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## THE BENEFIT OF LOCAL CHOICE IN DELIVERING PUBLIC SERVICES

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**2.1** Effective local government is essential to the promotion of the general national interest, both in the provision of public services and more generally in the wider promotion of well-being, prosperity and competitiveness. We should focus on how to align the efforts of national and local government to achieve the common good. It is worth emphasising that the state is not the only way to pursue that. Both central and local government should acknowledge and embrace the contribution that self-help and voluntary action amongst individuals and communities can make to well-being, as recognised years ago by William Beveridge, the architect of the modern welfare state.<sup>15</sup>

**2.2** Central government has a number of unique responsibilities. It is ultimately responsible for promoting national economic stability and growth, for the national tax and benefit system and for providing national public goods such as defence. It also has a role in defining national rights and entitlements to public services, raising the revenues necessary to fund them and ensuring that these are equitably distributed. My concern is with the role of local government within this framework, and to explore where the limits to central government's powers should be placed in order to maximise the efficiency and effectiveness of services, and outcomes from government activity as a whole.

**2.3** In a world where expectations of public services are high and growing, but where public spending is unlikely to continue to increase in the future at as high a rate as it has done in recent years, we need to ensure that we adopt the most effective means of managing public expectations and prioritising expenditure. Greater local choice offers real advantages in this context, as it allows a more sophisticated balance to be struck between what citizens want from different public services, and what they are willing to pay for through taxation.

**2.4** In this chapter I set out the case for local choice and control over public services and functions, and outline a series of principles that can be used to judge which services, and which aspects of them, should be locally or nationally determined. I look at who is best placed to govern choices and decisions locally, and evaluate the scope for local choices in the current system. I conclude by outlining the advantages that I think devolution to local government could have in achieving greater prosperity, choice, engagement and well-being.

### THE CASE FOR LOCAL CHOICE

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**2.5** A range of factors, including a growth in formal entitlements to certain public services, national targets for public services, greater public expectations and our strong national media, have contributed to ever-stronger concerns about 'postcode lotteries' and an apparent desire for the same services, and levels of service, to be delivered in all areas. However, economic theory, and indeed common sense, argues that if people's preferences and needs, or the costs of delivering services, vary between areas, then the best way of spending limited resources will be different in different places.

**2.6** Where this is the case, a devolved approach with a strong element of local choice will provide better decisions for local people than national decisions, and lead to

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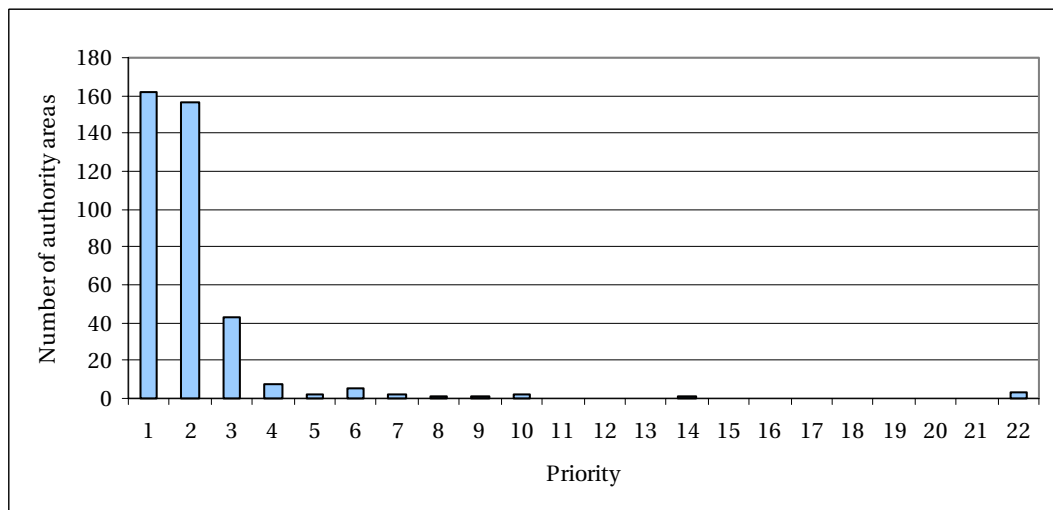
<sup>15</sup> Beveridge, W., *Voluntary Action: A report on the methods of social advancement*, 1948

a more efficient match between the local value of a particular service outcome and how much money is spent on it.

**2.7** Local choice about public services provides an important way of managing public expectations and pressure on overall public expenditure. If matters of local choice are converted into national choice, we are likely to increase the level of public expenditure involved, as the possibility of local trade-offs between and within different public services is ruled out. Indeed in some areas, local choice may mean that the state does less, and not more, in terms of the delivery and provision of public services.

