Office of the
Deputy Prime Minister
Creating sustainable communities

The future of local government: Developing a 10 year vision

local:vision
In partnership
with local government

Foreword

by the Deputy Prime Minister

Local government has a crucial role to play in creating sustainable communities. It can lead the local community, reflecting and responding to the needs and priorities of local people. It brings together a wide range of services to deliver the outcomes that matter to people locally. And it is democratically accountable to all citizens, balancing the interests of individuals and groups with those of the wider community.

This paper recognises that local government should be at the heart of our communities in the years ahead. But it also makes clear that this role cannot be taken for granted. Both local and central government will need to change to meet the challenges of the next ten years and to ensure that people will look to their council as a place where things get done.

This paper offers an opportunity to build upon existing partnerships between central and local government, with clearer lines of accountability and responsibility at each level, underpinned by trust and confidence in the other as a partner. It also makes clear the value of a more coherent approach across central Government towards local government, while recognising that different services may need different approaches.

We need to look at local government in relation to the future of regional government. We, and most local authorities, also recognise that local partnerships are crucial to what local authorities do.

The issues raised here are not easy to resolve and they lead to some difficult choices. Local and central government need to look hard at what is working well and what is not working well at present.

A clearer and more coherent approach towards local government will help to realise our shared ambition to create places where people want to live and to provide services that they value.

Rt Hon John Prescott MP
Deputy Prime Minister and First Secretary of State

Contents

Section 1 – A vision for the future

This document describes how the Government will develop a longer term strategic approach to local government in England. It sets out an overall direction for reform, within the context of a vision for local government in ten years across four broad themes: leadership, citizen engagement, service delivery and a new settlement between central, regional and local government. We start with a vision of the outcomes we seek to achieve for people and places over the next ten years and the implications this has for local government.

The development of this vision is rooted in the four principles of public service reform set out by the Prime Minister in March 2002. These are:

- **national standards** for the things that matter most to people, to ensure that citizens have the right to high quality services wherever they live;

- **devolution and delegation** to the front line, giving local leaders responsibility and accountability and the opportunity to design services around the needs of local people;

- **flexibility** for public organisations and staff to meet the aspirations of users;

- **more choice** for service users.

The Government's aim is to put people at the centre of public services. Local government, at the heart of the community, with a knowledge about local needs and in the front line of delivery, is in a pivotal position to ensure that public services are designed around the needs and preferences of local people and communities.

This document is not a full strategy, complete with policy proposals, delivery plans and resource commitments. Nor does it seek to cover every issue that affects local government. The objective is to ensure that all those with an interest in local government have an opportunity to join a discussion about its future. There will be a series of papers on specific issues published over the next few months, leading up to a fuller document once the issues and evidence have been debated.

The world will not stand still while this debate takes place. In key service areas significant changes are being considered or proposed to improve delivery and outcomes. The development of the longer term strategy for local government will be taken forward alongside these, informing and being informed by them. In some areas these changes present a big challenge, asking local government to take on a different set of responsibilities – be it as provider, commissioner or customer advocate. But these changes also offer new opportunities to develop the strategic and community leadership role that should be at the heart of effective local government.

What is local government like at present?

The development of a longer term strategic approach does not start from a clean slate. Nor should it discount the significant achievements of recent years. The investment in and reform of local government since 1997 have contributed to substantial improvement and demonstrated the enormous energy and potential within local government if it is properly funded and imaginatively led.

Year on year increases in Government investment in local government have amounted to a 30% rise in funding in real terms over the last seven years.

Local authorities in general and the best performing councils in particular have, over the last few years, benefited from a very significant reduction in regulation and prescription, including the replacement of central borrowing controls with the new prudential regime. Inspections, plan requirements and other regulations are being greatly reduced and better targeted, allowing high performers new freedoms and flexibilities in setting priorities and delivering excellent outcomes.

Introduction of the Comprehensive Performance Assessment in 2002 has helped deliver a more coherent framework for assessing council performance. It has also demonstrated significant improvement, with over half of the upper tier and unitary councils now rated as Good or Excellent. Local authorities also now routinely consult residents about services. The best performing councils have fundamentally changed how they provide services to users, using feedback to drive improvements in service delivery and to provide greater personalisation and choice.

But these examples of excellence, and the reforms which have underpinned them, can only increase the sense that much more could be achieved across all local authorities, if the right environment is created.

Why do we need a new vision?

One of the Government's key priorities is to create sustainable communities – places where people want to live and that promote opportunity and a better quality of life for all. Local government has a vital role in this. Sustainable communities require an environment of good governance, public participation, partnership working and civic pride. Effective local government is at the heart of each of these. Local government also has a vital part to play in working with local people to create the conditions that underpin a sustainable community: a flourishing local economy; good quality public services; a diverse, vibrant and creative local culture; community cohesion; and a sense of place and pride.

