydon Council's executive director Jo Negrini told potential investors that the council was "using its powers to take the risk out of development" (quoted in *The Croydon Advertiser*, 20 March 2015). Meanwhile Croydon TUC - at the full meeting of Croydon Council on 9 October 2014 - had asked councillors to support the call by the charity War on Want, housing activists and trade unions not to attend MIPIM's first UK conference: but this request was rejected. Croydon Council was also represented at the second MIPIM conference held at Olympia from 21 to 23 October 2015 - despite Croydon TUC at its meeting on 8 October 2015 again calling on Croydon councillors to say no to MIPIM. Moreover, securing devolutionary powers "to help fund Europe's largest regeneration project" was the major theme of DFC's Conference held

on 18 November 2015 when the full delegate rate was £420 including VAT (*Croydon News*, 24 August 2015).

Croydon Council in July 2015 also loaned £3 million to Boxpark, the retailing centre built from discarded shipping containers next to East Croydon Station. But there are growing concerns among already established Croydon small businesses that the venture will enjoy a competitive advantage, having received a multi-million-pound subsidy from the Labour council, and that it will freeze out smaller Croydon artisan traders with its annual rents - expected to be set at around £14,000. This, of itself, is a massive financial leg-up for an in-coming business, and one which few existing Croydon small businesses expect or receive. Indeed, according to *Inside Croydon*, 24 July 2015, the single Boxpark loan is £1 million more than has been distributed to existing small businesses and start-ups in the borough in the whole of the last seven years, through a special development fund where the biggest loan allowed is £25,000.

Meanwhile Croydon Labour Group's neoliberal approach is imploding. For example:

- George Osborne announced a yearly one per cent reduction in social rents in his July 2015 budget to cut the housing benefit bill. Croydon council's 30-year business plan had been drawn up on the expectation of a one per cent annual rise in social rent income on top of inflation. Instead it will now lose more than £3 million a year, leaving its budget £481 million below the £3.47 billion anticipated (*Croydon Guardian*, 16 October 2015).
- At the 2015 Tory Party Conference David Cameron announced that starter homes for sale to first time buyers under 40 will replace 'affordable' homes for rent in planning deals with developers. Starter homes will be homes for sale at 80% of the market price, up to a value of £250,000 (£450,000 in London). They will be built by private developers and sold to first time buyers. The Housing and Planning Act provides a duty on local authorities to increase the supply of starter homes, with requirements that they are built as part of any large-scale development. This will mean diverting funding from existing affordable housing obligations (called 'Section 106' obligations). At present local authorities can oblige developers to build low-rent homes as part of any large scheme, as the price of planning permission. In future, this subsidy must be diverted to fund starter homes instead (Shelter, 2015, p 3). Moreover, Shelter's research - which assumes that by 2020 an average starter home may sell for £214,000 in England and £395,000 in London, which are both under the maximum price set by the government - also shows that to afford these prices at current average lending ratios in England an income of £50,000 and a deposit of £40,000 would be needed; and, in London, an income of £77,000 and a deposit of £98,000 would be needed. Moreover, with a 95% mortgage on a starter home in England, an income of £59,000 and a deposit of almost £11,000 would be needed; and, in London, an income of £97,000 and a deposit of almost £20,000 would be needed.
- Grants from central government, which form the majority of Croydon's income, will be phased out by 2020 - when councils will also be able to keep 100% of local taxes and cut

business rates under the Tories' latest devolution proposals. Hence, as Croydon council leader Tony Newman has warned, "...less money coming to services" could leave the council "hopping around on one leg with our hands tied behind our back" (quoted in the *Croydon Guardian*, 7 October 2015).

- All the authority's 10,000-plus workforce – apart from school workers – have been offered voluntary redundancy in a bid to plug a £100 million hole over the next three years in the budget. Staff have also been invited to permanently reduce their working hours or take early retirement. The council blames unexpected government cuts to funding for public health, adult learning and the care of asylum-seeking children for increasing the financial pressure already caused by dwindling local government budgets (*Croydon Guardian*, 13 November 2015).
- According to a report by the council, 215 families in 2016 were at 'significant risk' of eviction because they were unable to afford rents in Croydon due to benefit cuts; and 90 families would be required to 'move to homes outside London and the South East' (quoted in *The Croydon Advertiser*, 13 November 2015).
- Council leader Tony Newman warned that the EU referendum result could lead developers to cancel their projects in the Town Centre (*The Croydon Advertiser*, 24 June 2016).

2. Police and crime commissioners - another 'half-baked import'

The main arguments against US-style directly elected police and crime commissioners (PCCs) in England and Wales are similar to those against US-style directly elected mayors (DEMs); and the Tories now want there to be a legal duty to collaborate for the three emergency services with shared governance for police and fire under PCCs.

Yet, as *Who stole the town hall?* also shows:

PCCs lead to cronyism and patronage

PCCs are required to appoint a Chief Executive and a Chief Finance Officer in order to assist them in the fulfilment of their responsibilities. PCCs are also at liberty to appoint other staff, on merit, as appropriate. Party political office holders and active party members will not be able to be appointed to the PCC's staff. However, the position of Deputy is not a politically restricted post; and there is no requirement to advertise these posts. Consequently, some of the first cohort of PCCs recruited political or personal contacts. For example, in the West Midlands Labour PCC Bob Jones - who died in July 2014 and whose annual salary had been £100,000 - appointed Yvonne Mosquito as his deputy who received a total of £91,841: £65,000 as a Deputy PCC; £16,267 as a backbench councillor; and £10,574 special responsibility allowance as a District Committee Chair. Therefore, as the Stevens Commission concluded: 'The appointment of staff has... further exposed the limits of a single individual model of police governance' (2013, p 82).

PCCs lead to corruption

Out of the 50 US states, 48 have sheriffs. Today there are 3,083 elected sheriffs in the US. Moreover, as Patrik Jonsson also notes, from the rise of the sheriff especially in the American West, 'dozens of sheriffs have faced indictments for malfeasance while in office over the last decade for everything from destroying incriminating court documents to murder' (*Christian Science Monitor*, 31 August 2013). For example, former Whitley County Sheriff Lawrence Hodge was imprisoned for 15 years and six months in 2011 after pleading guilty to three felony offenses (conspiracy to effect commerce by extortion, distribute Oxycodone and commit money laundering); ordered to pay \$64,897 in restitution to the Whitley County Fiscal Court once he was released from custody; and to forfeit \$50,000 to the federal government. On 31 October 2013 Hodge pleaded guilty to 18 further counts of abuse of the public trust and three counts of tampering with physical evidence; and was sentenced to 17 years in prison by Whitley County Fiscal Court, which will be served concurrently with his federal prison sentence. He was also ordered to pay a further \$335,188 in restitution (*The News Journal*, Corbin, Kentucky, 1 November 2013).