**Preferences 2.8** People's views about what is important in making somewhere a good place to live do vary from place to place, though the extent of this variation is different in different services. Survey evidence shows that people across the country have similar views on the importance of some services. For example, as shown by chart 2.1 below, people in 82 per cent per cent of local authorities ranked health services as the first or second most important factor in making somewhere a good place to live.<sup>16</sup>

### Chart 2.1: How important are health services in making somewhere a good place to live?



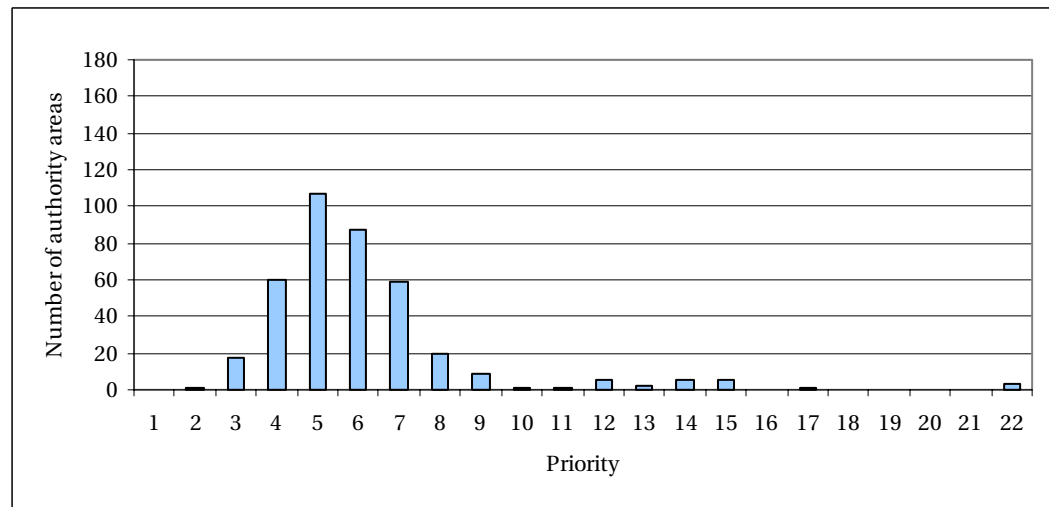
Source: ODPM

**2.9** However, when asked about other services or facilities, answers are much more mixed. The chart below shows that the priority given to public transport, for example, varies more substantially between different areas.

**2.10** This section focuses on differences in the priority given to different broad types of public services. People in different places will give different priorities to different parts of services – this information does not allow us to explore that.

<sup>16</sup> These figures are based on surveys undertaken by every LA in England for the user satisfaction BVPIs 2003/04, with approximately 570,000 respondents in total

## Chart 2.2: How important is public transport in making somewhere a good place to live?



Source: ODPM

**Needs 2.11** The discussion above focuses on people's preferences, but it is clear that the needs of local people will also vary from place to place. Male life expectancy at birth, for example, ranges from over 80 years in Kensington and Chelsea to less than 73 years in places like Manchester and Blackpool driven by a range of different factors.<sup>17</sup> Other issues such as the number of elderly people requiring care, and levels of skills, employment and incomes will also vary. Such differences in need will drive different priorities and requirements for public service spending.

**Costs 2.12** The costs of providing public services also vary significantly between places.<sup>18</sup> Part of this will be due to local choice about the level and quality of provision, but input costs also vary substantially. For example, unavoidable characteristics such as the size of the area affect the costs of transportation and delivery, the cost of buildings and office space affect how much it costs to operate an organisation, and the competitiveness of the local labour market will affect the wage levels needed to recruit and retain employees. Other factors such as the efficiency and productivity of the authority, and the skills of its managers and workers will also be important, though these can be more easily influenced by the authority itself.

**2.13** With the existence of variations in preferences, needs and costs in mind, it is hard to imagine that there are very many services, or aspects of services, which should be exactly the same everywhere. In order to meet the needs and priorities of local people most effectively from within finite resources, the services provided in each local area should differ. Empirical studies suggest, for example, that additional spending would lead to the biggest increases in satisfaction if it were focused respectively on public transport in London, street cleaning in Birmingham and economic development in Manchester.<sup>19</sup>

<sup>17</sup> These figures are for 2002 – 2004. ONS, *Life expectancy at birth figures, 2005*

<sup>18</sup> See, for example, Audit Commission data at [www.vfm.audit-commission.gov.uk](http://www.vfm.audit-commission.gov.uk)

<sup>19</sup> Dowding, K. and Mergoupis, T. *Local government and its discontents: citizen preferences for local services*, Economic and Social Research Council, 2005

## Fairness and social justice

**2.14** Some would say that a devolved approach, which enables services to respond to these differences, will lead to unfairness. However, I disagree with the idea that local variation is ‘unfair’ by its very nature. It is simplistic to define ‘fairness’ in public services as meaning the existence of a uniform national set of services and a uniform national set of priorities for the improvement of those services, whatever the opinions or priorities of local people. If the people of one area democratically choose to use the public resources at their disposal in a different way to the people of another area, it is hard to argue that this is unfair.

**2.15** Indeed, some would argue that allowing variation is a route to greater social justice. For example the Institute for Public Policy Research has set out a number of reasons why allowing for variation in a number of services, backed by national standards, can be a way of addressing inequality.<sup>20</sup>

**2.16** The other argument used to challenge a devolved approach is that if it entails a reliance on locally raised revenues it will lead to inequity, unfairness and the reinforcement of disadvantage, and make it more difficult to redistribute resources to areas of greater need.<sup>21</sup> If each local area had to rely solely on its own resources to provide public services, there would be great variation in the level and quality of those services, and disadvantaged areas would only be able to provide a low level of services compared with more affluent areas.

