



A Crystal Ball for Local Government

Tuesday, 16th May, 2006
Aston Business School, Birmingham

Report of Conference Proceedings

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A Crystal Ball for Local Government Conference

Summary of speeches and presentations

Welcome

Jonathon Bostock, Managing Director, BMG Research welcomed the delegates and outlined the format of the conference.

Opening remarks

Professor Tony Bovaird, Chair in Public Policy and Management, INLOGOV provided opening remarks and outlined the role and function of INLOGOV (<http://www.inlogov.bham.ac.uk/>) as a leading centre (thin tank) on local and community governance.

Session 1: Keynote Address

By Sir Michael Lyons, Honorary Professor of Public Policy, INLOGOV

Setting the scene

Sir Michael Lyons was originally commissioned in July, 2004 by the Deputy Prime Minister and the Chancellor to make recommendations on how to reform the local government funding system by December, 2005. In September, 2005 the remit of the Inquiry was extended to enable Sir Michael to examine issues of function before finalising his conclusions on funding. His remit has now been extended to:

- consider the current and emerging strategic role of local government in the context of national and local priorities for local services; and the implications of this for accountability;
- review how the Government's agenda for devolution and decentralisation, together with changes in decision making and funding, could improve local services, their responsiveness to users, and efficiency; and
- in light of the above, consider in particular: how improved accountability, clearer central-local relationships, or other inventions could help manage pressures on local services; and changes to the funding system which will support improved local services.

Lyons Inquiry into local government

On the 8th May, 2006 Sir Michael Lyons published his latest thinking on the future role and function of local government (visit: www.lyonsinquiry.org.uk). In this report Sir Michael argues for a system of local government for the 21st Century that encourages greater local choice and not more central control. He sets out a clear agenda for improving the relationship between central and local government

- Sir Michael argues that local government should be given greater freedom to 'place-shape' where local government takes responsibility for the well-being of an area and the people who live there.
- Sir Michael sets out a challenge for central government to clear the space for effective 'place-shaping' by setting fewer and better-focused targets and reducing supervision of local government by central government. It should also clarify the roles of central and local government, based on a realistic assessment of who is best placed to do what, and allow greater local influence over public services.

- In addition, he challenges local government to further raise its game, building on recent improvements, to tackle the challenges of promoting effective local choice and energetic 'place-shaping'. This requires stronger leadership, closer engagement with local residents, effective partnership working with other services and the business community, and a consistent commitment to efficiency and cost effectiveness.

Sir Michael quoted¹:

"We have seen real improvements in local government performance and in public services in recent years, and this should be celebrated. But at the same time the gravitational pull of Government grants, targets and performance management has created an unhealthy situation where local councils are too often focused on the wishes of Ministers and their departments rather than their own citizen needs and preferences. Add to this a growing concern that centralisation brings its own confusions and rigidities and it is not difficult to see why there is a growing interest in redefining the relationship between central and local government to leave more room for local choice".

"We are not making the most of the potential contribution which local government can make to national prosperity, well-being, and getting the most from what we as taxpayers spend. This requires significant reform and challenges to both central and local government. We must recognise that this is a shared agenda: we need to devise a new partnership, clarifying who is responsible for what, drawing on respective strengths and working together to achieve the best results".

"Greater freedom for local choice and for greater variation between one community and another will leave the space for local government and its local partners including residents and businesses to address these issues with greater energy. We should be working out how, not whether, to deliver greater local choice and flexibility in the interests of all communities".

Opportunity for change (despite Ministerial changes)

On the 5th May, 2006 the Department for Communities and Local Government (DCLG) was established under Ruth Kelly's leadership. The DCLG is the successor department to the Office of the Deputy Prime Minister (ODPM). While David Miliband (predecessor to Ruth Kelly) was a strong advocate of local government reform, devolution and the need to strengthen the legitimacy of local government, Ruth Kelly has also been instructed to continue this work to a successful conclusion.

Why are we having this debate now?