A new approach to local government could improve the local delivery of services, increase public engagement in the decisions that affect them, and lead to better outcomes for people and places. This is a big prize, and one that makes this project worthwhile.

Roles and responsibilities

The strategy will look openly at the respective roles and responsibilities of central, regional and local government for different services. Clarity is needed about those services which require nationally determined standards and priorities and those which should be locally determined with the minimum of direction from central Government. Local authorities need to operate in a variety of roles in different services across this spectrum whilst still developing a coherent overall vision and strategy for the area.

For those services which do require national standards, the role of local government will be different, but no less important. For example, the recently published Government Five Year Strategy for Children and Learners sets out a powerful new strategic and community leadership role for local authorities in relation to education and other services for children and young people.

The regional and sub-regional dimension

The longer term vision for local government must respond to the emergence of a strong regional voice. The Government Offices for the Regions now carry out work on behalf of ten Whitehall Departments, drawing together a variety of national policies, strategies and funding. Their work brings them into daily contact with local authorities. This includes a role in local Public Service Agreements, civil contingencies planning, neighbourhood renewal and housing.

Regional Chambers also have an important role in promoting the region, in the overarching sustainable development frameworks and in economic strategies, spatial strategies (including transport and waste) and housing strategies. Local government is closely involved in these developments: councillors make up around two thirds of the membership of Regional Chambers and also serve as board members on Regional Development Agencies.

The Government has set out its plans to decentralise and strengthen regional policy, including the establishment of directly elected assemblies in regions where people want them, creating a democratically accountable, strategic body at a regional level. Referendums are planned for three northern regions.

The importance of sub-regional approaches is also coming to the fore, to allow neighbouring authorities to work together to address issues which cross local authority boundaries, such as housing, planning, transport and economic development. And some cross-boundary issues, such as policing, do not always involve areas which share borders but can 'jump' areas, requiring other ways to ensure joining up nationally or at regional level.

A longer term vision for local government must provide a clear view of a local authority's role and relationship within this strengthened regional level, not just as it stands at present but as it may look in the future.

What is so important about local government?

Local government provides democratically accountable leadership to the whole community. It has direct, regular and frequent contact with the majority of residents. This provides the potential for:

- delivering government which is close to people and the issues which concern them;

- involving local communities in tailoring national services to local needs and priorities;

- finding innovative, joined up solutions to specific local problems;

- co-ordinating the delivery of other locally provided services;

- combining good management with strong accountability, joining up and balancing competing demands.

So local government, in applying the principles of public service reform, is uniquely positioned to make a big contribution to many of the issues that matter most to people. But this requires strong, self-confident local authorities in all areas – leading their communities, securing good local services, working effectively with local, regional and national partners, and with a strong democratic mandate.

The challenges in this agenda

There are big challenges in this agenda for all the stakeholders, both national and local. The new approach we are seeking must:

- **establish a more coherent and stable relationship between local and central government** – the need for national standards in key areas is widely accepted, but this relationship has sometimes been characterised by over-burdensome controls, conflicting priorities and unjoined up initiatives. There will still be a need for different approaches in relation to different services. But central Government as a whole should provide a coherent face to local government and, in turn, local government and its partners should be able to engage in a joined up way with central Government;

- **clarify accountabilities and responsibilities at each level for the delivery of services** – the current arrangements of targets, standards, funding, monitoring and engagement are highly complex and often confusing. Clear principles are needed about where the primary responsibility for setting priorities, standards and targets should lie on a service by service basis;

- **improve local community leadership** – some councils are seen as major players in their areas, but elsewhere they lack the confidence of citizens and the trust of local and national partners. In some cases, central Government and other partners prefer to go around rather than work with councils to get things delivered;

- **increase levels of citizen engagement** – people have low levels of trust in politicians and low levels of participation and engagement in local decisions. It is vital to increase both in order to deliver sustainable communities and to make public services more effective and responsive;

- **secure improvements in public services** – rising expectations of service users are not always matched by improvements and innovations in services. Local authorities should drive improvement in the services they deliver directly and also influence the other services which local people rely on. Services must become much more focussed around the needs and preferences of service users, with increased personalisation and choice;

- **ensure the finance system is fair and fit for the purpose** – supporting what we expect local government to deliver in the years ahead and supporting local flexibility and local accountability. The Balance of Funding Review has looked at the pros and cons of options for improving the current system. Work on finance will continue alongside the development of this strategy, ensuring a clear link between the two.

For both local and central government, this agenda means building trust and confidence in the other as a partner. This trust cannot be simply willed. It must be built on evidence of change on both sides and demonstrable improvements in the outcomes that matter. But this also means both sides being prepared to try out new ways of doing things and taking some managed risks.