**2.17** However, allowing variation in priorities and standards does not mean that authorities necessarily have to rely on locally raised resources alone. In the UK, we redistribute resources through government grant to meet different needs and resources. Indeed, we seek a high level of equalisation through grant distribution in comparison with many other countries. This aims to meet differing levels of needs and to adjust for the level of resources that can be raised locally.

**2.18** I do not see the argument for greater devolution as fundamentally questioning this redistributive approach to local government funding. I think that it is possible to separate the question of national resource redistribution from the question of what those resources are spent on locally. That said, there are valid questions about efficiency, accountability and the incentives for authorities who rely largely on resources that they are not responsible for raising, and that is an area I wish to explore further.

## LOCAL AND NATIONAL SERVICES

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**2.19** In my Interim Report I set out my view that greater clarity about the respective roles of central and local government is needed. That might take the form of setting criteria which would be used to decide whether a service or function is most appropriately ‘national’ or ‘local’. Such an approach is appealing, as it would make it relatively easy to put responsibility and accountability in the right place.

**2.20** However, as I discussed in my Interim Report, this is something to which many writers and experts have addressed themselves over the years without finding simple or sustainable solutions. That is an instructive lesson. It is difficult to divide services up in a simple fashion, particularly given the complexity of most services, the need for local

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<sup>20</sup> Pearce, N. and Paxton, W., *Social Justice – Building a Fairer Britain*, ippr, 2005

<sup>21</sup> See for example Walker, D., *In Praise of Centralism*, Catalyst, 2002

information for effective delivery, and the complexity of the future challenges with which we are faced. A simple and definitive set of answers is impossible, partly because they are, to some extent, subjective and will depend on opinion and circumstance. The answers will vary, for example, between different countries and over time. In addition different concerns will pull in different directions, making it necessary to make trade offs between them. In the end these questions will therefore be matters of judgement rather than an exact science.

**2.21** Whilst the development of a set of principles will not provide a definitive answer, they can support a more consistent and rigorous approach to thinking about the best level of government for different policies. A better understanding of the issues which point toward greater or lesser levels of local discretion in different service areas or functions should help to improve clarity.

**Principles 2.22** There is a rich literature on the appropriate level of devolution and decentralisation for different public services. This literature suggests that services and functions which are more appropriately decided upon at a local level will have some or all of the following features:

- local variation in needs, preferences and costs of provision: If these factors vary, then the most efficient way to use resources will also vary between areas. Under this heading we should also consider the extent to which a service is seen as one to which people should have an entitlement as a citizen of England or the UK;<sup>22</sup>
- local benefit: If the benefits of a service are felt by local people, then decisions taken locally will reflect the value people put on the service. This is particularly significant where the benefits fall on people as a group, rather than on specific individuals;
- local costs: If the costs of the service, both in financial terms and also in terms of environmental and other impacts, are felt by local people, and there are few spillovers onto other areas, then decisions should be made locally, again because they will better match the value local people put on the service;
- strongly influenced by the behaviour of the individual and with potential value from co-production: Engagement with citizens and consumers can be easier and more effective if undertaken in a locally responsive and tailored fashion. This also suggests that if there are benefits in value for money or outcomes to be found by engaging users in the co-production of a service such services benefit from local discretion. The potential advantages of co-production are explored further at paragraphs 2.30 to 2.31;
- synergies and economies of scope with other local services which mean there are benefits from joining-up at the local level. If the quality of a service or the way in which it is delivered has a impact on the outcomes achieved by other local services, those should be taken into account when making decisions;
- limited economies of scale: If the savings to be made by managing or procuring more of a service are small there is less of an efficiency argument

<sup>22</sup> See for example, Epple, D. and Nechbya, T. 'Fiscal Decentralisation', NBER, 2001 who term this 'categorical equity'.

for not managing it as locally as possible (taking into account the costs and difficulties of achieving economies of scale in practice).

- potential advantages from innovation or experimentation to test and develop new approaches. We do not always know the most effective way to solve complex problems and the possibility of testing out different approaches in a smaller area, without risk to the whole of the country, offers potential benefits.<sup>23</sup>

### Applying these pressures

**2.23** These principles offer a way to assess the most appropriate spatial level at which a service should be determined or delivered. However, as noted above, in practice few services are likely to be wholly ‘national’ or ‘local’. National defence and macro-economic management are perhaps the only wholly national responsibilities, if only because almost everything else requires some local knowledge for effective delivery.

**2.24** Many services therefore require a balance of national and local input. The balance will vary, sometimes significantly, between and within different services and functions. Some services are more clearly ‘local’ and the best outcomes will be achieved by leaving matters to local discretion, others are hybrids of national and local. Some examples of hybrid services are outlined in boxes 2.1 and 2.2. For some services there may also be a regional dimension.

#### Box 2.1: Policing

There are currently 43 police forces across England and Wales. However, a recent report by HM Inspectorate of Constabulary (HMIC) argued that the present structure does not provide the capacity and resilience necessary to deal with terrorism and organised crime. The report concluded that “the 43 force structure is no longer fit for purpose. In the interests of the efficiency and effectiveness of policing it should change... below a certain size there simply is not a sufficient critical mass to provide the necessary sustainable level of protective services that the 21st century increasingly demands.”<sup>24</sup> The Government therefore intends to implement a restructuring which would create a smaller number of larger strategic forces.