- **Years of incremental reform:** have meant successive governments building on the status quo and dealing with the most obvious weaknesses rather than asking questions that are more fundamental about the purpose of local government and how this can best be fulfilled.
- **The need for closer engagement with local communities:** Participation in local elections has declined. People expect to have a say in the decisions that affect them when they feel it is appropriate and not just when a government body dictates. Voting is an important part of the picture but the long-term health of our democracy is also dependent on local government being able to listen to, understand and involve the people it serves.

¹ Lyons Inquiry Press Notice; 8th May, 2006

- **Greater clarity in the respective roles and responsibilities of central and local government:** is needed to ensure that activities are carried out at an appropriate level and that both can do the best for the people they have been elected to serve.

What is the role of local government?

- It is local leadership that defines the role and legitimacy of local government. Local government is uniquely placed to articulate and champion its locality and the needs and aspirations of its area and those who live and work there. This sense of locality is fundamental. No one else can provide this function of local leadership and it is essential that local government is properly equipped to fulfil this role.
- Local government has a crucial role to play in creating sustainable communities. It can lead the local community, reflecting and responding to the needs and priorities of local people. It brings together a wide range of services to deliver the outcomes that matter to people locally. It is democratically accountable to all citizens, balancing the interests of individuals and groups with those of the wider community.
- However, the thing that makes local government unique is not the services it delivers (these change over time and will go on changing) rather it is three essential characteristics which local government possesses:
 - **Democratic accountability** - to all the people living in its area. This does not mean it can ignore the interests/concerns of diverse groups within communities but it does give local government a unique legitimacy to speak for the area as a whole.
 - **A sense of place** - despite increasing access to national and global information and issues, people feel ever more strongly about issues just outside their front door eg. cleanliness of streets, quality of parks, street safety. Local government is uniquely placed to respond to these concerns.
 - **The ability to bring together people and organisations** - local government is best placed to bring together those who can make a difference to life in their area and are at the centre of a 'coalition for change'.

Devolution and decentralisation

Could provide local authorities and communities more scope to:

- join up provision and spending locally;
- ensure a better fit with local needs and preferences;
- promote the distinctiveness of their local areas;
- balance different priorities and areas of spending; and
- encourage greater citizen engagement and trust.

The current centralised system of regulation has fostered a culture of dependence; it has squeezed out local ambition, local choice and accountability, and has focused the attention of local authorities of meeting national regulations rather than on the needs of citizens.

There should be a central drive to minimise the number of national standards imposed on local government and greater focus placed on the better delivery of fewer priorities. This would also result in greater efficiencies through streamlining the 'industry of supervision and bureaucracy'. It is important that national priorities and targets are achievable; enabling central and local government to deliver what they promise.

What challenges lie ahead?

- **establish a more coherent and stable relationship between local and central government:** while the need for national standards in key areas is widely accepted, it is important that over bureaucratic controls and performance measures do not hinder innovation and local responsiveness;
- **clarify accountabilities and responsibilities at each level for the delivery of services:** the current arrangements of targets, standards, funding, monitoring and engagement are highly complex and often confusing;
- **improve confidence and capability:** while the local government sector has shown signs of self improvement through CPA, there remains a lack of confidence and trust among citizens of local and central government. The local government sector need to develop confidence in its own ability and move away from the reliance and 'blame' culture on central government.
- **increase levels of citizen engagement:** there remain low levels of public participation and engagement in local decision making processes which need to be addressed if local government is to ensure public services are more effective and responsive;
- **secure improvements in public:** rising expectations of service users are not always matched by improvements and innovations in services. Local authorities should drive improvement in the services they deliver directly and seek to influence those other services which local people rely upon. Services must become more focussed around the needs and preferences of the service user;
- **ensure the finance system is fair and fit for the purpose:** adequate finances should be made available to support local government to deliver the envisaged service portfolio in the years ahead and which will support local flexibility and local accountability. Should be financial flexibility to support place-shaping.....

