

# NLGN Research Programme 2013/14

*This note is designed to give members and other partners a broad sense of NLGN's plans for 2013/14. If you are interested in discussing any of these themes further, or you would like more information on how to support NLGN research, please contact Simon Parker.*

Local government faces two spending challenges.

The first is the 2014 challenge, which involves reducing spending to meet a 28% cut in central government grants. Meeting this goal has been tough, but most councils have found ways to make their cuts without harming frontline services. They have done this by squeezing contracts, reducing back and front office costs and making redundancies. These changes have been difficult, but perhaps not especially complex.

But then comes 2015, when the new spending review will kick in and take another 20% bite out of council budgets. This is a qualitatively different sort of challenge. Councils will have trimmed their fat and sliced their salami. The choice they face in 2016 is whether to accept a slow process of decline, or to try and find ways to innovate their way out of the financial straitjacket; it is whether to shape places, or slowly to withdraw from them.

NLGN has always believed in strong local government. We have consistently campaigned for greater devolution of power and responsibility to councils, while simultaneously working alongside local government to encourage innovation and optimism. The role of councils as place shapers sits at the heart of our vision for the future of this sector and, with that in mind, our research programme will concentrate on helping councils reshape themselves over the course of the next spending review.

It is time to up the pace of change in local government. We have a long way to go to build the council of the future and not much time to do it. Pilots launched today could take years to reach their full potential. NLGN is in the unique position of being able to bring together local government's leading figures to promote innovation.

At a time when councils are being forced to cut much of their corporate thinking capacity, and with cuts forcing officers to focus on the short term, we provide a safe space to harness the brain power of the sector's best and brightest. NLGN plans to focus its research work for 2013/14 on four key areas where we believe progress is most urgent:

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- **Accelerating innovation:** working with councils to develop prototypes of next generation public services
  - **Creative commerciality:** developing local government's capacity to make commercial deals and generate income
  - **Remaking public service markets:** bringing public and private sector together to reshape the commissioning landscape
  - **Leading growth:** generating a new wave of policy on local government's role in economic development.

In addition to this, we hope to develop some campaigning capacity to help build a political coalition for localism and influence the next wave of election manifestos.

## About NLGN

We are the leading independent think tank for local government. Our members and supporters say they come to us for innovation, connections and intellectual challenge.

Eric Pickles says we are *increasingly influential* on the government, local authority chief executives tell us we are *consistently top quality* and our corporate partners describe us as *THE think tank for local government*.

In the first half of 2012 our events attracted half of all English councils and 25% of their chief executives.

With a network of 35 member councils and 17 leading businesses, NLGN is leading the debate about the future of the sector.

## Accelerating innovation

We know the broad areas where local government needs to innovate: community engagement, demand management, economic growth and place-based commissioning. Now we need to develop strong business cases, evidence bases and prototypes that can help make change happen. Potential projects in this programme will include:


- **The Apollo Programme:** a major project that will create and facilitate an innovation network of leading local government practitioners to address the biggest questions facing the sector. Working together over a year, the network will generate implementable business cases for change in three specific service areas, providing specific answers to general questions. Specific areas to be explored will include demand management, reforming children's services and integrating health and social care.

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- **Making waste pay:** how can we maximise the value councils get from the waste they collect? Estimates suggest that London alone could save £90m from better waste treatment and save another £90m on energy bills from greater use of energy from waste plants. This project will examine how councils can commission waste services that maximise the commercial potential of waste as a revenue stream for local government and deliver savings for local people.
  - **The demand commission:** there is a consensus across local government that making the next wave of savings will require new tools to reduce public demand for expensive services like adult social care. Conservative estimates suggest that £5bn could be saved through this sort of initiative. But while there are promising case studies of how nudge theory can drive savings, there is not yet a widespread understanding of the business case for changing behaviour or the practical tools that can be used to achieve it. This project will create a commission of leading local government politicians to understand and popularise the evidence-base for demand management, and to recommend ways in which this approach can be promoted across councils.
  - **International learning:** English local government is not alone in facing deep spending cuts – we can learn from experience in countries like the USA, Spain and the Netherlands. This project will produce an essay collection from local government academics and practitioners across the world distilling the lessons from their experience of austerity.