However, there is also a strong argument that issues such as disorder and anti-social behaviour are best tackled at a local level, in close conjunction with other local agencies. Policing is one of a number of contributions to overall community safety, which also requires the active engagement of communities, the use of planning powers to cut out crime, educational efforts to improve behaviour and so on, coordinated through the work of local Crime and Disorder Reduction Partnerships.

The role of the Basic Command Unit (BCU), the main operational division within police forces, therefore remains crucial, whatever the size of the overall force, and debate continues about how best to ensure that local connections are maintained and responsiveness and flexibility enabled at the local level.

<sup>23</sup> See Oates, ‘An Essay on Fiscal Federalism’ for a discussion of the literature on the extent to which devolution and decentralisation can lead to greater innovation.

<sup>24</sup> HM Inspectorate of Constabulary, *Closing the Gap*, 2005

**Box 2.2: Waste management**

Collecting and disposing of waste is a service that is closely associated with local authorities. In many ways it is one of the most local services – if your rubbish is not collected you and your neighbours are directly inconvenienced, but no other neighbourhoods or local authorities are. The costs and benefits of waste management are, on this argument, very local.

However, waste disposal arrangements can be more complex as landfill and incineration facilities are limited in number and pose significant issues for their local environments. These mean that cross boundary agreements, sometimes at sub-regional level, are likely to be essential.

In addition, local waste management decisions also have regional, national and international impacts. For example, landfilled biodegradable waste produces greenhouse gases, and landfill methane represented 30 per cent of UK methane emissions in 2004 and two per cent of total UK greenhouse gas emissions in 2004. The approach a local authority adopts to waste management therefore has wider environmental costs and benefits than those that are felt by local residents alone. The UK also faces EU targets for reducing the amount of biodegradable municipal waste going to landfill by 2010, 2013 and 2020, with heavy fines if these are not met. Consequently some national policy making and framework setting may well, therefore, be appropriate in waste management.

**THE COMPARATIVE ADVANTAGE OF THE LOCAL**

**2.25** In theory, a system of local decision-making and control over public services and public spending has a number of relative advantages compared to more centralised models. These closely mirror, but are not identical to, the principles that I have set out above. Key advantages include better local knowledge, the ability to engage the public and support co-production, and the ability to convene and join up public services across different providers and sectors. These are now examined in turn. Questions about the capability of local government to fully exploit these advantages in practice are addressed in Chapter 4.

**2.26** As the literature on this issue recognises, devolution is accompanied by a number of risks that need to be managed effectively.<sup>25</sup> Recognising these limitations, in this section I argue for a shift in the balance of responsibilities from the national to the local level. The benefits of devolution also depend, in part, on the incentives created by the funding system. This is an issue that I consider in Chapter 4 and to which I will return in my final report.

**The value of local knowledge** **2.27** In the end, every service has to be physically delivered and managed somewhere. Since every local area, and the people who live there, is different, local knowledge is essential to effective delivery.

**2.28** Local authorities have a particularly wide and deep understanding of the areas and people that they serve. Local councillors, for example, live amongst and are part of the local community and have been chosen to represent it and its unique needs and interests. The local authority has a responsibility for the well-being of the whole area as well as a historical and on-going relationship with the area through time. As a multi-service agency, the authority can also draw intelligence and understanding from a wide range of services.

<sup>25</sup> See for example Rodriguez-Pose, A. and Bwire, A., 'The economic (in)efficiency of devolution', London School of Economics, 2003

**2.29** Central government agencies, such as local Primary Care Trusts and the Jobcentre Plus network, will want and have local information to inform the delivery of their services but it is unlikely to be of comparable depth or complexity.

**The ability to engage the public and support co-production**

**2.30** The effectiveness of services and the value that we get from them can sometimes depend significantly on people's behaviour. Obesity, for example, is affected by the lifestyle decisions that individuals make themselves. As box 2.3 illustrates, local authorities can help to influence such lifestyle decisions by enabling local people to co-produce services, letting them have their say about what they want and need from public services. By involving local people in their design and delivery, local services are also likely to be more efficient and effective. Box 2.4 discusses how one local authority has achieved this in practice.

**Box 2.3: Empowering local people to co-produce public services**

A pilot on a deprived estate near Maidstone has been designed to promote healthy lifestyles by encouraging groups of residents with common interests to participate in physical activity. The role of public service providers (Kent County Council and the NHS, joined, in this case, by the Design Council) has been to provide web and text messaging systems known as 'Activmobs' that enable groups to organise themselves to undertake activities which suit their shared needs, together with advice and support.

The Design Council describes how "ownership of the Activmob platform lies with the participants, rather than the local authority or the NHS" and how "Activmob is co-created by the local community".<sup>26</sup>

**Box 2.4: Involving users in leaving care services in Tower Hamlets**

In Tower Hamlets, the Leaving Care Service has developed a user partnership approach to service delivery. This was developed on the premise that if young people leaving local authority care had direct involvement, ownership, status and even power and authority in service delivery, those services would be more relevant and effective. This scheme has actually then gone even further, in identifying that through the very process of involvement, care leavers can develop their skills, knowledge and abilities so they are better equipped to participate successfully as citizens.