The basic ingredients for the continued progress of the local government sector include: devolution, a joined-up approach and empowerment. These principles should not stop at the level of local government and its partners. It should be **dual devolution**, working with people in communities and empowering neighbourhoods and individuals in supporting the provision of services.

Sir Michael argues that local government reform will bring benefits in six key areas:

- **Better delivery throughout the system:** a smaller set of national priorities, plus lower costs of the 'industry of supervision' incurred by detailed monitoring and regulation of local authority performance by regulators, Government departments, and local authorities themselves;
- **Services that better meet local needs:** informed by what local citizens want? helping to manage pressures, ensuring money is spent on the top local priorities;
- **More prosperous communities:** benefiting from more effective place-shaping. This could even grow the size of the overall 'cake' from which local public services are funded;
- **Better value for money** from local public services, by working better with service users themselves, and improved co-ordination across local public services; and

- **Benefits of enhanced innovation:** providing the opportunity to test new approaches in individual areas.
- **And as a result greater public trust** in the system of local and central government as a whole.

Session 2:

Developing a vision for the future informed by public consultation

by Bridget Williams, Account Manager, BMG Research

General perceptions of the Council

- Research would suggest that a citizen's perception of local government is based on what they see out their window and success is benchmarked against how clean their area is.
- Experience would show that services that are working well tend to fall into the background and receive less recognition than those services which are seen as substandard.
- Customer contact with the council will inevitably influence citizen perceptions. Staff should be encouraged to be more positive and proactive in taking responsibility for queries. Staff consultation and engagement need therefore to be raised up the agenda.
- There is a growing public demand for greater accountability and a single point of contact within councils.

Councillors

- Limited understanding of the role of elected Councillors.
- There is a need for Councillors to be more visible, proactive and have sufficient powers to get things done in their communities.

Communication

- Clear link between effective communication and overall satisfaction levels with the way the councils deliver services.
- Councils need to be more proactive in communicating with local residents and should use innovative mediums (i.e. newsletters, bulletins, local press) to inform the citizen of their activities and more importantly their achievements. This will help build confidence and trust in the Council.
- Ineffective communication and engagement with citizens leads to heightened dissatisfaction.

Session 3:

Crystal Ball gazing - emerging policy issues for the next 2-3 years

by Professor Michael Hughes, Director, INLOGOV

Local government need to think more critically and analytically about its future and question the outcomes from current activities and approaches.

Areas discussed included:

Leadership

- In looking at leadership, it is important that councils look beyond the delivery of a finite range of services to their wider role in ensuring that the needs and aspirations of the community are met in the most effective way.
- This will mean working for local residents in different, more strategic, ways and playing more of an influencing or facilitating role e.g. building partnerships, influencing outcomes, balancing competing priorities, or differentiating between what might be popular and what might be needed. To fulfil this role local government will need to work with others at all levels to deliver positive outcomes in their locality.
- In support of Sir Michael Lyons debate on the 'place shaping' role of local government, Professor Hughes emphasised the range of unique characteristics played out by local government in securing improvements in public service delivery and quality of life issues. Local government has deep-rooted connectivity to localities, and draws on expansive political and professional expertise and experience to articulate local needs, with legitimate/democratic accountability to communities. Furthermore, collectively local government is a major economic player, as employers, procurers and deliverers of services and policy programmes; and in the delivery of economic, social and environmental benefits for their communities.

Devolution

- In considering the devolution strand of the government's agenda, Professor Hughes presented the view that these challenges are not new for local government. Indeed, we are confident our region can present a sound business case for delivering local agreements/services, drawing on a vast range of evidence to demonstrate local government's capability, with examples of empowerment in practice.
- However, the deal for devolution as it is currently presented, when considered within the context of broader reform, raises a number of questions. Central government has to be clear about which services (if any), must be of a consistent standard nationally. Where this is the case, government must clarify how it views this being achieved, how this fits with its own ambition of devolution; and how present differences (including funding) are to be addressed. Added to this, there is also the issue of the potential conflict between the requirement to deliver Gershon efficiencies, which tend to lead to consolidation, as opposed to devolution to neighbourhoods or individuals.
- Essentially devolution is not just a matter of concern for local government, it raises considerable implications for central government in terms of how it organises itself and works together. Whilst the need for some consistent standards, and the assurance which this brings, is recognised, it is essential that local government has a role to play in defining those services that should be subject to national standards, and those that are appropriate to be determined locally; local government can make an informed evidence based contribution drawn directly from local communities.