Many police commissioners are also appointed by mayors, or city leaders in the US; and every few years there is, in every major city, an investigation with the police commissioner and many senior officers imprisoned. For example, in 2000 New York City (NYC) Mayor Rudy Giuliani appointed Bernard Kerik, a former detective who had been the Mayor's driver, as Commissioner. Kerik served 16 months as Commissioner, leaving office at the end of Giuliani's term on December 31, 2001. From May to September 2003 he was then Minister of the Interior of Iraq under the interim US government that ran that country after the invasion. In December 2004 Kerik was also nominated by George Bush to head the Department of Homeland Security: but a week later withdrew his nomination, explaining that he had employed an illegal immigrant. Kerik, who was subsequently prosecuted for fraud, perjury and corruption, could have faced a maximum sentence of 142 years in prison and \$4.7 million in fines: but - following a plea deal - he was only imprisoned for four years, ordered to pay restitution of nearly \$188,000 and released on 28 May 2013 (see http://en.wikipedia.org/wiki/Bernard_Kerik).

Jessica de Grazia - who served in the New York district attorney's office from 1975 to 1987 and became Manhattan's most senior non-elected law officer - therefore challenges the key assumption underlying the PCC legislation:

If you are going to take another country's governance system, then you should import the checks and balances from that system. That has not happened in this case. The problem appears to be that they are looking only at crime reduction and not corruption. In the US prosecutors can initiate investigations, while in the UK we are completely dependent on the police (*The Observer*, 6 March 2011).

The Home Office strongly denied such claims, but De Grazia further said she had been approached by a number of veteran Scotland Yard CID commanders who had experienced police corruption first-hand and were 'horrified' by plans to install an elected commissioner with the power to hire and fire chief constables.

Moreover, more than half of the first cohort of elected PCCs (23 out of 41) were investigated by the Independent Police Complaints Commission (IPCC) while only halfway through their first term (*The Telegraph*, 1 December 2014). These were all examples of what Sir Norman Bettison, the former Chief Constable of West Yorkshire, calls "corruption with a small c" (quoted in *The Telegraph*, 27 February 2012). But, as in the Westminster Homes for Votes scandal, Jacques Chirac in Paris and Marisol Yagüe in Marbella, corruption on some large-scale takes years to substantiate and deal with. Meanwhile Devon and Cornwall PCC Alison Hernandez was referred to the IPCC on the same day she officially started her term in office over allegations that she breached electoral rules on expenses in her role as election agent for Conservative MP Kevin Foster in the 2015 General Election (*Police Oracle*, 16 May 2016).

PCCs are a monoculture, which excludes the working class

The process of selection and election, as in the case of DEMs, has produced a cohort of PCCs who are predominantly from the middle strata, white, male and middle-aged:

- 99 (51.8%) candidates had been elected politicians (councillors, MPs, MEPs, Assembly Members) and 25 (60.9%) of those elected had been elected politicians.
- 35 (18.3%) candidates were women and six (14.6%) of those elected were women.
- 20 (10.5%) candidates were from ethnic minorities and none were elected.
- 39 (20.3%) candidates are known to have served on a police authority.
- 32 (16.6%) candidates are known to have been employed by or served within the police service (predominantly former officers but also some Special Constables). Eight of those elected were former officers.
- 16 (8.3%) candidates are known to be, or to have been a magistrate and five of those elected were magistrates.
- 16 (8.3%) candidates are known to have served in the armed forces and seven were elected (House of Commons, 2013b, pp 28-29).

Furthermore, the total number of women who stood for the two main parties fell from 21 (26%) out of 82 in 2012 to 11 (14%) out of 80 in the May 2016 PCC elections. In 2012, two BME candidates stood for Labour and one for the Conservatives; and in 2016, the Labour candidate for Derbyshire was the only BME candidate standing for either (*The Guardian*, 18 April 2016). Though Hardyal Dhindsa - who is also male - was elected as Derbyshire's PCC: there are still only six women PCCs. Hence, as Liberty's Policy Director Isabella Sankey noted in relation to the first cohort of PCCs, their

unrepresentativeness is still in 'marked contrast to the previous diversity of Police Authorities' (*Liberty News*, 14 November 2013).

PCCs are the optimal internal management arrangement for a privatised police service

A meeting was held in Parliament on 22 November 2011 hosted by the British Security Industry Association (BSIA) to encourage greater private sector involvement in policing at which:

The wider issue of elected Police and Crime Commissioners...was also discussed as a potential turning point in the relationships between the police and private security service providers. One of the key roles of commissioners will be to reduce costs and streamline operations within each force, areas which the private security industry can contribute to immensely (BSIA press statement 25 November 2011).

Moreover, in March 2012 *The Guardian* revealed the massive scale of the plans for police privatisation by the West Midlands and Surrey - two of the largest police forces in the country - who had invited bids from G4S and other major security companies on behalf of all forces across England and Wales to take over the delivery of a wide range of services previously carried out by the police. The contract was the largest on police privatisation so far, with a potential value of £1.5 billion over seven years, rising to a possible £3.5 billion depending on how many other forces got involved: which dwarfed the £200 million contract between Lincolnshire police and G4S, under which half the force's civilian staff were to join the private security company that would also build and run a police station for the first time. The existing police authority, moreover, only gave the go-ahead for the tendering stage in February 2012 after a "robust and forthright discussion" which ended with a rare 11-5 split vote (quoted in *The Guardian*, 3 March 2012). Hence, as Adam Crawford, Professor of Criminology and Criminal Justice at the University of Leeds, argues:

Many of the activities proposed for outsourcing...involve contact with the public. This flies in the face of attempts to differentiate between 'back-office' staff and 'front-line personnel' which have been central to arguments in favour of outsourcing on the basis that contracting out the former, will allow police forces to dedicate more resources to the latter....Furthermore, outsourcing may undermine 'total' or holistic policing, notably where different elements of policing are hived off to diverse providers...and outsourced private contractors will not be subject to the same regulation, oversight and accountability mechanisms that exist for public police employees (see <http://www.bss.leeds.ac.uk/2012/10/12/the-privatisation-of-policing/>).

PCCs are invisible

As Stevens noted: 'There is little evidence to indicate that this new political office has captured the public imagination, or that PCCs are engaging successfully with diverse communities across their constituencies' (2013, p 81). For example in April 2016 a poll conducted by RMG Research for the Electoral Reform Society found that 89% of people could not name their PCC, and of those who said they could, 10% actually could not. The figure dropped to just 1% when 18-24 year olds were asked if they could name their PCC, and 5% for 25-34 year olds. Only 4% felt 'well informed' about the PCC election on 5 May - and 1% 'very well informed' (press statement 30 April 2016).

PCCs have not increased turnout and lack voter support

The second set of PCC elections were held on 5 May 2016. Overall turnout across the 40 PCC elections held in England and Wales, according to the BBC, was 26.4%, an increase of 11.3% on 2012: ranging from 17.4% in Durham to 49.1% in Dyfed-Powys, which had the highest increase of 32.7%, and Northamptonshire which had the lowest increase of 2.5%. The highest and most dramatic increases in turnout were in Wales where the PCC elections were combined with elections to the Welsh Assembly. Average turnout across the four PCC areas in Wales was 43.1%, only slightly below the 45.3% who voted in the Welsh Assembly elections. South Wales, where one polling station infamously received no voters at all in 2012, came second with a turnout of 42.5%. However, while turnout in Welsh PCC elections has risen significantly since 2012, the persistently low turnout for Welsh Assembly elections may create a natural ceiling for PCC elections in Wales.