Young people are made equal members of the staff team, giving them real authority. They are allowed to work alongside members of the team in the main offices. They are also involved in team meetings and other forums as equal partners, and thus help to devise the structures that allow them to influence and shape the service on an ongoing basis.

All this has been done within a framework which still upholds all the statutory responsibilities of the council, including for confidentiality and safety. The service has been externally accredited and recognised, including through Chartermark. The services and support provided to these young people have changed dramatically as a result of their involvement, including the arrangements for the support they are given in moving to permanent housing

<sup>26</sup> Burns, C., Murray, R., Vanstone, C. and Winhall, J. *Red Report 01: Open Health*, Design Council

**2.31** Involving local people in difficult choices that are made at the local level should also improve the quality of local decisions and local people's commitment to these, as demonstrated in box 2.5.

**Box 2.5: Public engagement in scenario planning in Surrey**

As a community leader with responsibility for community planning, Surrey County Council has led a major multi-agency project with the aim of developing a co-ordinated, strategic vision for the future of the county. Working as the lead authority the Council utilised scenario planning – a tool commonly used in the private sector – to assist with mapping out the county's future.

This project, which ran from 2002 to 2004, engaged with a total of around 2000 people. Residents and representatives of communities and organisations were asked, through surveys, interviews and focus groups, about their concerns and aspirations for the future development of Surrey. Technical workshops then led to the development of four alternative 'future scenarios' for the county – visions of what Surrey could look like in 2020, with the consequent implications for citizens, businesses and public services.

These scenarios were made more meaningful and accessible through a series of videos, available on a widely-distributed CD, and discussed through focus groups and structured sessions with the public. This led directly to the development of the over-arching vision underpinning Surrey's Community Strategy. This vision emphasises forward thinking, with a distinctive profile for the county focusing on six key themes: Economic development; Travel Access and Mobility; Housing and Infrastructure; Changing Lifestyles, Community, Culture and Identity; and The Future of Public Services and Democracy.

The Vision for Surrey has been endorsed by over 70 organisations in the county. Its framework of themes and outcomes forms the basis of the Strategic Partnership's work programme and informs the development of the corporate strategies of the county's key public agencies. Nick Skellett, Leader of Surrey CC, has been a consistent supporter of the 2020 Vision created by multi-agency scenario planning. He said: "By pushing back the traditional boundaries and joining forces with other public service providers we have been able to create a more coherent picture of Surrey's future than ever before. This has allowed us to cut out bureaucracy, raise efficiency and ultimately provide a long-term, strategic approach for agencies in the county."

**Convene and join up the work of the public and other sectors**

**2.32** The issues that affect communities and the lives of individual citizens are not confined to the organisational limits and boundaries of different service agencies. The activities and resources of these different agencies therefore need to be brought together.

**2.33** That requires not just the joining-up of resources and activities, but also a leadership and influencing role to ensure that the efforts of all agencies are focused on the outcomes of greatest importance to local people. Local government is well-placed to play this 'convening' role. Councils have a range of important statutory and service responsibilities, but perhaps more importantly they also already have a responsibility for, and a mandate to serve, the area and community as a whole, rather than any one particular service or user group. Local councillors are motivated by the desire to shape the places in which they live and deliver improvements for local people, and people look to them to represent their interests and to provide leadership across the range of local public services and issues.

*Local authorities are best placed to see the links that exist between different aspects of the quality of life in an area. In any local community, strong connections inevitably exist between issues such as health, employment, crime,*

*the environment, culture and education. Through their understanding of the local area, and by working with partners, local authorities are best placed to act in a way which reinforces the positive connections between all of these issues.*  
(Southampton City Council)

**2.34** This convening role for local government is both strategic and operational. It involves developing a vision for the area, linking together the priorities and resources of a range of organisations in the pursuit of overall priorities, as well as actually organising the actions needed to improve the delivery of services and the achievement of outcomes for individuals and areas. This role can be undertaken in a number of ways, through informal contacts as well as formal processes, and a range of statutory and non-statutory partnerships. Important elements include the local authority's responsibility for producing a Sustainable Community Strategy for the area, the formal links created through Local Strategic Partnerships, and newer arrangements such as Local Area Agreements. The Government's recent consultation on the future of LSPs recognises more strongly than previously the central role that local authorities can play in initiating and maintaining momentum in the LSP, ensuring appropriate representation and in scrutinising the LSP.<sup>27</sup> Reflecting its democratic mandate and the breadth of its interest, I believe there is a strong case that local government should act as the first among equals in local public services – an issue that I return in Chapter 4 of this report.

**2.35** There is no presumption that in convening local services and shaping the locality, local government should necessarily seek to own and directly deliver services itself. Whether services are directly provided or commissioned is a matter for local decision and local accountability. The council's key role is to purchase and commission services effectively, including from suppliers in the voluntary and private sectors, to understand and pursue best value, and to shape and build markets where this is necessary.

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<sup>27</sup> ODPM, *Local Strategic Partnerships: Shaping their future A consultation paper*, 2005

**Box 2.6: Improving liveability through convening in Enfield**

Liveability issues such as anti-social behaviour, crime, nuisance noise and fly tipping all require responses from a range of partners, at both a strategic and an operational level if they are to be successfully tackled.

