




# Pacing Lyons

Forecasting the Shape  
of Local Governance

Strategic Leadership

Getting the Relationship Right



The New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this collection as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

© NLGN June 2006  
All rights reserved  
Published by NLGN  
ISBN 1 903 447 51 8

Prepared and printed by NLGN  
Second Floor, 42 Southwark Street, London SE1 1UN  
Tel 020 7357 0051 · Email [info@nlgn.org.uk](mailto:info@nlgn.org.uk) · [www.nlgn.org.uk](http://www.nlgn.org.uk)

# Contents

---

## **Pacing Lyons**

*Forecasting the Shape of Local Governance*

- 1 Introduction**
- 2 Local Area Agreements and “Place-Shaping”**
- 3 Performance Management**
- 4 Lessons for Lyons**

## **Publications in this Series**

## Pacing Lyons

### *Forecasting the Shape of Local Governance*

In July 2004 Sir Michael Lyons began a major inquiry into the funding of local government. In September 2005 the inquiry was expanded to cover the role and functions of local government. Sir Michael will report at the end of 2006.

The extension of Sir Michael's inquiry has converted it into the central mechanism analysing the long term design of not only local government but also all other locally delivered public services and state policies. Not since 1976 has any assessment of local government had so wide a remit supported by such high expectations. The 1976 Layfield Inquiry that reviewed local government finance across Great Britain is still discussed in local government circles today.

The Inquiry will have a major impact on the political landscape. It could have implications for issues including the taxes used to fund councils, how councils deliver services and the rules governing relationships between councils and other bodies including the health service, police, job centres and economic development agencies such as Regional Development Agencies and Business Links.

NLGN has therefore embarked on the *Pacing Lyons: forecasting the shape of local governance* policy project to feed into the Inquiry's findings and recommendations. This project is supported by PricewaterhouseCoopers.

Between January and June 2006, we are holding a series of high level seminars with presentations from key players in local government and Whitehall. Combined with other research, the outputs from these seminars will be the basis for an integrated package of recommendations to the Lyons Inquiry. Both the output of our work and the process of developing policy will be used as a platform to intervene in the growing debate on the future of local public services.

This document represents NLGN's third submission. NLGN is using each seminar to issue discussion documents addressing key aspects of the debate.

New Local Government Network was founded in 1996 by a group of senior local government figures whose aim was to make local government more relevant and credible to local people.

A non-profit making, independent think tank, NLGN seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is also the primary advocate of New Localism.

NLGN works closely with individual local authorities, national agencies, central government and the private sector to promote ideas about how our objectives can be achieved in practice. For more information, please visit [www.nlgn.org.uk](http://www.nlgn.org.uk).

## 1 Introduction

The present Government was elected with a mandate to improve public services and has made significant progress in doing so over the last nine years. NHS waiting lists have decreased,<sup>1</sup> general levels of crime have dropped<sup>2</sup> and standards in schools have risen.<sup>3</sup> However, these successes have not sated the public appetite for improvement. Quite the opposite; expectations continue to rise. Success therefore is changing the nature of the challenge to government as citizens' demands become more complex.

Extra investment has been instrumental in driving improvement. Most parts of the public sector have received significantly increased resources over the last three Parliaments. These extra resources have been matched by tough national performance regimes that aim to drive effectiveness and efficiency. In local government Comprehensive Performance Assessment has been the driver.

However, increases in investment will not continue in perpetuity. All public expenditure will be evaluated as part of the 2007 Comprehensive Spending Review, which will likely slow revenue growth in most areas. But, public expectations will continue to demand that central government drives continuous improvement. How the state caters for these expectations is therefore a dominant question.

This big question is not asked in isolation. A wave of change is approaching the UK which is likely to deepen diversity among and within areas: by 2014 those over sixty-five will outnumber children as the baby-boomer generation approaches retirement; the impact of globalisation and technological change seem likely to offer more varied life chances; and regional economic disparities might widen.<sup>4</sup>

This combination of more diversity and higher expectations will present harder tasks to public service deliverers. The debate about the future strategic role of local government takes place in this context.

Changing the balance of public service delivery could help the state to address these future challenges. Firstly, joining-up public services could allow the state to more effectively deliver across public service silos. Secondly, actively engaging citizens in co-producing services might help to design solutions that are tailored to individual and collective needs. Thirdly, putting the citizen at the centre of a new consensual approach to regulating behaviour would help to reengage citizens with the political process.

Joining-up, co-production and consensual regulation ask for a high level of local knowledge and an on-going conversation with citizens. For central government to drive this new balance from the top down would ask for an investment in new structures and skills. Local government might offer a less costly solution. Councils have proven that they are able to use their unique attributes to rebalance public services to improve outcomes.

