



Local Government Bill [HL]: Committee Stage Report

[Bill No 75 of 2010-11]

RESEARCH PAPER 10/74 18 November 2010

This is a report on the House of Commons Committee Stage of the *Local Government Bill [HL]*. It complements [Research Paper 10/63](#) which was prepared for Commons Second Reading.

The Bill gives effect to the Coalition Government's commitment to stop the restructuring of councils in Norfolk, Suffolk and Devon. Specifically, it would prevent implementation of any of the existing proposals for single-tier local government made under the *Local Government and Public Involvement in Health Act 2007*.

No amendments were made to the Bill in committee.

Keith Parry

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Research Paper 10/74

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Summary

The present Bill relates to the Labour Government's programme of local government restructuring which saw the introduction of single-tier (or unitary) councils in a number of English counties. It gives effect to the Coalition Government's commitment to stop the restructuring of councils in Devon, Norfolk and Suffolk. The Bill was introduced into the House of Lords in May 2010, and subsequently amended after the orders establishing unitary councils in Exeter and Norwich were quashed by the High Court. The amended Bill would prevent implementation of any of the existing proposals for unitary status made under the *Local Government and Public Involvement in Health Act 2007*.

The Bill completed its Lords stages without further amendment and was introduced into the Commons on 11 October 2010. At its second reading on 21 October, Eric Pickles, Secretary of State for Communities and Local Government, said that the Bill was needed to put an end to a restructuring process which had been left in "legal limbo". He deplored restructuring as a "wasteful and unnecessary distraction in these straitened times" and advocated collaboration between councils as a way of both saving money and improving services. Caroline Flint, Shadow Communities Secretary, said that unitary authorities in Exeter and Norwich would have delivered "more efficient and accountable services and would have spurred economic growth and created jobs." She called the Bill "petty, vindictive and, frankly, pointless."

The Bill was considered by the Public Bill Committee in one sitting on 2 November. Labour amendments were debated covering (1) the possibility of future council restructuring, (2) relations between the city councils and their respective county councils, and (3) the extent to which existing two-tier arrangements deliver value for money. Those amendments which were pressed to a vote were rejected and the Bill completed its committee stage without amendment. It is due to have its report stage and third reading on 25 November.

1 Introduction

The *Local Government Bill [HL]* was introduced into the House of Lords on 26 May 2010 and received its second reading on 30 June. It sought to revoke the Labour Government's orders providing for the creation of unitary councils for Exeter and Norwich, and to prevent implementation of any other existing proposals for restructuring made under the *Local Government and Public Involvement in Health Act 2007*.

In the event, the orders were quashed by the High Court and the Bill was trimmed at Lords committee stage (14 July) so that it simply sought to prevent implementation of any restructuring proposals made before its commencement. In practice, the existing proposals relate to Devon, Norfolk and Suffolk. The measure was not amended at Lords report stage (28 July) or third reading (5 October).

The Bill received its first reading in the Commons on 11 October and its second reading on 21 October. Committee stage was completed in one sitting on 2 November although the programme motion had allowed for four sittings over two days. The Bill was not amended. Report stage and third reading are scheduled to take place on 25 November 2010.

The text of the Bill together with its explanatory notes can be found on the UK Parliament website.¹ A House of Commons Library Research paper – [Local Government Bill \[HL\] \(RP 10/63\)](#) - provides briefing on the Bill and the background to it.

2 Second Reading Debate

Eric Pickles, Secretary of State for Communities and Local Government, opened the debate with a disparaging account of the Labour Government's actions concerning the Exeter and Norwich unitary proposals:

In the dying days of the Labour Government, the then Secretary of State chose to defy common sense and overturn the decision of his Labour predecessor. He decided to ignore independent advice and unilaterally impose unitary councils in the areas that we are considering.²

The Secretary of State said the reason could not be to save money. There were, he said, "sketchy and dubious estimates" that the decision "might save £6 million a year, but only after spending £40 million on the costs of reorganisation." Nor was it "popular fervour" in Norfolk or Devon for a change. The Labour Government's original assessment had been that the Exeter proposal was "unaffordable", while Norwich was "both unaffordable and poor value for money". Yet his predecessor had cited "deep and mysterious 'compelling reasons' why those councils should become unitaries."³

Mr Pickles said the High Court had found the decision unlawful because the former Secretary of State "had failed to consult on departing from his Government's own criteria." But the present Bill was still needed, he said, because:

Although the High Court has struck down the orders that would implement the proposals, the proposals themselves still theoretically exist. They are zombie proposals that have refused to lay down and die. Anyone who follows horror movies knows that the only way to kill a zombie is to sever its head from its body. I am here today, shovel in hand, ready to perform, with the help of the House, that very task. We need to

¹ Link via this page - <http://services.parliament.uk/bills/2010-11/localgovernmenthl.html>

² [HC Deb 21 October 2010 c1153](#)

³ *Ibid*, c1154

remove the possibility of anyone wasting any more time on those near-dead orders. We need to release councillors in Norfolk, Devon and Suffolk from the legal limbo in which they are trapped, so that they can get on with what really matters: protecting the front line and providing the best possible local services.⁴