Performance Management

- In relation to performance management, we need a joined up government agenda that effectively rewards high performance, incentives ongoing improvement, and addresses the massive costs to councils of monitoring and inspection; to enable a step change in service delivery.

- There is a need for a risk based inspection regime based on local agendas, increasing capacity in local government to focus on improvement activity; with the removal of micro management of local services from the centre. In realising this, central government could move swiftly in implementing some easy 'quick win' freedoms and flexibilities including, a drastic reduction in the plethora of central government targets (i.e. CPA Value for Money assessment only every 3rd year for 4 star councils), with a greater emphasis on peer/self assessment with formal inspection as a last resort, all of which will contribute to cost efficiencies.
- The big issue here is about discretion to make decisions locally about spend, and freedom to spend. However, the extent of ring fenced funding very significantly reduces the parameters for local discretion. Therefore, within this context local authorities are currently making a case for the return of local setting of business rates, and the removal of capping, to enable them to make some sense of local accountability.
- There is a need for a more devolved local system of performance management if local authorities, their partners and their residents are to be empowered to tackle local priorities in new ways.
- In theory, the rationalisation of funding streams and the increase in local flexibility brought about by Local Area Agreements (LAA) are a potentially positive move. The LAA framework should offer a sound model to enable greater responsibility to be devolved to the local level. In principle the process of negotiating/agreeing priorities with central government, with the development of outcomes and delivery mechanisms that are locally developed to fit community needs and reduce service inequalities; should go some way to addressing the problems. However, to date, the intended freedoms and flexibilities, and letting go from central government, have not been realised, with continued mandatory targets being applied and activity scrutinised.
- The continuation of a compliance culture will not lead to lasting change.

More locally pooled budgets

- If any reform of local government funding is to work, we have to see more rapid joining up of government/funding across all departments. There is a need to bring together central government funding streams into larger, more coherent funding blocks at local level, providing the financial flexibility for local Councils to respond to local concerns.

The need for a 'Neighbourhood Charter'

- Local Councils should clearly set out what people can expect for their neighbourhood including a range of options

Introducing managerialism through modernisation

- The drive within the Governments modernisation agenda over the past decade has attempted to introduce managerialism (results driven approach) into local authorities to secure better performance and efficiency savings.

Prescription or permission

- There must be a cultural shift in the relationship between central and local government moving away from a prescriptive model whereby central government directs local government and does not permit self-autonomy

Making the future

The fundamental principles that must be adopted by the local government sector in moving forward and determining their own future include:

- **preparation:** considering alternative futures through risk analysis;
- **intelligence:** aware of different agendas and learning from past mistakes and successes;
- **co-operation:** working alongside other partners to ensure synergies are maximised and real change achieved;
- **leadership:** innovative, entrepreneurial and visionary leadership;
- **imagination & confidence:** people need to think creatively and be confident to put forward new ideas; and
- **challenge:** local authorities should challenge existing policies and procedures.

Session 4:

Understanding emerging policy issues through effective consultation

by Dawn Hands, Research Director, BMG Research

- There is a chronic lack of understanding among citizens of the role and function of local government. This has resulted in citizen disengagement from the local government sector which is reflected in the continual decline in voter turnout for elections (declining from 72.1% in 1979 to 35.5% in 2003).
- It is important that citizens be informed of the role of local government and the fact that it makes a difference on the ground.
- Councils are trying to establish local priorities
- Councils must ensure that public engagement is real and meaningful. While consultation with citizens will help gain a greater understanding of local needs and expectations, Councils must ensure that this knowledge informs the development of local priorities, targets and service provision.
- The process of consultation should help improve local authorities' overall performance in delivering services and to ensure that public money is used sensibly and effectively.

