

poc/o Lee Burge  
Room 3.12  
Lyons Inquiry into Local Government  
1 Horse Guards Road  
London  
SW1A 2HQ

1260/06

2 August 2006

Dear Sir Michael

The CBI welcomes the publication of *National prosperity, local choice and civic engagement in May*. We believe local government reform should lead to improvements in the efficiency, effectiveness and value for money of local public services, whilst promoting local prosperity and sustainable economic growth.

In March, the CBI submitted an interim response to your ongoing review. This letter builds on that interim response and identifies some key priorities for realisation of the place shaping role of local government – a role which should promote delivery of local public services fit for the 21<sup>st</sup> century. The CBI agrees that a complete overhaul and re-organisation of local government is not necessary to deliver greater service improvement. Our recent work looking at the benefits of shared services and neighbourhood delivery illustrates that current structures can be adapted, both to improve economies of scale and to strengthen the link with citizens. I am pleased to enclose copies of both these recent CBI reports and also a copy of our January 2006 report which explored the need for competitive neutrality in public service markets.

We recognise that any debate about the role and function of local government cannot take place without considering how it is funded. We strongly believe local government funding should reflect its purpose and must encourage value for money and service responsiveness. However, this letter is not about local business rates; rather it sets out some key thoughts on how local government can develop to fulfil its role as place shaper and convenor. The CBI believes:

- introducing greater flexibility and choice will mean truly responsive local services are delivered
- new approaches to service delivery are required to ensure better value for money
- the conditions must be created for a mixed economy of service provision.

**Introducing greater flexibility and choice will mean truly responsive local services are delivered**

1. The CBI supports proposals to make local government more flexible and consumer focused. This will enable the delivery of truly responsive local services. Business is fully



INVESTOR IN PEOPLE

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supportive of local services being shaped by users. Our recent brief on neighbourhood service delivery contains a number of examples of how users have been involved at an early stage, through to delivery and in the performance measurement of local services. The brief urges central government to support local government in its leadership and development of the agenda. We recommend that the LGA continue to take the lead in encouraging local authorities to invest in their role as leaders empowering local people to shape service delivery and influencing public behaviour to ensure that democratic accountability remains at the heart of the empowerment process.

2. For local government to deliver the high quality services that taxpayers and citizens expect, central government must allow more wide-ranging exercise of the local mandate. Local government needs to have confidence in itself as the best-placed body to allocate resources according to local needs and priorities. But it also requires the freedom to do so. The CBI would support a reduction in the number of national targets, but only provided the correct incentives existed for local authorities to continue to set service standards that did more than guarantee minimum outcomes.
3. We also support the formal recognition of local government as a 'convenor' of local services, which we believe is vital to allow local government to fulfil its place-shaping responsibilities. Social, environmental and economic outcomes can only be achieved through partnerships and it is crucial that local government is able to use mechanisms to unite local stakeholders – including business, the voluntary sector, citizens and other public bodies – around a common strategy and set of shared outcomes. We believe that the effectiveness of local government as a 'convenor' would be enhanced by a formal duty on all local public services to co-operate with the local authority.

#### **New approaches to service delivery are required to ensure better value for money**

4. Business believes that local government must adopt new approaches to improving value for money in local public services and is committed to working in partnership with local partners to deliver this. Recent CBI reports on shared services and neighbourhood delivery demonstrate the potential for service providers and local government clients to adopt innovative approaches within existing structures – allowing for rapid change and service improvements. The CBI also urges local government to look at more cross-boundary strategic commissioning, particularly in areas such as Building Schools for the Future (BSF), in order to deliver better procurements and greater efficiencies.
5. Ultimately, local government officials need appropriate capabilities and skills to continuously improve value for money. The Regional Centres of Excellence have an important role to play in pooling and disseminating the procurement skills and expertise required. Sharing of information and best practice in this way will also help to drive innovation throughout local government – another key ingredient in delivering a step change in local public services.
6. Using their local knowledge and ability to bring all local partners together, local government has a strong role to play as a commissioner of services. Business believes this is a crucial dimension to local government's role as 'place-shaper' as focusing primarily on commissioning rather than provision of services would allow local authorities and councillors to engage in more effective community leadership, ensuring that consumers are able to shape services.
7. Responding effectively to local needs requires local government to ask honest questions about who is best placed to deliver services to maximise quality and value for money. Business believes the role of place-shaper means local government will need to manage local markets of service providers and create an environment where all providers – public,

private and voluntary – compete on a level playing field. This is key to making improved quality and value for money in local public services a reality.

**The conditions must be created for a mixed economy of service provision**

8. The CBI recommends that the Inquiry outline the necessary steps that need to be created by local government to create opportunities for all service providers. The first of these is a commitment to a level playing field between different types of service provider. The CBI report *A fair field and no favours*, published in January 2006, outlined some of the fairness problems in the UK public services market and some potential solutions to address this. The Inquiry is ideally placed to develop a policy for local government of equal treatment between public, private and voluntary providers and we urge you to do so.
9. The Inquiry should also call for the development of a strategy for the management of local government supply markets. The DCLG is already carrying out work on this as part of *Local: vision* and the Inquiry should push for local authorities to become fully involved, developing a strategy for early dialogue, market management and consistency in the procurement process.
10. We would also urge you to give serious consideration to how local authorities can improve procurement and contract management and how to embed a partnership approach into service delivery. As part of this, we would welcome proposals on building up commissioning skills in local authorities and creating incentives for streamlined procurement processes. The CBI is currently undertaking work looking at how to improve procurement and contract management practices across the public sector and recommend that the Inquiry looks at how these principles might be applied in the local government market. We will be publishing a brief later in 2006 looking specifically at how to improve commissioning in the local government market.

I hope you find the comments above helpful. I would be happy to meet with you to discuss the issues covered in this letter in more detail and I look forward to hearing from you.

Yours sincerely,



**Neil Bentley,  
CBI Director, Public Services**