## Creative commerciality

Joseph Chamberlain modernised 19<sup>th</sup> century Birmingham by buying and running the local gasworks. Today's local government can use the same commercial mindset to build new infrastructure, generate income and transform local services. This programme will examine practical ways to implement new kinds of commercial dealmaking:

- **DIY Community Budgets:** many councils are experimenting with a move towards place-based commissioning, trying to find new ways to integrate different parts of the public sector into a seamless whole. From health and social care to whole place property management, there is huge scope for bigger savings and better services. It is increasingly clear that Whitehall is not prepared to pool budgets at a strategic level, so councils will need to find DIY approaches to building new cross-agency partnerships. This project will work with councils to develop practical business models for integrated services.
- **Generating income:** with central grants falling, councils need to find new ways to generate more of their own funding. This project will explore the scope for more imaginative use of fees and charges, the creation



of new freemium services and creative use of capital investment to generate income streams. It will also make the case for national policy to be changed to allow councils to access a more diverse funding base.

- **The green revolution:** local government has an opportunity to take a leading role in greening the UK's energy supply. From issuing green bonds to developing district heating schemes, and from new EfW plants to geothermal energy, councils can develop new ways to deliver renewable energy and cut power bills for local people. This project will explore how local authorities are starting to develop more ambitious plans for green energy and make recommendations for speeding up the pace of change.
- **The New Victorianism:** municipal entrepreneurs such as Joseph Chamberlain more or less invented modern local government. They operated with tiny budgets and an indifferent, if not actively hostile, local population to help build England's great cities. What can we learn from them today? This project will bring together essays from an array of historians to understand what modern local government can learn from its great-grandparents.

## Remaking public service markets

Some sections of the business community expected local government cuts to lead to an outsourcing boom. The reality is more complex. While councils are still looking to the market for answers, they are increasingly sceptical about traditional PPPs, which they increasingly regard as lacking in innovation and flexibility. We need a step change in the way the market operates, with councils adopting new commissioning practices and business being prepared to invest in innovation and accept different sorts of contractual terms. If we cannot achieve this, we risk market failure.

- **Commissioning for outcomes:** there is a general acceptance that councils to need move away from managing outputs and towards commissioning and paying for results. This kind of commissioning has the potential to encourage more private sector innovation and encourage greater customer-focus. But progress has been slow – NLGN research shows that many councils are finding it difficult to define and cost outcomes, let alone construct and manage outcome-based contracts. This project will learn from the best examples of outcome-based commissioning across the public and private sectors to construct a 'how to' guide for local government.
- **Market making:** to an extent, local government gets the market it deserves. The decisions councils make about what and how to commission shape the way that business responds. If we want a new market, we need to find new ways for councils to shape that market. This project will explore how local authorities can make better use of techniques like market dialogue, deal-flow smoothing and publishing pipelines to encourage new entrants, innovation and efficiency. We will explore whether there is a case for a single national voice to coordinate this activity.



## Leading growth

Local government's resurgent role in supporting economic growth is starting to reshape the sector financially, politically and structurally. Councils have new incentives to support house building and new business growth, while central government infrastructure money flows to LEPs and the city deal process is incentivising the creation of new combined authorities.

We need to develop ideas that can unleash new capital investment, but we also need to consider how that investment can be governed most effectively. What level is best placed to make strategic infrastructure decisions? Are revolving investment funds the future and, if so, can LEPs manage them or do we need a more democratic form of city- and shire-wide governance?

Potential projects include:

- **Governing growth:** an emerging evidence-base suggests that cities are the best level at which to make strategic infrastructure investment decisions. A similar case can be made for pooling money and sovereignty at shire level. But what are the best structures for governing the process of growth? This project will build the evidence base for new governance structures, examine whether LEPs are a sustainable mechanism and assess early experiments with combined authorities to establish whether they provide a way forward.
- **Building revolving investment funds:** RIFs are becoming an increasingly important vehicle for making strategic investment decisions, allowing councils to pool their capital, prioritise their spending and generate a return that allows them to make the biggest possible impact. Funds already exist in Manchester, Lancashire and Bristol and are being developed in parts of the country that include Tyne & Wear and Essex. But there is little evidence about what makes the funds work and no guidance as to how their potential can be maximised. This project will assess early local government experiments as well as experience in the private sector to promote the use of RIFs as a powerful tool for growth.
- **Local industrial policy and green jobs:** industrial policy is back in fashion, with both main political parties discussing the best way for the state to make strategic investments in developing and promoting new sectors of the economy. Local government is also developing a new generation of activist policy to encourage new industries, particularly in the area of sustainable energy. This project will take a particular focus on the north east and examine what more local authorities can do to create the conditions for new green industries.