In Enfield the Local Strategic Partnership and its thematic action groups set strategic objectives for reducing crime, improving community safety and making the area cleaner and greener. The LSP oversees and monitors the activity and success of the various local services involved in delivering against those objectives.

At an operational level Street Action for Enfield (SAFE) brings together a number of organisations, including local authority services, the police, housing associations and other bodies such as the Environment Agency and the Probation Service, to take a joint approach to addressing problems on the ground. Challenges and problems are discussed as a group, and resources are allocated from each partner to deliver results in the most effective manner. Performance is managed across SAFE to ensure delivery of its objectives.

For example, following the identification by the local authority of a particular problem with fly tipping in residential alleyways, further analysis by partners showed that these alleyways also suffered from other crimes related to the fact that they are at the same time both easily accessible, and somewhat out-of-the-way. These crimes included drug use and dealing, residential burglaries and nuisance from motorcycles and scooters. To address all of these problems, SAFE allocated funds to install gates across the alleyways, and as part of Operation Payback the Probation Service provided offenders to remove rubbish and cut back vegetation. As a result of the installation of the gates, fly tipping and anti-social behaviour has ceased, and residents say that they feel safer and have a sense of pride in their land.

SAFE has successfully delivered a number of other projects and operations which have contributed towards the LSP's strategic objectives, and has been shortlisted for the Municipal Journal Public Protection Award 2006.

**Innovation 2.36** Devolving to the local level offers potential advantages from innovation or experimentation, and local government has a strong history of developing innovative approaches to service delivery at the local level. Indeed, the fabric of our current public services and a wide range of central government initiatives reflect innovations originally pioneered by individual local authorities. Successful local policy innovation can create space for others to follow. The introduction of congestion charging in London serves as an example of this, with road user charging now being developed elsewhere in England. Being able to draw out good practice from the best authorities and spread it more widely is a necessary part of developing a self-improving system of local government.

**2.37** Central government can also innovate by piloting new approaches, which it has done across a wide range of policy areas. Relatively independent efforts in a number of localities may, however, generate a wider range of innovations than a centrally determined approach.

**Box 2.7: Innovation in Camden – using ASBOs against multi-national companies to tackle flyposting**

Surveys identified flyposting as a concern to local residents and businesses in Camden. It created and fostered an air of neglect, decay and fear of crime, as well as being expensive to deal with. For years, Camden had only limited success in combating flyposting, a practice almost exclusively carried out by multinational companies. Taking considerable risks, the council decided to try a new approach in using Anti Social Behaviour Orders (ASBOs) with the aim of reducing flyposting by at least 60 per cent.

In 2004 Camden Council successfully secured ASBOs against executives at two multinational music companies, in the face of warnings that this corporate use of ASBOs was impossible, and legal challenges. The action ‘named and shamed’ respectable companies into behaving within the law, whilst confronting criminal elements with a sanction they had not seen before.

As a result flyposting in Camden has been virtually eradicated. Camden’s success has established a widely welcomed new tool to deal with environmental problems such as pollution, noise and fly tipping.

**Box 2.8: Innovation in social care – direct payments**

Giving individuals who need social care cash payments to purchase that care for themselves is now an important part of the social care reform agenda, highlighted in the recent White Paper *Our health, our care, our say*. They give people greater freedom and independence, and the ability to choose which services they want, when they want them, and who they want to provide them.

However, the policy was not invented by central government. A number of local authorities in the UK, such as Essex and Kingston upon Thames, pioneered the approach in the UK in the mid-1980s, using third party organisations as intermediaries to work around national legislation which at the time restricted their ability to make such payments.<sup>28</sup>

Since then the current and previous governments have implemented legislation first to enable local authorities to provide such payments, and then to require them to do so. *Our health, our care, our say* sets out a number of measures the Government is taking to improve the availability of such payments across the country and to increase take-up.

## The unique role of local government

**2.38** This leads me to what is perhaps the most important point I want to make in this chapter. The choices we can make are inevitably constrained by the fact that the resources at our disposal are finite. This creates the need to make choices and trade offs, and as discussed previously, the best solution in the real world will vary in different places. There is no question about whether there is a need to prioritise – the question is who should set those priorities, and in what policies it is better to make one set of choices for the whole country, or to make different sets of choices in different places.

**2.39** It is possible for local administration to carry out many of the activities outlined in this chapter, for example engaging with local people, supporting co-production,

<sup>28</sup> Lend, A. and Arendt, N., *Making choices: how can choice improve local public services?*, New Local Government Network

joining-up across services and making locally tailored decisions. However such decisions are complex and involve trading off between local priorities. They will always involve an element of political judgement.

**2.40** The value of democratically elected local government, therefore, lies in the local accountability provided by the election mechanism, which gives local councils the mandate to make the political judgements and compromises that an administrative or managerial system would not be able to make in an accountable manner.