This ability comes from councils' understanding of their local areas and lies at the root of Lyons' "place-shaping" aspirations. This role asks councils to build cross-cutting partnerships. Existing area-based partnerships show what the future might look like. The duty on councils to produce Community Plans and participate in Local Strategic Partnerships (LSPs) brings together the public, private and voluntary sectors in pursuit of joint goals. In this way duplication is avoided and resources can be targeted on areas that will best achieve the expected outcomes.

<sup>1</sup> Department of Health, *NHS Inpatient and Outpatient Waiting Times Figures* (June 2006)

<sup>2</sup> Home Office, *British Crime Survey England and Wales 2004-05*

<sup>3</sup> Department for Education and Skills, *Higher Standards, Better Schools For All*, (October 2005)

<sup>4</sup> The Tavistock Institute, SOLON Consultants, Local Government Information Unit, for Office of the Deputy Prime Minister, *All Our Futures: The challenges for local governance in 2015*, part of the *Local:Vision* series (April 2006)

Local Area Agreements (LAAs) are already an important part of the process of convening partners. These negotiated settlements between central and local government encourage stakeholders to take locally tailored approaches to policy priorities. Councils are showing their ability to harness local knowledge and collective decision-making to improve delivery.

Presently LAAs cover only a small portion of local authority spending and therefore their impact is limited. The top-down approach still dominates the public service landscape. If LAAs were extended to cover all public spending in an area they might help to better deliver on central government priorities.

If LAAs are to develop in this way top-down performance management would become exponentially more complex. This could stifle innovation and give partners fewer possibilities to use their valuable local knowledge. An extension of LAAs would therefore ask for a new kind of performance management that focuses on bottom-up accountability.

## 2 Local Area Agreements and “Place-Shaping”

Councils already have the legal power to tackle issues beyond service delivery. Powers of Well-Being granted by the Local Government Act 2000 mean that local government can take any action that will address social, economic and environmental well-being in the local area. These powers relaxed “ultra vires”, replacing the culture of compliance with an expectation that councils would act where legislation does not exist.

However, councils directly control only a slice of the public realm. Placing a duty on all local public bodies to co-operate with the council would strengthen links between local agencies. But new legal duties alone would not be enough. Practical approaches are needed to empower local government to take on the “place-shaping” role.

NLGN’s research for the *Pacing Lyons* project has shown that LAAs could be extended to cover all public spending in the local area. Councils could earn more freedom by demonstrating to national government how local discretion would add value to HM Treasury Public Service Agreement (PSA) targets. This would keep national priorities at the heart of delivery and see local government offering solutions instead of engaging in debates about where priorities should be set.

Strengthened Government Offices could become neutral brokers between national and local government. As with any negotiations, agreements will not always be reached. Where arbitration is needed, Parliament could step in, backed by advice from the independent Audit Commission. The Select Committee system could then make judgements on whether LAAs add value to the existing system.

By using LAAs in this way local knowledge could be better used to address national priorities. To begin with, transport infrastructure, regeneration, housing, learning & skills, public transport and regional planning seem the most appropriate

areas to fall under extended LAAs. Over time LAAs could draw-down more powers and funds from national government as the new approach proves its worth.

Many of these policy areas transcend local authority boundaries. Redrawing boundaries and instituting new political structures is sometimes offered as a first step to addressing this problem. But, new structures seem likely to provoke new territorial debates rather than relegate them to the past. Joining-up existing structures through cross-boundary LAAs could be the solution.

LAA bids developed in partnership among local authorities could encourage delivery at the appropriate spatial levels. This approach is likely to be most effective for England’s conurbations where policies in one area impact heavily on outcomes in another. Single, integrated LAA bids from groups of local authorities could ensure that actions tackle the important areas across sub-regions.

However, it is not just conurbations that ask for policies to be co-ordinated across boundaries. Policies that drive economic development in all areas often involve complicated relationships between local authority areas. In recognition of this, council areas that drive growth could be encouraged to bid to central government for “Growth Hub” status. They could then draw down powers within cross-boundary LAAs to contribute to the wider prosperity of the region. Clear support from the business community would be essential in being granted such status.

However, local government’s wider strategic role goes beyond LAAs. “Place-shaping” also asks councils to build consensus in regulating public behaviour. Local government could be allowed to redesign its regulatory role around the needs of citizens and not institutions.

Existing regulations could be checked against Lyons's seven principles for localisation and, where appropriate, local discretion granted. Councils could also redesign regulation in a similar way to public services, focusing on the needs of the regulated and not the regulations.

However, these measures would have to be supported by other changes. The extended LAAs model asks for a different kind of performance management. Encouraging local authorities to look outward to local people and not upward to national government would be important in harnessing local government's potential.

### 3 Performance Management

The Comprehensive Performance Assessment (CPA) model is currently the dominant interface between national and local government. It has been successful in ensuring that the extra investment in public services and institutions has been used effectively and efficiently. Results from CPA 2005 show that local authority performance continues to improve.<sup>5</sup>

Local government has therefore proven itself excellent at catering for the demands of performance management. The top-down CPA has encouraged this excellence by requiring councils to deliver on a plethora of national standards. However, whether such an approach can deliver on the demands of the future is questionable.