Taken together, these challenges present a tough and wide-ranging agenda for reform. But one which, if it is secured, would create a stable, long term relationship between local and central government, allowing both sides to meet the priorities and expectations of local people.
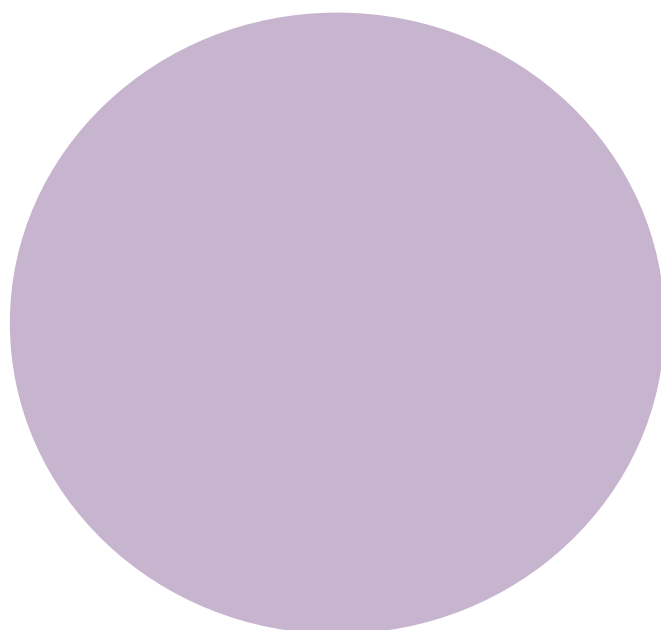
What happens next?

The remainder of this document describes some of the main elements that a longer term strategic approach to local government must address: leadership; citizen engagement; service delivery and the performance framework; and a new settlement between central and local government.

The intention is to start an open but focussed debate in each of these areas, using all the best evidence available, which will then lead to a clear sense of direction, underpinned by a coherent set of policies.

Whilst this debate will be an open one, it does not take place in a vacuum. The public service reform agenda is now well established and has some significant strands of activity. The 2004 Spending Review has concluded and Government Departments are setting out strategic plans with public service agreements and targets. There will be referendums on elected regional assemblies in three regions and, depending on the results, further activity in establishing new structures. Some far-ranging changes are being considered or proposed in areas such as children's services.

The development of a vision and strategic approach to local government will need to recognise all these activities and their impacts. However, this underlines the importance of a project which looks to the longer term and at local government as a whole.

Under the umbrella of this document we will publish a number of related documents in the coming months, clearly identified by the local:vision logo, which explore in more detail the issues that underpin the strategy. We will also organise events around the country to engage stakeholders in discussions of different aspects. We then aim to draw the discussions back together in a document, possibly in the form of a White Paper, next year.

Section 2 – Vibrant local leadership

Good leadership is essential to driving improvement. This means securing individuals with the right skills and qualities to provide strong and visible leadership to communities. It also means developing the leadership role of councils at both political and managerial level.

Abundant evidence exists of the importance of good leadership in local government, including Audit Commission reports following Comprehensive Performance Assessments of local authorities. Councils with strong leadership generally do well; councils with weak leadership often perform badly.

Strong leadership has a number of elements. It means being:

- **enablers of the community** – standing up for, learning from and empowering local people, including the most vulnerable members of the community;

- **champions of the area** – building a vision, setting a clear direction, and ensuring this is delivered;

- **challengers and scrutineers** – of public services more generally;

- **shapers of services around the citizen** – forging local partnerships to marshal resources in a way that best meets the community's needs;

- **decision-makers** – setting priorities and being accountable for tough choices in balancing competing demands and interests.

There are three key issues to look at:

- the role of local councils as leaders of communities;

- how to attract, retain and equip good calibre people to lead local government – politically and managerially;

- the political, managerial and constitutional structures that can best underpin good local leadership.

Community leadership

Councils have a clear local democratic leadership role as the only body elected by and accountable to the whole community. This role requires a number of different skills and attributes. There is leadership in decision-making and the accountability for what is delivered directly by the council. There is a role in leading local partnerships and bringing stakeholders together to help meet local needs and priorities, providing a focal point for local decisions. And there is a leadership role in enabling communities to lead themselves, developing social capital, fostering greater engagement in local decisions, and taking action to promote inclusion.

Government has promoted the community leadership role of councils. Recent examples include the development of Community Strategies and Local Development Frameworks. The creation of a power of well-being has allowed local authorities to carry out activities which promote the economic, social and environmental well-being of their community. But there is still some uncertainty about the nature and the legitimacy of this leadership role.