The Secretary of State criticised the “traditional” approach to local government which was to “change structure first, and then to allow function to follow”. He was, he said:

much more interested in changing the function of local government. If it is necessary in future to catch up on structure, so be it, but I do not envisage that to happen for some considerable time.⁵

He wanted to make local authorities “genuine leaders of their local communities” and said it was common sense that councils could save money and improve services through closer collaboration and joint working. “They do not have to become unitary to do that”, he said, and dismissed the restructuring proposals as “nothing but a wasteful and unnecessary distraction in these straitened times”.⁶

Caroline Flint, Labour Shadow Secretary of State, set out Labour’s position:

Let me make it clear at the outset that Labour believes in the benefits of unitary authorities, and we support the aspirations of Norwich and Exeter to achieve unitary status. Each application must be considered on its merits and on a case-by-case basis, but in principle we believe that strong local leadership and clear accountability are harder to achieve where local government has a two-tier structure. The Conservatives used to believe that too. The last time that they were in power they created 100 new unitary authorities.⁷

She attacked the Minister’s argument that restructuring would cost £40 million, citing the estimated ongoing savings of £39.4 million and the subsequent annual savings of £6.5 million. She said that the more cost-effective county unitary options, recommended by the Boundary Committee, had never been a viable option because of a lack of local support. And the “worst value for money option – the most expensive option – is the current arrangement.”⁸

Ms Flint said that the restructuring proposals would have “helped to deliver more efficient and accountable services to local people and would have spurred economic growth and created jobs when we need them most.”⁹ The High Court Judge had made no criticism of the merits of the decision, only that the consultation process had not been adequate. She said of the Secretary of State:

He talks as if the proposals were somehow imposed by the Labour Government, for political purposes, against the wishes of local people. Nothing could be further from the truth, and if the Secretary of State does not believe me, he should go to Norwich and Exeter for himself. The people there will tell him what they think. Indeed, they already have. The fact that Labour made gains and the Tories suffered losses in both Norwich

⁴ *Ibid*, cc1154-5

⁵ *Ibid*, c1155

⁶ *Ibid*, cc1155-6

⁷ *Ibid*, c1156

⁸ *Ibid*, c1157

⁹ *Ibid*, c1161

and Exeter in what were, essentially, single-issue by-elections will surely not have escaped his notice.¹⁰

She said “This is a petty, vindictive and, frankly, pointless Bill.”¹¹ Local people would not forget that Conservative governments had abolished unitary councils in 1974 and that “...a Tory Government, with Liberal Democrat cheerleaders... have prevented them from running their own cities again.”¹²

Conservative MPs welcomed the Bill. Issues raised included the cost, particularly in officer time and money, wasted on the process and a lack of support for reorganisation among people in the two counties. **Robert Neill**, winding up for the Government, accused the Opposition of a tendency to “confuse structures with power” adding that the Coalition would give councils real power.¹³ **Simon Wright** (Lib Dem, Norwich South) said that he was a “supporter of the principle of unitary councils” but the restructuring process had been a shambles, plagued by legal challenges and with little public engagement. Moreover:

The previous Government's quick-fix solution in February would have left Norwich on its existing city council boundaries, yet evidence from the Audit Commission suggests that the most effective unitary bodies are larger in size and have more widely drawn boundaries. The Government's models did not address the boundary issue.¹⁴

Among Labour MPs **Ben Bradshaw** commented that the Government was “not handing power down, but up to the bigger, more remote and much less accountable Devon and Norfolk county councils.”¹⁵ **Dr Alan Whitehead** said that the Secretary of State should “hang his head in shame because of the fundamental contradiction between what he says about localism and what he is proposing to do this afternoon.”¹⁶ **Chris Williamson**, winding up for the Opposition, reiterated what he saw as the benefits of unitary status for the two cities.¹⁷

The Bill received its second reading without a division. The House also agreed the Programme Motion.

3 Committee stage

The Public Bill Committee considered the Bill in just one sitting on Tuesday 2 November 2010. No written evidence was received. The Committee debated certain Labour amendments and a new clause, but the Bill was not amended. The principal areas of debate are set out below.

3.1 Possibility of future restructuring

Opposition amendments to clause 1, tabled by Chris Williamson, sought to:

leave the door open for the Secretary of State to reconsider applications from Norwich and Exeter by requiring him to report within three years on whether he will entertain any further proposals for unitary status, and if so, on what basis.¹⁸

¹⁰ *Ibid*, c1159

¹¹ *Ibid*, c1161

¹² *Ibid*, c1160

¹³ *Ibid*, cc1187-92

¹⁴ *Ibid*, c1181

¹⁵ *Ibid*, c1163

¹⁶ *Ibid*, 1173

¹⁷ *Ibid*, cc1182-7

¹⁸ [PBC Deb 2 November 2010 c4](#)

Labour Members spoke of strong support for unitary status in Exeter and Norwich. Ben Bradshaw said it would be “complete madness” to rule out future bottom-up approaches from the two cities that would deliver significant savings.¹⁹ Nic Dakin asked how the Government could contemplate major structural reorganisation in health and education while ruling out reorganisation in local government.²⁰