Imposing the existing top-down performance management approach on extended LAAs could lead to a further weakening of local government's ability to use local discretion. Extended LAAs would have to take account of many different national performance regimes as they cut across local public service delivery. This would require all the partners in an LAA to take account of other partners' reporting needs. This extra complexity would further stifle local innovation.

NLGN's *Pacing Lyons* research has uncovered new approaches to performance management that could avoid this outcome while promoting joined-up working, co-production and public consensus. A first step could be to strip away performance regimes from services that do not require national standards.

However, legitimate national interest would remain in many important policy areas. Public services included in new LAAs could have their own performance targets set as part of the negotiation with national government. Timely data

that measures performance against targets could then be made publicly available. Financial probity could be ensured by national government retaining powers to audit.

The end of the top-down performance management system would require a new, bottom-up approach. Making data publicly available on how services are performing against targets could encourage a new kind of inspection. Citizens and partners could use "action triggers" where performance falls short of the agreed level.

In response to these triggers, neighbourhood councillors and Overview and Scrutiny Committees could trigger local inspection. Similar measures could apply to local partners where one felt another was endangering its ability to meet agreed targets. Where local action does not address performance, councillors could vote to call-in national inspectors.

These measures however would ask for the extension of councillor scrutiny to all public services delivered in the locality. This would help to restore the central role of councillors as well as give citizens a one-stop-shop for accountability.

These measures together would have the advantage of freeing local and national government from day-to-day conversation. Local politicians would take operational responsibility for delivering on national policy commitments and national politicians would be able to harness local knowledge to develop better policies. They would also put citizens and their needs at the heart of performance. Over time this would encourage the local government family to lead on driving improvement by dealing with failure locally without resorting to national inspection.

<sup>5</sup> Audit Commission, *CPA – The Harder Test: Scores and analysis of performance in single tier and county councils 2005*, (December 2005)

However, this would be a much harder task than preparing for central government inspection. New skills would be needed to build workable LAAs and local politics would need to become effective at feeding local citizens' needs and desires into policy development. Local authorities would also need clear goals, robust information and robust systems.

Changing the culture in councils would be a central challenge. More entrepreneurial management would help to realise the advantages of this new approach to performance. Not to develop such a culture would risk not making full use of local discretion.

## 4 Lessons for Lyons

More demanding citizens and a wave of change promise to combine to ask harder questions of the state. These harder questions demand a new approach that can deal with increasing diversity while better delivering on national policies. The state is already trying to create a new balance in public services by joining-up, co-producing and seeking consensus for regulation. Local discretion could help to achieve this new balance more quickly.

Strengthening local government's influence could make better use of local understanding. As democratically accountable local bodies, councils offer the possibility of putting local citizens at the heart of public service delivery.

"Place-shaping" could be achieved through extended LAAs. They would bring together public, private and voluntary sector partners to address shared goals across all public services. This approach would also replace the current need for central government to directly control services and manage performance from above.

Extended LAAs would not lessen the impact central government can have. The question of how to achieve PSA targets through local discretion should be the focus of negotiations between tiers of government. National government would therefore be empowered to better deliver on national policies.

Applying the current performance management system in these circumstances could have a stifling effect. A better approach might be to exempt policy areas covered by LAAs from national performance frameworks and instead negotiate standards on a locality by locality basis. Bottom-up accountability would be strengthened by making timely performance data publicly available.

This accountability could be reinforced by giving councils scrutiny powers over all public services. This approach would put the councillor at the centre of ensuring good performance. Also, giving citizens and partner organisations "action triggers" would let local voices be heard more loudly. LAAs could also be used to cement and develop cross-boundary working and encourage powers to be used at the most appropriate levels and by the most appropriate councils.

This new bottom-up framework for delivery would ask a lot more of local government than any top-down system. This future would ask for more training for local politicians and officers and greater institutional ability to collect data on local needs and desires. It would also ask for a more entrepreneurial management culture that seeks solutions to future challenges rather than absorbing and reacting to central government direction.

This new system could give the state better tools to address a challenging future. It could also place the citizen at the heart of decisions on public service delivery as well as the development of policies and regulations.

*Supported By*

**PRICEWATERHOUSECOOPERS** 

The policy project Pacing Lyons: forecasting the shape of local governance will produce a number of papers in 2006, of which this Local Political Accountability paper is the third. This series will be broken into the following five areas:

- Challenges to the Local State (April 2006)
- Local Political Accountability (June 2006)
- Strategic Leadership (June 2006)
- Funding Autonomy, Innovation and Improvement
- Final Recommendations

These papers will be available in various format. Please visit [www.nlgn.org.uk](http://www.nlgn.org.uk) for further information.