The average turnout in England's PCC elections was 24.5 per cent, almost 20 points below the same elections in Wales. The largest turnout in England was in West Yorkshire (33.2%), where local elections were held in all five district councils in the PCC area. In two other PCC areas, Merseyside and the West Midlands, local elections were held across the PCC area and turnout in both cases was relatively high. In contrast the lowest PCC election turnout (17.4 per cent) was in Durham, where there were no other elections taking place. This was also the case in Leicestershire, Nottinghamshire and Bedfordshire, all of which produced low turnouts. Although this represents a considerable improvement, it was still a very low turnout for a national election in the UK, 40 points below turnout in the 2015 general election and lower even than the 35% of UK voters in the 2014 European Parliament elections. Therefore, as Andrew Defty (2016) noted, 'any variation may have had more to do with the combination of the PCC poll with other elections than with any discernible increase in public enthusiasm for the office'.

PCCs have an undemocratic voting system

The second set of PCC elections were held on 5 May 2016. The number elected fell from 41 to 40 because responsibility in Greater Manchester now falls within the remit of the Interim DEM Tony Lloyd and elections for the Mayor of Greater Manchester in 2017.

Labour in 2016, according to the BBC, received over 3 million of the first preference votes; and the Conservatives only got 2.6 million. However, the Conservatives again won the largest number of PCC elections - 20 out of 40, which was four more than in 2012. Labour won 15 PCC elections, which was two more than in 2012. Though Labour also has the PCC remit in both Greater London and Greater Manchester. Independents won three PCC elections - nine less than in 2012. Most independent candidates who lost were defeated by Conservatives. However, independents were also defeated by Plaid Cymru - who won their first two PCC elections - in North Wales and Labour in Gwent. This clearly suggests an increase in partisan voting in PCC elections, but whether this is the result of running PCC elections alongside local elections is not clear. The defeat of independent PCCs by Plaid Cymru in North Wales and Labour in Gwent, alongside Plaid's defeat of the Conservative PCC in Dyfed-Powys, does suggest that voting in the PCC elections in Wales has aligned with voting in the Welsh Assembly elections, particularly on a turnout which closely mirrors that for the Assembly elections. Similarly, in England, several independent PCCs were defeated in areas with large increases in turnout in which a large number of seats were also being contested in several local councils. This was particularly the case in Hampshire and Surrey. At the same time two independent PCCs did hang on in similar circumstances, most notably in Gloucestershire. Moreover, in several of the areas in which independent PCCs were defeated there were very few local elections in 2016 - most notably Kent, Lincolnshire, Norfolk and Warwickshire. Therefore, as Andrew Defty (2016) concluded: 'The persistently low turnout in PCC elections means that the long-term future of the role remains uncertain, but the influx of independent Police and Crime Commissioners seen in 2012 seems likely to be a thing of the past'.

In May 2016, only four candidates (all Labour) were elected outright in the first round compared to eight (five Labour and three Conservatives) in November 2012. In the other 36 contests there was a second count; and in 35 (97%) of these the number of voters who were denied any say in the second round was greater than the eventual majority of the winning candidate. This reinforces the case for using STV in PCC elections until PCCs are abolished: since in 2016 there were more contests in which there was a second count than in 2012. And in 2016 the percentage of contests in which the majority of the winning candidate was less than the number of voters denied any say in the second round was 97% compared to 64% in 2012 - an increase of 33%.

PCCs cannot be removed

South Yorkshire's PCC Shaun Wright - who was the councillor responsible for children's services from 2005 to 2010 - resigned on 16 September 2014: three weeks after

the publication of Professor Alexis Jay's report on child sex abuse in Rotherham. Meanwhile, when Labour threatened to throw Wright out of the party, he resigned his membership. Meanwhile Harry Harpham, chair of South Yorkshire's police and crime panel, had also endorsed calls by the home affairs select committee for emergency legislation to enable PCCs to be removed in 'exceptional circumstances': because the panel could only suspend Wright if he was charged with a criminal offence that carried a maximum penalty in excess of two years' imprisonment (*The Guardian*, 12 and 17 September 2014). Hence, until they are abolished, as *Who stole the town hall?* argues regarding DEMs, people should also have a power of recall leading to a new election if their PCC 'turns out' to be 'bad or ineffective'.

Empowered police authorities versus PCCs

The Stevens Commission recommended that PCCs should be abolished and replaced by directly elected local police boards (2013, p 88). However, critics say the merger has been rushed by the Scottish government to save money, leaving it without any independent democratic oversight. For example, Colin McKerracher, the former chief constable of Grampian, said:

The government are saying that this new service will be locally focused. But the one thing that is changing is that there is no local police board able to select a chief constable and style of policing for the area. There will also be no power to hold their chief constable to account. So they are now fairly toothless policing committees (quoted in *The Guardian*, 1 April 2013).

Stevens also ignores developments following the Health Boards (Membership and Elections) (Scotland) Act 2009, when direct elections were piloted in two of the 14 Health Boards to elect 10 new non-executive directors in NHS Dumfries and Galloway and 12 members in NHS Fife on 10 June 2010. All voting was postal using the Single Transferable Vote system; the franchise was extended to include 16 and 17 year olds; and candidates' campaign spending was limited to £250 each. The turnout in Dumfries and Galloway was 22.6% and 13.9% in Fife. And eligible 16-17 year olds were also significantly less likely to vote than registered voters aged over 18: 12.9% of whom voted in Dumfries and Galloway and 7% in Fife. Therefore the Scottish government in November 2013 abandoned the idea of directly elected health boards (see <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-24857054>).

Lesley Riddoch - commenting on this decision - stated:

If widening board membership was the objective, elections were never going to provide a solution.... In Norway, with genuinely community-sized, tax-raising municipalities of around 14,000 people, election turnouts range from 70-82 per cent and one in 80 Norwegians stands for election. In Scotland, community

councils have a tiny average annual budget of £400 and no statutory clout and services are provided instead by large council bureaucracies for an average 162,000 people. These 'local' councils receive most of their cash from central government. Turnout in the 2012 elections was 38 per cent and one in 2,071 Scots stood for election.... The bigger, more remote and more centrally funded the 'local' council, health board or quango, the less the public participate in its governance and the lower the election turnout. Apathy? Not a bit of it. Wrong-sized governance is to blame (see <http://www.scotsman.com/news/lesley-riddoch-unhealthy-to-think-big-is-beautiful-1-3183129>).

Robert Reiner therefore argues for

...a back-to-basics approach: a truly balanced tripartism, the 1964 Police Act model with adequately empowered local police authorities. This would come closer to a system that could legitimately claim to be democratic.

But he also recognises, as socialists have always done, that

...the problem lies outside policing, in the final analysis. As Tawney suggested in the 1930s, at the start of the last great depression, democracy is more than a matter of elections: 'Is the reality behind the decorous drapery of political democracy to continue to be the economic power wielded by a few thousand - or ... a few hundred thousand - bankers, industrialists, and landowners?' If it does then the prospects of democracy in one institution, especially the police, are dim (see <http://www.law.leeds.ac.uk/research/events/the-new-democratic-governance-of-policing-the-role-and-implications-of-elected-police-and-crime-commissioners.php>).