The role raises fundamental issues about the space that councils and their partners have to respond effectively to local priorities. Overall delivery might be better served by, for example, securing a relationship between the council, its partners and Government that allows more focussed and coherent engagement based on an agreed set of priorities.

Whilst the basis for the community leadership role is the democratically accountable nature of local government, the weight it carries within the community, amongst local people and with local partners, cannot simply be legislated for. This will depend on the effectiveness of individual councils and their leaders. It must be earned, not granted, but the space must also be made for local authorities to take on and demonstrate this capacity.

The supply and capacity of future leaders

The Government has recognised the importance of securing, developing and retaining high calibre political and managerial leaders and has launched, with the Local Government Association, a Capacity-Building Programme and supported the establishment of a local government Leadership Centre to facilitate this. This is responding to apparent difficulties in securing sufficient numbers of managers and councillors with the diversity of backgrounds and experience and the range of skills necessary.

Further measures should be considered to help enhance the supply, quality and diversity of managers and councillors. For example, there should be more women, young people and people from ethnic minorities as councillors and in senior management positions.

Some of the issues are for political parties and others to consider, but there is also a potential role for Government. This might mean:

- measures to promote greater clarity amongst the public about who is responsible locally for the delivery of each service;

- examining the roles and numbers of councillors, the ways they are recruited, the training they get, and remuneration;

- looking at the relationship between councils and other more local neighbourhood forms of engagement and representation, including the roles of people on each of these bodies;

- addressing the image and status of local government, to make it more attractive to a wider range of people with a wider range of skills.

Political and managerial leadership structures

Changes to organisational structures can have an impact on leadership roles and on the calibre of leaders which can be attracted. For example, the separation of executive and scrutiny roles was intended to facilitate efficient, transparent and accountable decision-making in councils. The latest preliminary evidence suggests that this is having an impact – decisions are being made more quickly, the process is more open and visible, and there is a growing feeling of enhanced accountability.
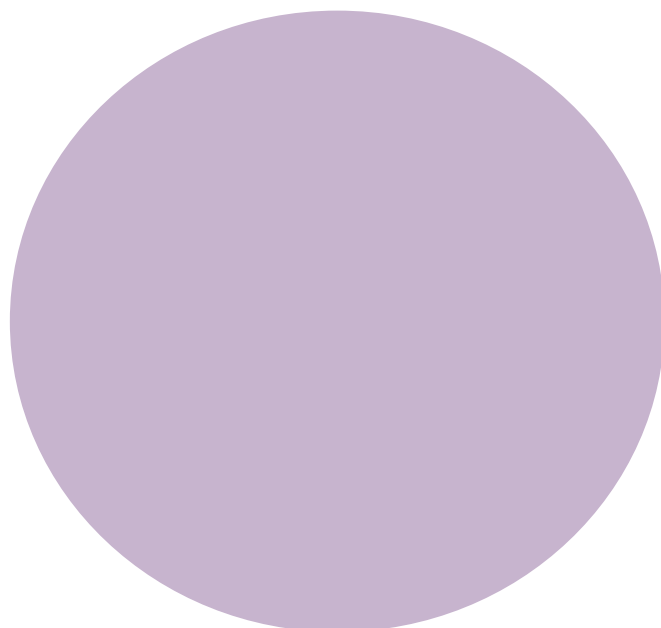
The evidence is that the new political management arrangements work best where there is both strong leadership and strong scrutiny, and with a clear separation between the two. The elected mayoral model offers a version of these conditions and some mayors have achieved a relatively high degree of public recognition compared with traditional leaders of councils. In those places where strong, visible leaders have emerged and worked well, we should look at the factors that played a part in this and whether these could be applied elsewhere.

The role of scrutiny is still bedding in and is less developed and understood than the executive role. The separation of the roles has also left some local politicians unclear about the contribution they can make.

If the separation of executive and scrutiny roles is to become the foundation for local structures, both elements will need to be developed. This raises choices about the form of executive and scrutiny roles.

Our vision is: councils looked to by local people and local partners as effective community leaders.

This requires: new ideas to develop the community leadership role, to attract and develop high quality political and managerial leaders, and to ensure we have political and managerial structures that are fit for purpose.

Section 3 – Citizen engagement and participation

Greater public influence over the delivery of public services will ensure they better reflect the community's needs and preferences – including those of vulnerable or marginalised groups – and increase satisfaction in those services. Greater engagement will also enhance people's sense of pride and involvement in their place.

A high level of citizen participation and engagement is vital to the health of government. It can help to:

- build sustainable and cohesive communities by re-engaging citizens in civic life and building social capital;

- make the delivery of public services at local level more effective and responsive, increasing the understanding, influence and choices citizens have over them.

Trust, participation and interest

People trust political institutions, local and national, less than many other bodies. A minority of people now vote in local elections. When asked in a recent NOP/Electoral Commission survey why they didn't vote, 45% said they didn't have time to vote, 41% said they didn't think voting made any difference, and 37% said they didn't know what the issues were.