**2.41** Local government is accountable to the people of an area through local councillors, elected every few years. Since a local authority can change control on the basis of issues in that area alone, local politicians should be more responsive to local issues than national decision-makers. This democratic accountability creates the need for local government to consider and respond effectively to local conditions and opinions.<sup>29</sup>

**2.42** However, generally declining levels of turnout at local elections and an apparent disengagement from local politics poses a real challenge to this conclusion. This problem undermines the argument that elected local government can and does reflect the views and preferences of local people in its decisions. In part this disengagement is a symptom of the wider challenges to our system of politics and democracy to which I referred in Chapter 1 and which have recently been highlighted by the work of the Power Inquiry. For local government in particular, part of the problem may also be that people do not perceive it as being important to their lives. For example, a study for the Electoral Commission found that only 48 per cent of people thought local elections make much of a difference, compared to 64 per cent for the general election, and that 60 per cent of people would be encouraged to vote if the council had more scope to make local decisions.<sup>30</sup>

**2.43** If greater local choice is to lead to enhanced local well-being, then it is imperative that we find ways to strengthen local accountability and public engagement. I will therefore return to the role of councillors, and questions about electoral turnout and the electoral system in Chapter 4.

**2.44** However, it is not elections alone that provide local government's legitimacy. It is an important foundation, but one that is only made effective if supported by sound evidence and a good understanding of the local situation. The latter needs to come directly from careful engagement. Ippr's Working Group on Active Citizenship concluded that people are ready and willing to engage in governance, if the terms of engagement are right. They highlight the importance of asking people to participate, listening and supporting them and providing different forms of engagement so that people with different skills, interests and resources can engage in different ways.<sup>31</sup> The ability to engage effectively is a quality, I believe, that distinguishes the work of our best locally elected members and councils.

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<sup>29</sup> Cremer, Estache and Seabright, 'Decentralising Public Services: what can we learn from the theory of the firm?' in *Recent Developments in Urban and Regional Economics* (ed. Cheshire, P. and Duranton, G.), Edward Elgar, 1996

<sup>30</sup> The Electoral Commission, *Public Opinion and the 2002 local election*, 2002

<sup>31</sup> ippr, *Lonely citizens – report of the working party on active citizenship*, 2004

## LOCAL CHOICE IN THE CURRENT SYSTEM

**2.45** None of the above arguments are new and they are of course reflected in the current freedoms and flexibilities of local government. However, I do not believe that the current system makes full use of the benefits that local government can bring to bear on public services and decision-making. Greater clarity of responsibility between local and central government, improved engagement with local citizens and further measures to sharpen accountability can only improve the value that we secure from public expenditure and help communities to identify and pursue their own priorities.

**Too many choices are made at national level**

**2.46** England has a highly centralised system of government by international standards.<sup>32</sup> National debates about service standards and ‘postcode lotteries’ put government ministers under pressure to take responsibility for almost all aspects of public services, even those that would be better dealt with at the local level.

**2.47** The national objectives to which local government contributes are mostly established and expressed at a high level in the Public Service Agreement (PSA) targets set in Spending Reviews by central government departments and the Treasury. They are communicated along the delivery chain through the setting of targets, provision of grants and monitoring of performance by central government departments and a number of intermediate bodies and agencies.

**2.48** The funding system also enhances national control and prioritisation. The importance of central government grants has arguably encouraged local councils to focus on debating the mechanics of grant distribution with central government, rather than engaging local people in making local choices about services and tax levels. In addition, an increasing proportion of funding from the Government is now provided in the form of specific and ring-fenced grants, which are explicitly tied to national choices and priorities. Such grants have grown substantially in recent years, and if one treats the Dedicated Schools Grant as part of this trend, they now account for around 57 per cent of local authority grants from government. However, the pooling of grants taking place through Local Area Agreements is a positive development and one which has been welcomed by local authorities.

**2.49** This centralised system has proved successful across a wide range of key public services and has led to substantial improvements in recent years. The Government has met the vast majority of the PSA targets set in 1998, with real improvements in outcomes being achieved in the major public services.<sup>33</sup> It has, over time, refined and improved the PSA framework, reducing the number of top-level targets from over 240 in 1998 to around 130 in 2002, and abolished output-focused Service Delivery Agreements. *Devolving Decision Making: 1 – Delivering better public services*, published in 2004, highlights a number of further areas in which the Government is seeking to further refine and improve its approach in order to improve delivery against its objectives.

**Crowding out**

**2.50** However, there are drawbacks to making so many choices at national level. Local government has a wider responsibility for the well-being of local areas, and I have a concern that at present too much of the activity of local authorities is driven by the decisions, guidance and priorities of central government departments, backed up by monitoring and inspection regimes.

<sup>32</sup> See for example John, P., *Local Governance in Western Europe*, 2001; Stoker, G. and Stewart, J., *The Future of Local Government*, 1989; Stoker, G., *The Politics of Local Government*, 1991; Stoker, G., *Transforming Local Governance, from Thatcher to New Labour*, 2003

<sup>33</sup> HM Treasury and Cabinet Office, *Devolving Decision Making 1, Delivering better public services: refining targets and performance management*, 2004

**2.51** This requirement for local government to look to the centre can ‘crowd out’ local action to meet local needs and priorities in developing well-being. I believe that place-shaping – influencing local well-being through providing high quality and responsive services, building strong communities and planning for the future – is at the heart of the role and value of local government. I will explore this further in Chapter 3. However, the extent of central control in the current English system is a significant barrier to place-shaping and arguably a more significant one than the limitations on local authorities’ powers.