This must be opposed and countered by a programme of democratic accountability and real community control of the police, which would include the following:

5. Full trade union and political rights for the police.
6. Reorganisation of the structure of local government in England and Wales so that more councils cover smaller areas each with a police authority made up of elected local councillors, representatives of trade unions and community organisations with greater powers to control policing priorities and appoint senior police officials to ensure they carry out democratically decided policies.
7. Abolition of the City of London Corporation and the transfer of its police force and the Metropolitan Police to more councils in the London area each with a police authority similar to that in 2. above.
8. Abolition of Police Scotland and the Police Service of Northern Ireland and more councils each with a police authority similar to those in 2. above.

Meanwhile, the Tories in September 2015 published a consultation document on their proposals for 'a legal duty to collaborate for the three emergency services' with 'shared governance for police and fire' under PCCs (HM Government, 2015, p 2). But, as the Fire Brigades Union argues: 'The PCC mode of governance is significantly less democratic than the current fire authority model, and...the involvement of PCCs will disrupt industrial relations' (see <http://www.fbu.org.uk/news/2015/10/police-takeover-of-fire-service-will-put-safety-at-risk-warns-fire-brigades-union/>). The former shadow home secretary Andy Burnham, moreover, dropped Labour's pledge to scrap PCCs (*The Guardian*, 29 September, 2015). And in February 2016 then Home Secretary Theresa May told the think tank Policy Exchange that, although the government thinks councils are not suitable to run schools, PCCs are. In her speech May also said she would like to see the PCC role expanded even further - by allowing them to set up 'alternative provision' free schools to support troubled children (*Public Sector Executive*, 8 February 2016).

3. Local government finance

3.1 UK Public expenditure

The Tory-led coalition government promised to shrink the deficit that rapidly increased due to bank-sector bailouts and falling tax revenues. But despite cuts and wage freezes the deficit has risen mainly due to the failure to achieve economic growth. However, the latter trends seem at odds with the figures, which are often cited by the advocates of greater austerity, showing growing public expenditure as a percentage of GDP (see Table 3). But, as Reeves et al. (2013, p 2) note:

expenditure as a percentage of GDP is misleading, because GDP (the denominator) has itself fallen, inflating the fraction of spending as a percentage of GDP. Additionally, had the government not pursued austerity policies, spending as a percentage of GDP would have risen even more because of the existence of 'automatic stabilizers' - an automatic rise in overall spending when more people qualify for unemployment benefits and poverty relief during recession (and vice versa when the economy recovers). These stabilizers are so-named because they act counter-cyclically to minimize fluctuations in real GDP.

For example, the unemployed normally qualify for unemployment benefits, leading spending to rise in parallel. However, the recent budget cuts have broken this historical trend. Moreover, total public spending is planned to fall to 37% of GDP by 2019/20, which is less than for Estonia where public spending, according to the International Monetary Fund, is 38% of GDP compared to Finland and France where public spending is 55% of GDP (quoted in *The Guardian*, 15 April, 2015). Moreover, following the

November 2015 Spending Review and Autumn Statement - when The OBR forecast a £27 billion improvement in the public finances over the next five years - as Polly Toynbee noted, this

could evaporate as quickly as it arose and by back-loading cuts previously front-loaded.... the poorest will still be hardest hit by his [Osborne's] £12bn welfare cut, so his tax credit U-turn only delays the pain....Don't expect today's good news gloss to withstand five years ahead of real-life state-shrinkage (*The Guardian*, 26 November 2015).

3.2 Financing of UK local government

Current expenditure is the cost of running local authority services within the financial year. This includes the costs of staffing, heating, lighting and cleaning, together with expenditure on goods and services consumed within the year. Capital expenditure is incurred when a local authority spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond the financial year in which the investment was made. Local authority spending can be divided into revenue expenditure and capital expenditure. Revenue expenditure is financed through a balance of central government grant, retained non-domestic rates and the locally raised council tax. Capital expenditure is principally financed through central government grants, borrowing and capital receipts. The main sources of income for local government in England and Wales are council tax, retained non-domestic rates (Non-domestic rates income in Scotland), other government grants (including specific government grants), borrowing and investments, interest receipts, capital receipts, sales, fees and charges and council rents. Most equivalent spending in Northern Ireland is central government spending carried out by Northern Ireland departments.

Total current and capital expenditure by UK local authorities, as Table 4 shows, fell from £101.7 billion in 2011/12 to £80.9 billion in 2015/16; and is planned to fall to £69.4 billion by 2019/20 (i.e. £32.3 billion less by 2019/20 than in 2011/12). Total current expenditure fell from £90.8 billion in 2011/12 to £70.4 billion in 2015/16; and is planned to fall to £61 billion by 2019/20 (i.e. £20.4 billion less by 2019/20 than in 2011/12). Total capital expenditure fell from £10.9 billion in 2011/12 to £10.5 billion in 2015/16; and is planned to fall to £8.4 billion by 2019/20 (i.e. £2.5 billion less by 2019/20 than in 2011/12).

3.3 Councils were cut earlier and harder than the rest of the public sector

Councils are already becoming financially unviable. Senior conservatives in local government, according to Jonathan Carr-West who is director of the Local Government Information Unit, have for some time been predicting privately that the scale of budget reductions means that some councils, including some large ones, are bound to fail (Carr-West, 2013). Liverpool is one of 12 to 14 councils that are very close to the edge

now. They are not all Labour-led: some of the deepest concerns surround Tory-run Northamptonshire. But, as Liverpool raises only 10% of its total £1.3 billion funding through council tax because of the city's low property values, it is particularly dependent on government grant that is being cut by 58% between 2010 and 2017. The council's auditors, Grant Thornton, therefore think it is possible that during 2017/18 the council will no longer have sufficient funds to deliver any discretionary services; and that in 2018/19 it could struggle to fund all its mandatory service provision (*The Guardian*, 11 November 2015). In addition, the 2014/15 local auditors' survey raised concerns about

- 15.9% of single tier and county councils' capacity to deliver their budgets;
- the capacity of 52.3% of these local authorities to deliver their medium-term financial plans, an increase from 41.1% in the 2013-14 survey;
- metropolitan district councils and unitary councils, suggesting that 55.6% and 56.4% respectively are not well placed to deliver their medium-term financial strategies (NAO, 2014, p. 21).

The system of local government finance is therefore no longer fit for purpose. Moreover, in chancellor Philip Hammond's *Autumn Statement 2016* (HM Treasury, 2016c), as Carr-West noted, there was nothing about devolution beyond the major cities and it was disappointing to hear him blame higher spending by local authorities as a cause of the weaker economic outlook. Carr-West said his real worry was what the chancellor didn't talk about. In addition to no mention of funding for social care, Carr-West pointed out the absence of anything about how business rate retention is going to work and how local government will be financed in the medium to long term: "This was presented as an upbeat autumn statement, but between the lines there was nothing for local government to celebrate." The next few years will be a challenge for local councils, which face a £5.8 billion funding gap by 2020, according to Local Government Association figures, and difficult decisions about which services are scaled back or stopped. "Even if councils stopped filling in potholes, maintaining parks and open spaces, closed all children's centres, libraries, museums, leisure centres, turned off every street light and shut all discretionary bus routes they will not have saved enough money to plug this gap by the end of the decade," said Lord Porter, chair of the LGA (quoted in *The Guardian*, 23 November 2016).