But we know people will vote in numbers if there are issues of immediate relevance, as evidenced by the high turnouts for votes on Large Scale Voluntary Housing Stock Transfers (LSVTs).

The introduction of postal voting has also shown that more people will vote if it is made more convenient, but a real shift in participation levels will depend on convincing people that councils and councillors matter and can make a difference to their lives.

Decentralisation and devolution

The health of representative and participative democracy are interrelated. Alongside local elections, as well as voter turnouts, there need to be more and better opportunities to participate and exert influence on local issues and decisions. Devolution should not stop at the town hall. Devolving and decentralising within local areas can maximise the ability of the front line to tailor services to the needs of communities.

There are a variety of models for giving local people a stronger voice in smaller areas within local authorities, including:

- setting up new parishes;

- council led decentralisation and devolution, such as through area committees, and an enhanced role for non-executive councillors within these arrangements;

- self management arrangements such as tenant management organisations;

- development of neighbourhood management initiatives or arrangements which also exercise some governance functions;

- a bigger role for interested individuals in running services, extending the examples of parent governors in schools to other areas.

This list is not exhaustive, but all will require significant community capacity building in order to increase engagement and give citizens the skills and opportunities to engage in them effectively. However, community capacity building, whilst resource intensive, has direct benefits. It can reduce crime and the fear of crime, anti-social behaviour, vandalism and social isolation. And it can improve health, confidence and the quality of life.

The services that have been the major candidates for more decentralised arrangements have in the main been those associated with the liveability agenda and those which most affect how satisfied citizens are with their council – eg street cleaning, waste collection, community safety, management of the environment, youth activities, traffic management and housing management.

Central Government could play a bigger role in further encouraging decentralised or more localised governance arrangements. The specific locus of Government might be strongest where additional funds are being provided for the renewal of the most deprived areas.

Who defines a neighbourhood?

There is an argument for local governance arrangements which are developed in the light of local circumstances. But there are issues around consistency and coherence which might add weight to a broader approach. Self-selection can risk the emergence of arrangements which reflect some narrower neighbourhood interests and reflect divisions, for example across racial or income lines. These might not easily sit with the wider community interest in building community cohesion or addressing pockets of deprivation.
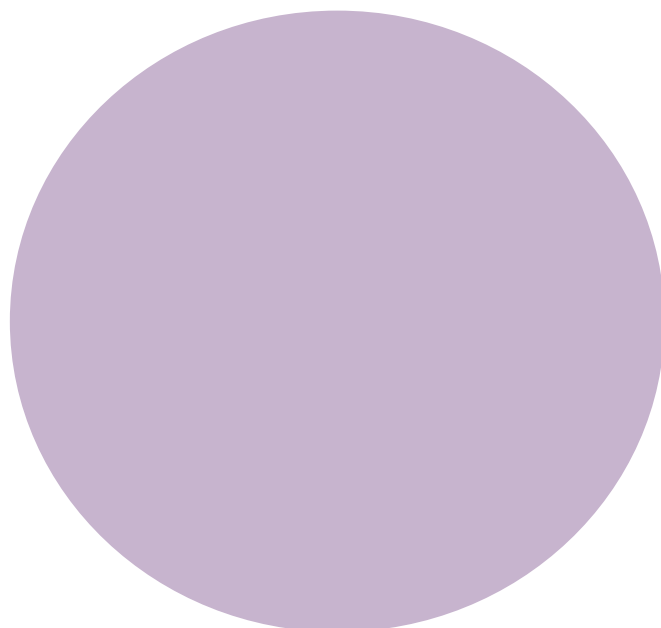
Funding

The funding for neighbourhood structures must also be addressed. Should they, for example, have the power to raise money locally as well as to spend delegated budgets? This could give them more credibility and independence but could reinforce inequality, with richer areas able to afford better services and the poorest being asked to pay more to fund improvements.

Trust and engagement

Structural or technocratic changes such as the introduction of new neighbourhood models, postal voting or all-out elections, may have a part to play in increasing participation. The fundamental issue remains, however, to connect people with political processes and make them believe that participation will make a difference to their lives. This is a national as much as local problem and will require an ongoing effort from all those involved and interested in the political process.

Our vision is: greater participation by people in the decisions that affect them locally, leading to services which better match the needs and preferences of communities.

This requires: building trust that engagement will make a difference, and offering new opportunities to engage, particularly for those who have not felt empowered.

Section 4 – Service delivery and the performance framework

All councils should secure a wide range of high quality, cost-effective services, tailored to the needs and preferences of citizens. This requires a constant focus on improvement and a constant challenge to current ways of delivering services. Councils, as representatives of the whole of the community, are uniquely placed to ensure that integrated services are tailored around the needs of users.