Robert Neill replied for the Government.²¹ He said that the Bill aimed to “draw a fine legal line... under the restructuring proposals for Devon, Norfolk and Suffolk.” Responding to Labour comments on the economic benefits of change, he said that removing the populations and the tax bases of the two cities from their respective counties had the potential “to undermine the viability of the counties that remain.” He added:

For the record, the Government have no plans to invite new restructuring proposals from councils... We are not closing the door, but, equally, we are making it clear that we do not have such plans, because, frankly, we do not think that structural reorganisation is a priority at the current time. In the current economic climate, the priority has to be the efficient and cost-effective delivery of local services to people in the relevant areas, which can just as readily be delivered through joint working.²²

The Committee divided and the amendment was rejected by 9 votes to 5. Clause 1 was agreed to on division.

3.2 County council data on expenditure etc in district areas

An amendment to clause 2, tabled by Ben Bradshaw, provided for the Secretary of State to make “budgetary and financial planning orders” for the areas in question before bringing the Act into force. The orders would require the county council to provide disaggregated expenditure and income data for the services provided and activities undertaken in the district area.

Mr Bradshaw said that collaboration in Devon was not working, as exemplified by the exclusion of Exeter from the Devon, Plymouth and Torbay Local Enterprise Partnership. He said:

My very strong view is that one reason for that collaboration and partnership not working well is that there is no transparency whatever in how council tax payers’ money is spent. My constituents in Exeter, for example, do not know, and they cannot find out at the moment, what proportion of the council tax that they pay and of the money that Devon gets from the Government centrally to spend on services is actually spent in Exeter.²³

He said there was also a political problem in that Exeter councillors played no part in decisions over significant local issues such as the siting of an incinerator or the funding of local schools.

The Minister, Robert Neill, mentioned in his reply the Government’s commitment to its programme for increasing transparency among local authorities. He said:

we do not think that the amendment is necessary to achieve transparency - it would be a delaying tactic. It also goes against the thrust of localism as we see it. It would

¹⁹ *Ibid*, c6

²⁰ *Ibid*, c11

²¹ *Ibid*, cc6-12

²² *Ibid*, c11

²³ *Ibid*, cc15-16

impose enforced collaboration rather than encourage organic collaboration from the bottom up.²⁴

The amendment was withdrawn and clause 2 agreed.

3.3 Report on value for money of existing arrangements

Chris Williamson moved a new clause that would have required the Secretary of State to present to Parliament within two years an independent report on whether the existing two-tier arrangements in the areas concerned represent value for money. He said it was certain that existing arrangements in Norwich and Exeter were the “most expensive method of delivering local council services” and that, given the current financial pressures on councils, which were not known at the time of the previous impact assessment, there was now “an even stronger case” for looking again at the financial benefits of creating unitary councils.²⁵

The Minister’s reply, in which he quoted from the Permanent Secretary’s letter of 8 February 2010 to the then Secretary of State,²⁶ led to heated exchanges over the projected costs and benefits of restructuring. Mr Neill insisted that “savings could be achieved just as readily through joint working as through enforced reorganisation.” He said the proposal was “patronising” and sought to treat the three counties differently from other counties. But he added:

I am, however, happy to set out for the right hon. Gentleman on Report the significant savings made by many local authorities across the country, through joint working, including those made by many authorities in Devon and Norfolk.²⁷

In a division, the Committee rejected the new clause by 9 votes to 5. The Committee agreed that the Bill be reported without amendment.

²⁴ *Ibid*, c18

²⁵ *Ibid*, cc21-2

²⁶ Peter Housden, then Permanent Secretary and Accounting Officer for DCLG, wrote to John Denham on 8 February seeking a written instruction to implement the ministerial decisions on Exeter and Norwich. Further information is provided on pp6-7 of research paper 10/63 – [Local Government Bill \[HL\]](#).

²⁷ [PBC Deb 2 November 2010 c26](#)

Appendix 1 – Members of the Public Bill Committee

Chair: Mr Graham Brady

Members:

Bradshaw, Mr Ben (*Exeter*) (Lab)

Dakin, Nic (*Scunthorpe*) (Lab)

Elliott, Julie (*Sunderland Central*) (Lab)

Hames, Duncan (*Chippenham*) (LD)

Hammond, Stephen (*Wimbledon*) (Con)

Lewis, Brandon (*Great Yarmouth*) (Con)

Morris, James (*Halesowen and Rowley Regis*) (Con)

Murray, Sheryll (*South East Cornwall*) (Con)

Neill, Robert (*Parliamentary Under-Secretary of State for Communities and Local Government*)

Parish, Neil (*Tiverton and Honiton*) (Con)

Simpson, David (*Upper Bann*) (DUP)

Smith, Angela (*Penistone and Stocksbridge*) (Lab)

Whitehead, Dr Alan (*Southampton, Test*) (Lab)

Wiggin, Bill (*North Herefordshire*) (Con)

Williamson, Chris (*Derby North*) (Lab)

Wright, Simon (*Norwich South*) (LD)

Committee Clerk: Eliot Wilson