3.4 A new system of local government finance based on Land Value Tax

Land Value Tax (LVT) has a number of advantages, not least that it is a fair tax, since it allows society to reclaim the rising value of land created by the economic activity of society as a whole instead of going to the owners of land who contribute nothing to its rising value. Furthermore, it is fair because, in effect, people are charged according to

the space that they occupy and its value. In addition, it would lead to the more efficient use of land, and eliminate the scourge of derelict sites and homes standing empty. That is because the tax would be payable whether or not the land is being utilised according to its permitted use, which would act as a powerful stimulus for landowners to develop the land to its maximum potential (in line with prevailing planning regulations). It would also prevent the escalation of land prices, the main element in property bubbles, thus making homes more affordable, and leaving more money available for investment, which would provide more jobs, thus helping to promote economic development (Latham, 2011a, p 253).

Recent reviews of local government finance have also concluded that there is a very strong case for introducing LVT:

- The Burt Review rejected both the council tax and a local income tax for Scotland and 'considered at length the many positive features of a land value tax', which were 'consistent' with its 'recommended local property tax (LPT)...particularly its progressive nature' (Burt, et al., 2006).
- The Mirrlees Review, which argued that council tax is 'indefensibly regressive', concluded that it should be replaced by 'a housing services tax to reflect its underlying economic rationale as a tax on housing consumption...'. Mirrlees also concluded that 'stamp duty land tax should be abolished and the revenue replaced by part of the housing services tax (for domestic property) and land value tax (for business property)' (Mirrlees, 2011, pp 404-405).
- The Poverty Alliance *Local Taxation Discussion Paper* in 2013 considered that 'much of the analysis' by the Burt Review was 'sound'; and concluded that 'a Land Value Tax would have been a superior solution so that the LPT, or more correctly the underpinnings for that development, should have led logically onto a proposal for further change along the lines of a land-based taxation'. This paper also proposed that 'a wealth tax should be introduced, first as a one-off move to reverse the significant gains made by the richest during the recession and to raise revenues to begin to address the austerity cuts of the current period' (Cooper et al., 2013, p 5, p 11). The authors also had previously argued that in the longer term the Council Tax should be replaced with with LVT (Cooper, et al., 2010).
- *Taxing an independent Scotland* by the Institute for Fiscal Studies in 2013 noted that the Scottish parliament had failed to introduce 'the more thoroughgoing rationalisation proposed' by the Mirrlees Review, 'which would involve making council tax a simple proportion of property value...and replacing business rates with a land value tax on non-residential land' (Adam et al., 2013, p 11).
- The Greater London Authority's Planning Committee, in a February 2016 report signed off by its three Labour and two Conservative members, concluded that the current property taxation system encourages 'inefficient land use', deters development and makes 'land banking more likely'. They argued that 'LVT has

the potential to overcome these drawbacks and deliver higher levels of development to fund London's growth'. Therefore they recommended that the next Mayor should establish what powers are necessary to implement and operate LVT to replace council tax, business rates and stamp duty land Tax; commission an economic feasibility study to establish the likely yields of LVT compared with the existing property taxes, and estimate the impact of LVT on different land uses within the area; and should, subject to the outcome of the feasibility study, trial LVT in an area of London to test the impact of this approach on encouraging and funding development (Copley, pp 7-8).

There is now a broad alliance of support across the political spectrum for LVT. Of the major parties, only the Conservatives lack a campaign group promoting LVT. The Labour Land Campaign promotes LVT within the Labour Party and across the broad left movement; and LVT is now the policy of the Co-operative Party, the Labour Representation Committee, Compass and Glasgow's Labour Council. Andy Burnham and Diane Abbott when they were Labour leadership election candidates supported LVT (Latham, 2011a, p 276). Both Jeremy Corbyn and John McDonnell support LVT. The 2011 Trades Union Congress supported 'an economic strategy that explores the benefits of land value taxes, delivers a peace dividend through the scrapping of Trident replacement and takes key drivers of economic growth and wealth creation back into public ownership' (see <http://www.tuc.org.uk/about-tuc/congress-2011/2011-congress-decisions>).

Support for LVT also extends well beyond the labour and trade union movement. For example, establishment luminaries such as Sir Samuel Brittan and Martin Wolf of *The Financial Times* support LVT. Liberal Democrat Action for Land Taxation and Economic Reform promotes LVT within the Liberal Democrats. Furthermore, in December 2008 a cross-party group called the Coalition for Economic Justice was established to campaign for the introduction of LVT (Latham, 2011, p 110). Academic supporters of LVT include the Centre for Research on Socio-Cultural Change (see Ertürk et al., 2011, p 22, p 32, pp 36-37). Ian Mclean - Professor of Politics at the University of Oxford and a member of the independent expert group set up by the Calman Commission on Scottish Devolution - supports LVT: as does Professor Prem Sikka who also argues for major re-distribution of wealth and income (see Latham, 2011b, p 111 and Sikka, 2011, p 9). For, as Professor Danny Dorling (2014, p 75) argues:

A land tax means there is less economic sense in one family owning as many homes and as much land as possible, as it becomes more expensive to own more than you need. After the tax has been applied, housing will be valued more for its 'use' than for its 'exchange' value.

LVT, as the Labour Land Campaign (2011, p 10) states

...should be applied to all land. And in order for it to realise its true economic potential and contribute fully towards a more just society, the ultimate goal must be for LVT to replace the Council Tax, the National Non-Domestic Rates, Stamp Duty Land Tax, and to some extent other taxes, including Income Tax for most people by raising the threshold before tax is paid on incomes.

However, if a pure LVT regime were introduced immediately, people in large, expensive houses, and people in smaller houses, occupying land of equal value would pay the same tax. This could be avoided if a split tax regime, in which the land value and buildings were taxed separately, were introduced. Hence - to obtain the £23,964 billion raised by the council tax in England in 2014/15 (DCLG, 2016, p 7) - the combined rate of land value and buildings tax would need to be approximately one per cent of capital value. But as land prices fell there would be the option of gradually shifting more of the tax onto the land value element. Only freeholders and landlords, moreover, would pay LVT and buildings tax; and the owners of large estates would pay more because their acreage is greater than a semi and they often own valuable sites in town and city centres. Tenants under this proposal would also no longer be liable to property taxes.

Conversely, business rates should be replaced immediately by a pure land value tax, which would not only be less costly to assess: but also less likely to penalise businesses seeking to improve their premises; and it would also stimulate the most productive use of the land, subject to planning consent. Similarly, agricultural land, which is untaxed, should be valued and taxed at the same rate as for other businesses. This would stop agricultural subsidies feeding into land prices and rents at the expense of investment in agriculture, and its diversification. And Stamp Duty Land Tax, which is in fact a transaction tax, should also be abolished: because it adds costs, and acts as a disincentive, for those wishing to move to somewhere more suitable for their needs.