Session 5:

Making a bigger Impact with Audit Commission national studies

by Mark Wardman, Studies Manager, Audit Commission

- A tension exists between central and local government performance assessments. The inability of local government to deliver particular national targets may not be because of any fault of their own. Some local government representatives would argue that centrally set priorities and targets are unrealistic, unachievable and do not reflect priorities at the local level.

Contribution of the Audit Commissions national studies

- Provide independent, authoritative analysis of national evidence and local practice, identifying the practical changes needed to improve public services.
- Research has shown that local authorities use research undertaken by the Audit Commission for the following reasons:
 - 68% as confirmation of existing thinking
 - 67% for information sharing with colleagues
 - 66% for personal or professional development
 - 64% to review services or performance
 - 61% to review policy or support new policy or initiative
 - 59% in discussions with senior managers

A new performance framework

The Audit Commission has already responded to concerns about the burden of the performance indicators introduced by recommending a reduction in the national indicators and to make it more effective as a vehicle for delivering good quality, continuously improving and cost effective services to local people.

Local authorities need a performance framework which will give them and their partners the freedom to determine what is important locally, whilst encouraging the delivery of excellent and continuously improving services. The aim of such a framework should be to meet the needs of citizens and service users rather than providers, funders or regulators - facilitating greater local accountability and better outcomes for local people by:

- ensuring greater accountability to users and partners;
- focusing attention on the issues that are most pressing for an area;
- enabling government to meet its responsibilities in a more strategic and effective way; and
- enabling greater flexibility for local innovation.

Any performance measurement framework needs to learn from and build on existing mechanisms designed to improve performance (for example, Best Value, Comprehensive Performance Assessment (CPA), Local Public Service Agreements). Some changes might be made in the shorter term but the debate should also focus on what the longer-term developments might be. The aim of any performance framework should be to:

- **deliver better outcomes for all:** effective and flexible performance framework to secure public services that are better focused on the needs of local people.
- **better focus on people:** taking into account their views, providing greater control and choice in services, offering adequate means of redress.
- **better focus on areas:** reflecting the local leadership role of councils, joining things up better nationally and encouraging local public sector agencies and their partners to work together to deliver shared outcomes and strengthen accountability between partners

- **better information:** rebalancing accountability toward citizens and partners through more user-friendly reporting of outcomes, making better use of user satisfaction and opinion data and ensuring that performance information is relevant.
- **clear ambitious priorities and targets:** consisting of a better balance between national and local targets, more shared and negotiated targets and a better interface between central and local government.
- **external challenge and assurance:** utilising new approaches that better involve local people and key stakeholders, building on improvement partnerships and peer and potential partner review mechanisms, streamlined audit and inspection and exploring inspection 'triggered' by poor performance rather than through existing rolling programmes.

New Audit Commission e-bulletin

- The Audit Commission is currently developing an on-line information portal and e-bulletin which will be used to disseminate key information and research material to local authorities and other partners. The portal will be on-line by the end of June, 2006.
- To subscribe to the research bulletin please email studies-consultation@audit-commission.gov.uk.

Concluding remarks

In conclusion, it was pointed out that as far as local government is concerned the wheel has turned full circle. It is now accepted that local government has a key role to play in the governance of the Great Britain, Scotland and Wales. The modernisation process and current drive for greater devolution and empowerment will lead to Councils being more focussed on the people they serve. They need to consult with the citizen, respond to their views, be prepared to explain decisions to them and to be courteous, responsive and accountable. If local authorities are to win the public's approval they must demonstrate that they can improve the quality of community life.

Coupled with this is the need for a system of government funding that is right for the type of local government role they want to deliver. One which provides *freedoms to allow* local authorities to continue to find local solutions to local issues - no one size fits all; and one which provides proper incentives and rewards for using resources effectively.