Recent years have seen some real improvements in local service delivery. Education and social services inspections have shown substantial improvements in performance. Local authority performance more broadly, measured against a basket of Best Value Performance Indicators, has improved by almost 7% since 2000/2001. And Comprehensive Performance Assessment of councils has found significant improvement, with over half of the upper tier and unitary councils now rated as Good or Excellent.

However, there is evidence that in some areas performance is beginning to plateau and that there will be a need to secure more local commitment to drive future improvement. There is also some evidence that the most disadvantaged citizens may not be benefiting as much as the average from service improvements.

Rising expectations and falling satisfaction

Citizens' expectations of services are rising. A People's Panel survey and a Best Value user satisfaction survey both show a decline in satisfaction with local councils overall, though with higher levels of satisfaction with many individual services and with a markedly higher level of satisfaction amongst those who use the services.

New ways must be found to encourage and enable authorities to offer a wide range of attractive public services which meet the needs and preferences of citizens, and which are delivered through a diverse range of partnerships and approaches.

The performance framework for local services

The improvements in public services over the last few years, including improvements in local services, have often been driven by national priorities and targets. This was particularly appropriate at a time when many public services were being turned round after a long period of underinvestment and underperformance, and where people across the country had expressed a strong desire for decent national standards.

However, the creation of large numbers of national targets and standards, accompanied by detailed inspection and regulation, now risks creating an increasingly rigid system. Whilst it was effective in securing decent minimum standards in many areas, it limits the opportunities for competent delivery organisations to provide additional value or to tailor services to local circumstances and priorities. In other areas, the approach has not secured the standards aimed for, with high levels of variation in performance across public bodies, ranging from excellence to poor performance.

This raises two questions: firstly, whether there is more that can be done to free up all councils from unnecessary inspection and input based controls; and at the other end of the spectrum, whether the current framework for addressing persistent underperformance is effective.

HM Treasury's Devolving Decision Making Review has made recommendations for a more devolved approach. Its report, *'Devolving decision making: Delivering better public services'* (March 2004) includes the following:

The review concludes that the pace of public service improvements will quicken if there is a substantial reduction in external targets and controls beyond PSAs. This approach should clarify the Government's true priorities, so increasing the likelihood of achieving them. At the same time, it provides the freedom and responsibility for schools, hospitals, police forces and local authorities to tailor their services to the needs of their communities and to develop priorities that reflect needs across local areas. (6.2)

It goes on to say that:

These changes must be underpinned by increased local performance management capacity. (6.3)

This points to a performance framework in which councils take more responsibility for continuous improvement in their area. If this foundation of strong local performance management is secured, other changes to the framework could follow, including: a smaller set of national targets and minimum standards limited to areas of high national priority; fewer input-focussed levers; a strategic and joined up approach to regulation, inspection and performance management; a greater acceptance of local diversity in areas where universal standards are not appropriate; tailored support, including capacity building and intervention, proportionate to risk and opportunity; and a more mature, open, joined up and individualised relationship between local, regional and national government.

The necessary corollary of this devolution and decentralisation is a strengthened accountability to local people, including better, more timely information on how local bodies are performing, and better mechanisms for local people to challenge existing standards and forms of service delivery.

As part of a new performance framework – shifting to a greater focus on outcomes and more local accountability about how such outcomes are secured – the Government will need a more tailored dialogue with individual places about priorities and performance. Local Area Agreements (LAAs) may provide a new focus for this dialogue.

The intention to pilot Local Area Agreements was announced in the 2004 Spending Review. LAAs could provide a common framework for channelling additional funding to local authorities and bring together local partners to achieve better outcomes agreed with Government. Further details of LAAs, and proposals for piloting them, are being published in conjunction with this document.

All of this implies a greater alignment in Government's overall approach to performance monitoring across both services and corporate interests, as well as greater coherence in the way those relationships are managed. Enhanced capacity in Government Offices, utilising practitioner expertise along with others, is likely to be key to this future.

The characteristics of an effective performance framework

An effective performance framework must:

- drive continuous improvement in the delivery of cost-effective, efficient services that meet users' needs and expectations;

- support greater accountability to local people and across local partners for performance;

- secure the effective delivery of national interests and priorities;

- encompass the contribution of partnership working to delivering local outcomes.