Should then LVT be a national tax that is redistributed back to local authorities on a per capita basis or solely a local tax? The advantage of the former is that it would enable a more equitable distribution of the revenue which otherwise would be distorted by Britain's highly unequal society. Its disadvantage is that it divorces the collection of tax from the services provided by local authorities and undermines the relationship and accountability of local politicians to those whom they represent. However, local politicians would still be answerable to their constituents for how the funds at their disposal were spent. A reasonable compromise could therefore be for local authorities to retain up to a third of the revenue collected, with the rest going to central government (or the devolved governments in the case of Scotland, Wales and Northern Ireland), which is then redistributed back to local authorities on a per capita basis.

4. Towards a new basis for federal, regional and local democracy

4.1 The continuing relevance of the Marxist approach in political science

Jonathan Davies (2011, pp 139-142) distinguishes between 'critical insider' and 'critical outsider' political science perspectives; and emphasises that they are 'not necessarily mutually exclusive'. Professor George Jones and Professor John Stewart - the leading liberal-democratic academic critics of the Localism Act 2011 and the Tories' latest legislation - are also 'critical' insiders. However, they fail to acknowledge that mayors with cabinets are the optimal internal management arrangement for privatised local government services. Hence, although *Who stole the town hall?* cites the exemplary empirical findings of these and other 'critical insider' analysts, the main problem with such studies is that - unlike this study and other 'critical outsider' analyses such as those by Jonathan Davies, Richard Hatcher and Dexter Whitfield which are grounded in Marxist political economy and Antonio Gramsci's theory of the 'historic bloc' - they do not see such policies as attempts by the central state to restore the conditions in which profitable investment and capital accumulation can take place. Though political-office holders, as Ralph Miliband in his later work noted, cannot appear to simply be the agents of capital. Hence to defend the latter's interests effectively governments must have a degree of autonomy in deciding how this is done (see Latham, 2011a, p 50). For example, the Localism Act 2011 allowed councils to revert to the committee system and the Northern Powerhouse - to dull some of the pain of cuts - is presented as a radical transformation in the way services and investment are controlled and delivered, with power placed in the hands of northern communities who have felt disenfranchised from the 'Westminster elite' for so long.

Section 3.3 above cited National Audit Office (NAO) reports relating to the financial viability of local councils. Moreover, the relevance of the Marxist approach is further demonstrated by Stewart Smyth and Dexter Whitfield (2016) who analysed the contents of the NAO's 2012 report titled *Equity investment in privately financed projects*. They draw on Gramsci's distinction between 'common sense' and 'good sense' ideas: the two elements of contradictory consciousness, which are dialectically related in a whole, one drawn from the official notions of the rulers, the other derived from an oppressed people's practical, although mediated, experience of social reality. Gramsci also stresses that common sense/good sense applies to all classes. In the Smyth and Whitefield paper common sense ideas are represented by the adoption and acceptance of market relations in equity transactions and profit-making on such transactions, as a positive development. In contrast, good sense ideas are represented by challenges to the appropriateness of such transactions involving public assets. And they conclude that in the case of this report, the NAO has become an active participant in maintaining the

hegemony of competitive market principles as the basis of resource allocation for public infrastructure projects:

Because they have refused to move beyond the dominant ideology of competitive market principles, the NAO have reached the limit of their ability to analyse and explain what is actually occurring in the PPP equity market.... [they] are aware of the excessive profit-making, but know that they cannot openly report it. Instead, we are left with 'unexplained residual amounts'.... Gramsci's common/good sense ideas opens the space for the work completed by academics that are critical of government policy on PPPs to have a real impact... the good sense ideas can be picked up and amplified by social movements and civil society organisations (such as trade unions).

4.2 Laying the basis for 'socialist decentralisation'

The British Parliament should be a federal institution elected by single transferable vote in multi-member constituencies with powers over currency, interest rates, banking, trade, foreign policy and defence. And it should primarily be concerned with redistribution from rich to poor, across England, Scotland and Wales (excluding Northern Ireland when Ireland is reunified on the basis of popular consent, north and south). The special status enjoyed by capital in the Isle of Man and Channel Isles, which are run as semi-feudal big business fiefdoms, should also be ended. Instead, the peoples of these islands should be democratically represented in the Westminster parliament, with their own democratic parliaments - Tynwald and the States - and similar powers to Wales, Scotland and England's regions.

Hence *Who stole the town hall?* concludes that laying the basis for 'socialist decentralisation' in a federal Britain and reinvigorating local government requires the following:

- 1) No to membership of the EU single market and TTIP/CETA; negotiation of new bilateral and multilateral agreements for mutually beneficial cooperation with European and other countries; rejection of EU Court of Justice rulings protecting the super-exploitation of migrant workers; reversal of the unfair anti-immigration rules imposed on non-Europeans as part of the EU 'Fortress Europe' policy; enactment of progressive EU social and environmental policies into British law; continued funding of vital programmes previously supported via the EU; guaranteed residence for EU citizens currently living in the UK; and upholding the Human Rights Act and the European Convention on Human Rights .
- 2) The reunification of Ireland on the basis of popular consent.
- 3) Abolition of the House of Lords and disestablishment of the Church of England as the official state church.
- 4) A directly elected Cornish Assembly to reflect the distinctive cultural and social characteristics of Cornwall with powers that match local aspirations.

- 5) The Isle of Man and Channel Isles should both be represented in the Westminster Parliament.
- 6) Restoration of the democratic and civil liberties abolished or eroded by Conservative and Labour governments since 1979.
- 7) The right to petition for a by-election to ensure that representatives are accountable.
- 8) No state funding for political parties; and corporate political donations should be submitted to a ballot of the employers and employees of the enterprise concerned.
- 9) Setting the age of adulthood, including the right to vote, at 16 to reflect the other freedoms and responsibilities acquired by many young people at that age.
- 10) The Single Transferable Vote system for all elections.
- 11) Abolition of the City of London Corporation where non-residential business voters greatly exceed residential voters.
- 12) Repeal of the Localism Act 2011, the Police Reform and Social Responsibility Act 2011, the Cities and Local Government Devolution Act 2016, the Housing and Planning Act 2016, the Education and Adoption Act 2016 and the Welfare Reform and Work Act 2016.
- 13) An overall reorganisation of the structure and governance of local government in the UK to eliminate its democratic deficit compared with the rest of Europe. That is, there should be more councillors and councils each with the committee system (which is much more inclusive than any other form of local governance such as the cabinet system with directly elected mayors and gives all councillors the right to make policy again) - and a police authority (made up of elected local councillors, representatives of trade unions and community organisations) - covering smaller areas.
- 14) Mechanisms to enhance, strengthen and reform local democracy involving citizens with elected members in devising progressive policies with the wider community, small businesses and local charities.
- 15) No councillor should be paid more than median gross weekly full-time earnings in their locality.
- 16) Restoration of the Standards Board to make criminal activity by councillors less - not more - likely.
- 17) Councils should be the default providers of services.
- 18) The PFI/PPP programme should be terminated and replaced by direct public investment.
- 19) Before any outsourcing of services or privatisation of assets takes place there should be public consultation.
- 20) There should always be an in-house bid on the table (or a reason given if there isn't) with social value the priority.
- 21) Private providers should be subject to freedom of information requests.
- 22) Public service contracts, performance and financial data should be publicly available.
- 23) The public should have the right to recall providers who do a bad job.
- 24) A new system of local government finance based on an annual Land Value Tax (LVT) applied to all land to replace the Council Tax, the National Non-Domestic Rates, Stamp Duty Land Tax.
- 25) Support for the People's Assembly Manifesto for a fairer economy and fairer Britain (including a mass council house-building programme to build homes economically and

quickly for all classes by direct labour with craft training for apprentices; improved public services; and a secure and sustainable future).