**2.52** Local authorities argue that the scale and complexity of national targets mean that the majority of the resources have to be used to deliver nationally defined priorities, and support the monitoring of performance against those priorities. For example:

*There is clearly a need for some service standards to be set nationally, however we consider the current position is imbalanced towards too many centrally set targets... Local government has been told for many years to “prioritise its priorities” and we feel this is something central government must do.*

(Leeds City Council)

*The requirement to focus on national targets... limits the ability of services to tailor their services to tailor their delivery to the specific needs of a given neighbourhood... resources are available, but freedom to direct them responsively is constrained by centralised performance requirements.*

(Westminster City Council)

**2.53** Some would argue that central government has identified the issues which are most important to the public, and is therefore right to make all necessary efforts to ensure they are followed through. I do not think that this is always the case. At a broad level few would disagree that we would all like to see, for example, further improvements in education results and the health service, and further reductions in crime. However, as I argued earlier in this chapter, people in different parts of the country have different views, preferences and priorities, particularly when they have to match those with the inevitably limited resources available. If local discretion is overly constrained by national requirements, then public services and priorities cannot reflect local preferences fully, leading to a less efficient use of public resources than would otherwise be the case.

**2.54** Resolving so many of the choices that we face about our public services at the national level is also an expensive approach. It rules out local trade offs within and between services, instead tending to increase the pressure for all services in each area to be resourced to the level of the highest.

**2.55** Despite recent reductions in the number of targets I believe that central government needs to adopt a more focused approach to setting national priorities, by defining a still smaller set of key objectives and requirements which it seeks to enforce and monitor in all parts of the country. National targets also need to be set and agreed with the organisations that have to implement them throughout the length of the delivery chain. I return to these issues in more detail in Chapter 4.

**Improving  
clarity about  
role and  
responsibility**

**2.56** In order to help move away from this position and reduce the crowding out of local place-shaping, I think it is necessary to aim for greater clarity than we have at present about who is responsible for different public services and functions. Allocating responsibility more clearly to either local authorities or central government should enable better local choices, and help to manage pressures on public expenditure and

public expectations more effectively.

**2.57** There may also be wider benefits. It is arguable that the present tendency for local and central government to blame the other when difficult decisions have to be made has a damaging effect on confidence in local government, and also on confidence and trust in government and public services more widely. I strongly believe that greater devolution will improve public trust in the system of local and national government as a whole.

**2.58** By being clearer about which services, decisions and functions should be subject solely to local scrutiny and accountability, it should also be possible to reduce the costs of monitoring and inspection. Greater clarity about the respective roles of central and local government should also release resources currently invested in central government departments in the extensive machinery of supervision.

### Costs of a burdensome performance management framework

**2.59** Local government is subject to an extensive performance management and inspection regime, through the Comprehensive Performance Assessment, a range of service inspections, and direct engagement with Government departments. Inspections and particularly the CPA have undoubtedly stimulated improvements in the performance of local government.<sup>34</sup> Nonetheless, there is a conviction across local government that current performance management arrangements are too expensive and too detailed. They are perceived to be time consuming and expensive, and to divert attention away from and limit the capacity to respond to local priorities.

**2.60** Performance management and inspection have an important role to play in assuring the public, promoting accountability, driving improvement, protecting consumers and enhancing the value provided for taxpayers' money.<sup>35</sup> As such, regulation has an important and continuing role to play in our public services. However, both the Government and the Audit Commission have recognised that the burden of inspection upon local government must be made lighter and more focused. Changes have already been made towards a more risk-based approach which is less expensive and places a reduced burden on councils. The recent *local:vision* document on the performance management framework sets out a set of principles designed to take this further, and the Audit Commission is currently exploring options for the revision of CPA in 2008.<sup>36</sup>

## THE ADVANTAGES OF DEVOLUTION

**2.61** In my view it is not so much a lack of formal devolution that inhibits our ability as a country to get the most from local flexibility and variation, but rather the degree to which the local public service agenda and local priorities are set by central government ministers and departments. By devolution I therefore mean that we need to shift the balance of responsibilities for public services from central to local government and to be clearer about their respective roles and responsibilities. I return to these issues in more detail in Chapter 4 of this report.

**2.62** It is worth emphasising again that the advantages of such devolution are in the national interest and to the benefit of individual citizens. I see the key benefits of devolution as being:

<sup>34</sup> For example, see Martin, S. et al, *Meta evaluation of the local government modernisation agenda: progress report on service improvement in local government*, 2005

<sup>35</sup> Audit Commission, *The future of regulation in the public sector*, 2006

<sup>36</sup> ODPM/HM Treasury, *Securing better outcomes: developing a new performance framework*, 2005

- a more efficient allocation of resources between and within services, based on local choices and informed by effective public engagement – which should also help to manage pressures by ensuring that resources are devoted to the highest local priorities;
- greater value obtained from local public services, through more use of co-production with service users themselves, and improved co-ordination across local public services more widely;
- enhanced delivery of a smaller set of national priorities, particularly where challenges and solutions are inter-connected and need to be joined up locally; plus the potential for a reduction in the costs of the industry of supervision, incurred by both central government and local government in monitoring and regulating local authority performance in some services;
- benefits from enhanced innovation and the opportunity to test new approaches in individual areas; and
- as a result of all the above, greater public trust in the system of local and national government as a whole.

**2.63** I now turn in detail to the place-shaping role, which I believe is at the heart of the role and value of local government.