This in turn requires the following elements:

- robust internal performance management systems and a culture of challenge within local authorities;

- stronger challenges to current performance levels, including effective ways to deal with persistent underperformance. A reduced reliance on pressure from central Government through targets, inspections, and other levers, must be balanced by greater internal and external challenge. This should include challenge from within the organisation and challenges from local people, either as users, potential users or as taxpayers. For many services, a viable market of alternative providers should also provide a challenge to the current model of provision, so offering a genuine alternative and driving up standards;

- an effective forum for dialogue between central government and its local partners. Within a more devolved structure, central Government will continue to have a legitimate interest in the delivery of national priorities. This may be expressed through a narrower set of national targets and minimum standards. Beyond these, a genuine dialogue between local partners and central Government should consider what the local partners have agreed as local priorities and set as challenging targets;

- a model for setting out clearly the responsibilities of all the partners in delivering the agreed priorities, with mechanisms to hold them jointly accountable for delivery and to provide the resources necessary, alongside rewards and incentives for success and, where necessary, effective sanctions in case of failure. Local Public Service Agreements have evolved into an effective model for bringing local delivery partners together in a dialogue with central Government. Local Area Agreements could build on these;

- useful and timely performance information. This should include information that is useful to the delivery organisation, to users and taxpayers, to Government and to inspectorates, regulators and auditors.

Applying the principles of reform to different service areas

Applying the principles of public service reform and devolved decision making to local government and local services throws up significant challenges for central Government. These include: how to reduce input levers and controls; how to agree and share priorities and outcomes; and how to establish a delivery dialogue on priorities and performance that replaces levers which give the illusion of control.

The way the principles of reform and the performance framework are applied will vary from service to service. A uniform approach will not be appropriate to all. The work in developing this strategy must therefore be rooted in an understanding of the different services and of the outcomes each is intended to deliver. And work to develop the overarching framework must be taken forward alongside work in each of these major service areas.

An acceptance of greater local diversity in outcomes by central Government must follow from evidence that it is also acceptable to local people. At present there is evidence that, for some services, people are not willing to accept variations from place to place, often referred to as the 'postcode lottery'. However, in other services, particularly those related to liveability issues, local people see merit in being able to set local priorities and standards. In all services, it will be important to ensure that minimum standards are secured and that variations result from local choices, not poor performance.

Education and other children's services provide an example of an area of high national priority where Government has recently set out a radically reshaped role for both local and central government. The Government's Five Year Strategy for Children and Learners challenges both to move towards a new enabling and empowering role.

Children's Trusts, first set out in the Green Paper, *'Every Child Matters'*, will bring together social care, education and health in a way that is focussed around the needs of children, young people and families. Local authorities will, as a key partner in the Trusts, need to develop new ways of working with others to integrate services and provide the best deal for children, helping to bring together all those who can contribute to this outcome.

For education this means, as set out in the Five Year Strategy a future role for local authorities as champions of the interests of parents and pupils, providing leadership and vision, linking the educational strategy to the overall vision for the area, as well as retaining a key strategic role in co-ordinating many activities.

Other services will require different approaches, but in all the key services which matter to local people, whether or not the local authority is the direct provider, there will be a strategic and community leadership role for the council, bringing partners together to ensure the needs of the whole community are met.

User focus and user empowerment

Services should be designed, delivered and joined up around the needs and preferences of users, wherever possible with the users involved in the key stages of design, development and review. In many areas, users are demanding more personalised services, including choices about the services provided and the ways they can be accessed.

More opportunities for tailoring services to meet the needs and expectations of users should be developed, including options about the services that are provided, how they are accessed and delivered, and who provides them. This will also need to address the impact that offering more choice and personalised services may have on equity and efficiency.

The empowerment of users to challenge performance is a potentially powerful driver for improvements in services. It can be a positive force in shaping services around the needs and preferences of users. It means developing mechanisms for users and local people effectively to challenge councils when things go wrong in individual cases and collectively in the face of persistent poor performance. This might include the right to demand an alternative model of provision when a service is not meeting expectations.

A greater say for users may require a framework for neighbourhood level activity that enables local people to become involved and which channels their influence. This does not necessarily mean a uniformity of approach – the diverse natures of local communities suggests that a variety of neighbourhood models might be needed to fit different local circumstances.

Doing business better

Councils must get value for money for local people, providing good quality and affordable services. The potential for greater efficiency and savings across the public sector has been highlighted in studies related to the 2004 Spending Review. These confirm that local government accounts for a very significant part of public spending and has opportunities to make a big contribution to increased public sector efficiency, particularly in areas such as procurement and back office integration. However, these are not new ideas. Some councils have adopted innovative partnering arrangements with the private sector to develop the concept of services available round the clock to local people and to expand choice about how they access those services. Others have adopted joint solutions with other councils in a bid to achieve greater efficiency and economies of scale.

We need to consider why these solutions have not been taken up more extensively across local government to date. As well as incentives within the performance framework, this may mean new approaches which will speed up transfer of best practice and standardised solutions where appropriate.