4.3 The crisis of working class political representation and ways in which it is now beginning to be addressed

The alternative economic and political economic strategy (AEPS)

Over two decades the unions, individually and at the TUC, have abandoned the policy planks that bound them into capitalist consensus. For example, the 2011 TUC adopted an Alternative Economic Strategy and voted for a Land Value Tax; the 2012 TUC voted for public ownership of the banks, reiterated its support for re-nationalisation of the railways; and reaffirmed its support for the People's Charter and the Women's Charter (see <http://www.tuc.org.uk>). And the 2016 TUC - as do anti-poverty groups, councils in Fife and Glasgow, the SNP and shadow chancellor John McDonnell (see *The Guardian*, 2 January 2017) - supported a universal basic income paid individually, alongside comprehensive public services and childcare. This is significant because unions are by far the most inclusive, representative and deeply rooted popular organisations in Britain. Combine the settled views of millions of trade unionists, workers generally (including big sections of middle strata opinion) and we have the popular basis of a genuinely alternative government programme arising from real lived experiences. Hence there is vital work to do to persuade people across Britain that austerity is unnecessary.

Labour's national leadership until the election of Jeremy Corbyn as leader was committed to neoliberalism, austerity and 'corporate welfare' - that is, all the subsidies and grants paid to business, as well as the corporate tax loopholes, subsidised credit, export guarantees - which was £93 billion and amounted to £3,500 a year given by each UK household (*The Guardian*, 8 July 2015). This was greater than the entire public sector deficit in 2015/16 (excluding the effects of the bank bailout) of £89.2 billion. And, as Michael Burke argues: 'It is business, not the poor, people with disabilities, women burdened by increased carer responsibilities or public sector workers who should shoulder the burden of the crisis they created' (Burke, 2015). Therefore, to fund increased provision of directly provided local authority and other public services, the threshold for income tax should be raised to £20,000 per annum, and in stages later, to £30,000, retaining the basic rate of tax at 20 per cent; and a new 60% rate of tax for incomes over £60,000 should be introduced. In addition, the estimated revenue from

- a 2% annual wealth tax on the richest 10% of the population - who owned 45% of Great Britain's wealth in 2012/14 estimated to be £11.1 trillion - would be £100 billion a year (see <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhousehol>

dfinances/incomeandwealth/compendium/wealthingreatbritainwave4/2012to2014);

- ending tax dodging by the super-rich and big business would be £120 billion a year (see <http://www.taxresearch.org.uk/Documents/FAQ1TaxGap.pdf>);
- a ‘Robin Hood’ tax on City transactions would be £7.5 to £112 billion a year (McCulloch and Pacillo, 2011).

4.4 Jeremy Corbyn - twice elected Labour Party Leader

A left-led Labour Party on a left-wing programme could win the next general election, which would inspire millions more people to register and vote, especially among the young, unemployed, students, housing tenants and the ethnic minorities where electoral turnout is low. In 2015, Labour received two million fewer votes than the Tories. Yet 15 million electors didn’t vote on that occasion and neither did 13 million in the EU referendum. Millions of these people could be won for a bold alternative to Tory austerity, privatisation, poor housing and poverty. Conversely, the new electoral boundary proposals will slash the number of MPs from 650 to 600 when the population is growing and the Tories are packing the unelected House of Lords with their supporters. Moreover, the seats are not based on how many people live in them, but on December 2015’s electoral register. A new system of individual registration also meant hundreds of thousands of people were wiped from the register. Disproportionately, they tended to be young, private tenants and from black and minority ethnic backgrounds; and because of the referendum effect, another two million people have joined the electoral register since. But the new seats do not take them into account. Indeed, according to Labour’s Jonathan Ashworth, the new Lewisham constituencies will be based on an electoral register missing 20% of their voters (*The Guardian*, 14 September 2016). Combined with other assaults on democracy - from legislation to cripple trade unions to a so-called ‘gagging bill’ which intends to silence NGOs - the picture is clear: even when Labour is in a position to effectively challenge the Conservatives, everything will be stacked in favour of the ruling party. Hence alliances on the left will still be crucial to beating the Tories (see Nandy et al., 2016).

Nor are Labour’s internal divisions going to be solved by Corbyn’s second victory, which will require turning a mass membership into a mass movement for change. Thus, as Hilary Wainwright argues, the Labour Party leadership needs to engage in a process of empowering education amongst its members and supporters, the labour movement and its allies. Several of Corbyn’s initiatives indicate his openness to this kind of process: for example, popular participation in the drawing up of Labour’s Manifesto and the national day of action to campaign for ‘inclusive education’ on 1 October 2016. And there also many other initiatives that are not only resisting austerity but also involving people in developing alternatives: for example, the National Union of Teachers reaching out to parents and the wider community. Finally, the separation of

most Labour councillors and MPs from the people, and the crisis over Corbyn's leadership, makes the issue of democratising the British local and national state an urgent issue:

It is exactly this that the establishment fear most from the dynamics unleashed by Corbyn's leadership...the democratic potential to realise a transformative politics beyond 'parliamentary socialism' (Wainwright, 2016, p 100).

Table 1: Council governance systems in the UK, excluding the City of London and Greater London Authority

	Committee	Party control	Executive	(Hybrid)
England				
32 London boroughs	1. Barnet ¹	Conservative		
	2. Sutton ²	Liberal Democrat	30	
36 Metropolitan boroughs			36	
27 County councils	3. Cambridgeshire ¹	No overall control		
		Conservative		Kent ³
	4. Nottinghamshire ²	Labour		
	5. Norfolk ¹	No overall control		
		Conservative	24	Oxfordshire ³
55 Unitary authorities	6. Brighton & Hove ²	Labour		
	7. Hartlepool ³	Labour		
	8. Reading ³	Labour		
	9. South Gloucestershire ²	Minority Conservative	51	
200 District councils	10. Barbergh ⁴	Conservative, Liberal Democrat and Independent		
	11. Barrow-in-Furness ⁴	Labour		
	12. Brentwood ⁴	Conservative		
	13. Canterbury ⁶	Conservative		
	14. Christchurch ⁴	Conservative		
	15. Corby ⁴	Labour		
	16. Craven ⁴	No overall control		
	17. Daventry ⁴	Conservative		
	18. East Cambridgeshire ⁴	Conservative		
	19. East Dorset ⁴	Conservative		
	20. East Northamptonshire ⁴	Conservative		
	21. Epsom & Ewell ⁴	Independent		
	22. Forest Heath ⁴	Conservative		
	23. Fylde ⁶	Conservative		
	24. Gosport ⁴	Conservative		
		Conservative		Guildford ⁷
	25. Harlow ⁴	Labour		
	26. Isles of Scilly	Independent		
	27. Melton ⁴	Conservative		
	28. Newark & Sherwood ³	Conservative		
	29. North Warwickshire ⁴	Labour		
	30. Oadby & Wigston ⁴	Liberal Democrat		
	31. Purbeck ⁴	No overall control		
	32. Ribble Valley ⁴	Conservative		
	33. Richmondshire ⁴	Independent and Liberal		

		Democrat		
	34. Runnymede ⁴	Conservative		
	35. Ryedale ⁴	Conservative		
		Conservative		Sevenoaks ³
	36. South Derbyshire ⁴	Conservative		
	37. Stroud ³	Labour, Liberal Democrat and Green alliance		
	38. Tandridge ⁴	Conservative		
	39. Torridge ⁴	Conservative		
	40. West Devon ⁴	Conservative		
	41. West Lindsey ⁴	Conservative		
	42. Weymouth & Portland ⁴	No overall control	167	
Wales				
22 Unitary authorities			22	
Scotland				
32 Unitary authorities ⁵	43. Aberdeen	No overall control		
	44. Aberdeenshire	No overall control		
	45. Angus	SNP		
	46. Argyll & Bute	No overall control		
	47. Clackmannanshire	No overall control		
	48. Comhairle nan Eilean Siar	Independent		
	49. Dumfries & Galloway	No overall control		
	50. Dundee	SNP		
	51. East Dunbartonshire	No overall control		
	52. Edinburgh	No overall control		
	53. Falkirk	No overall control		
	54. Fife	No overall control		
	55. Highland	No overall control		
	56. Inverclyde	No overall control		
	57. Moray	No overall control		
	58. North Lanarkshire	Labour		
	59. Orkney	Independent		
	60. Perth & Kinross	No overall control		
	61. Renfrewshire	Labour		
	62. Scottish Borders	No overall control		
	63. Shetland Islands	Independent		
	64. South Lanarkshire	Labour		
	65. Stirling	No overall control		
	66. West Dunbartonshire	Labour	8	
Northern Ireland				
11 'super' councils ¹	67. Lisburn & Castle City Council	No overall control		
	68. Ards & North Down BC	No overall control		
	69. Mid & East Antrim BC	No overall control		
	70. Fermanagh & Omagh DC	No overall control		
	71. Antrim & Newtownabbey BC	No overall control		
	72. Mid Ulster DC	No overall control		
	73. Amagh City Banbridge & Craigaron BC	No overall control		
	74. Causeway Coast & Glens BC	No overall control		
	75. Belfast City Council	No overall control		
	76. Newry, Mourne & Down DC	No overall control		
	77. Derry City & Strabane DC	No overall control		
Total 415			338	(4)

¹Since May 2014 ²Since May 2012 ³Since May 2013 ⁴Alternative arrangements since 2001 ⁵The Local Government (Scotland) Act 1973 allows local authorities to devolve most decision-making to a committee, sub-committee or officer of the council, which they have tended to do until recently

⁶Since May 2015 ⁷Since April 2015

Source: Council websites, BBC, House of Commons Library

Table 2: UK PFI Portfolio 31 March 2012

	England	Scotland	Northern Ireland	Wales	Total
Number of projects	569	85	39	24	717
Capital cost (£ bn)	46.5	5.7	1.9	0.5	54.6
Total estimated PFI payments (£bn)	260.6	30.8	7.2	2.8	301.4
Total estimated future PFI payments (£bn)	208.5	25.3	6.1	2.0	241.9
% of current commitments paid to date	20	17.8	15.2	27.9	
Total estimated committed cost per head (£)	4,917	5,811	4,000	903	
Total estimated future cost per head (£)	3,933	4,815	3,444	653	

Source: HM Treasury

Table 3: UK public expenditure, 1976/77 to 2019/20¹

	Real terms £ billion	Per cent of GDP		Real terms £ billion	Per cent of GDP		Real terms £ billion	Per cent of GDP
1976/77	359.7	45.4	1991/92	417.3	36.9	2006/07	661.3	38.5
1977/78	346.2	42.5	1992/93	439.5	38.7	2007/08	685.0	39.0
1978/79	353.6	41.7	1993/94	448.3	38.2	2008/09	727.0	42.6
1979/80	361.8	41.5	1994/95	461.1	37.9	2009/10	754.2	45.2
1980/81	365.5	43.2	1995/96	467.9	37.6	2010/11	763.7	44.9
1981/82	369.9	43.3	1996/97	457.1	35.8	2011/12	754.4	43.8
1982/83	381.3	43.6	1997/98	458.6	34.8	2012/13	755.1	43.2
1983/84	394.3	43.2	1998/99	465.6	34.3	2013/14	748.0	41.8
1984/85	398.7	42.9	1999/00	480.7	34.0	2014/15	747.2	40.7
1985/86	393.9	40.7	2000/01	500.6	34.3	2015/16	753.0 plans	40.1
1986/87	394.2	39.4	2001/02	527.1	35.3	2016/17	760.5 plans	39.7
1987/88	396.4	37.3	2002/03	556.8	36.3	2017/18	759.3 plans	38.8
1988/89	385.4	34.6	2003/04	590.1	37.1	2018/19	759.2 plans	38.0

1989/90	396.1	34.8	2004/05	626.4	38.6	2019/20	753.9 plans	37.0
1990/91	397.3	35.0	2005/06	649.4	38.7			

¹Real terms figures adjusted to 2015/16 price levels and the temporary effects of banks being classified to the public sector are excluded

Source: HM Treasury, 2016b, p 65

Table 4: Local government expenditure in the UK, 2011/12 to 2019/20 £ million

	2011/12 outturn	2012/13 outturn	2013/14 outturn	2014/15 outturn	2015/16 outturn	2016/17 plans	2017/18 plans	2018/19 plans	2019/20 plans
Current									
England ¹	76,800	71,656	66,239	62,976	58,660	56,105	52,986	51,114	49,631
Scotland ²	8,764	8,757	7,691	7,315	7,270	6,777	6,853	6,869	6,901
Wales	5,194	5,634	5,717	5,621	4,351	4,201	4,253	4,269	4,288
Northern Ireland	54	59	58	138	147	138	140	140	141
Total	90,812	86,106	79,705	76,050	70,428	67,221	64,232	62,392	60,961
Capital									
England	9,616	8,421	8,009	8,878	8,979	9,170	8,624	8,786	6,943
Scotland	769	607	565	829	880	687	702	733	772
Wales	515	637	569	535	562	583	588	625	666
Northern Ireland	3	3	2	6	46	4	4	4	4
Total	10,903	9,668	9,145	10,248	10,467	10,444	9,918	10,148	8,385
Total	101,715	95,774	88,850	86,298	80,895	77,665	74,150	72,540	69,346

¹Figures from 2013/14 reflect the changes to funding relating to the localisation of business rates and council tax benefits ²Funding arrangements for police services changed following the creation of a single police force from April 2013, which is mainly funded from the Scottish Government

Source: HM Treasury, 2016b, p 95

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