The development of a contestable and competitive supply base can provide opportunities for greater innovation, efficiencies and higher quality services. Councils should play an active part in the development of the supply base, attracting new service providers
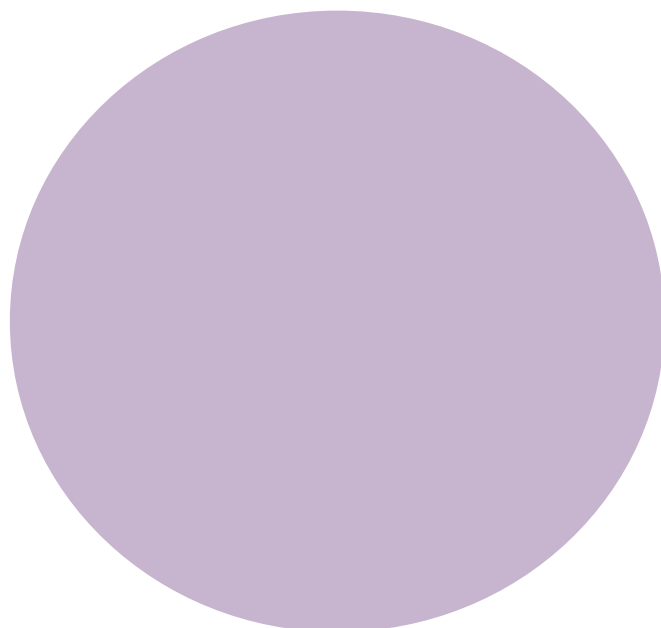
including public service providers such as councils with excellent service teams who could provide those services to others. Securing the benefits of this wider and more efficient supply base will depend on councils adopting progressive procurement and commissioning strategies, recognising the strong link between good procurement and performance improvement.

The strategy must demonstrate how we can continue to invest in new technology in ways that secure significant pay-back in streamlined back office functions alongside improvements for the public in terms of access, quality and coverage.

Improvements are also critically dependent on councils having access to the right people with the right skills at all levels. Local government must become more attractive to good people from a wider range of backgrounds, becoming a first choice employer.

Our vision is: improvements in local services which secure national standards where set and which meet the needs and preferences of local people.

This requires: a new relationship between local and national government based on dialogue, strong performance management within all local authorities, clarity about where national standards and local differences are appropriate, and effective use of the range of providers and technology available.

Section 5 – A new settlement between central, regional and local government

At the heart of a more effective framework for delivering local services and improving local government must be a more coherent and stable relationship between central, regional and local government. A new settlement should build on the Government's principles of public service reform, underpinned by a strong performance management framework and clarity about responsibilities and accountabilities at each level of delivery.

The Government has set out the key principles of public service reform – national standards, devolution, flexibility and choice. In the context of the 2004 Spending Review, the Devolving Decision Making Review, the Efficiency Review and the Lyons Review have all put forward ideas for improving the delivery and management of public services which share many of the same characteristics. These provide a basis for developing a new approach to local government, with clearer lines of accountability and a greater capacity for local people to influence delivery and hold those responsible to account.

Accountability and responsibility

There is a high level of complexity in the delivery chains of even relatively simple single services, with large numbers of bodies involved in accountability (for funding and for performance) and in delivery. Funding patterns are also complex, with many services reliant on a number of different funding streams and with no obvious consistency or rationale for different approaches.

There is also strong evidence of a general lack of understanding by local people of who is responsible for what at a local level, or where the money comes from. Clearer lines of accountability are necessary, both horizontally between local bodies and vertically to regional and national bodies, if citizens are to influence and hold to account those responsible for delivery of their local services.

A more coherent approach across central Government

Better joining up across central Government is needed to ensure that a coherent message is given to local government and that actions by one part of Government complement and support the overall aims for local delivery. At present there is a risk that fragmentary and contrasting (and even occasionally contradictory) approaches can hinder improvement.

A more coherent approach does not mean uniformity. Different services will require different approaches. It also does not mean simply removing some of the levers available to different Departments. If a new approach is to work, and to secure the vital support of all those with an interest in the services, it must start by identifying better ways to secure the outcomes that local and central government want to see, building a genuine working partnership that delivers results.

Patterns of service delivery and organisational structures

The organisational structure for the delivery of many local functions and services has the appearance of historical accident rather than design. Attention has recently been paid to areas such as regulatory functions, to determine whether the current pattern is conducive to effective and efficient delivery.

Where an Elected Regional Assembly is established this will be accompanied by a move to single tier unitary local government, so that there are not three tiers of local government in any area. This will provide further evidence of the efficiency and effectiveness of different types and sizes of councils in delivering particular services.

Some have argued that stronger, larger unitary councils might offer advantages in all regions, such as:

- the political and corporate capacity to secure more effective services;

- the clout to reach across local areas, especially in key services, and to plan services across a wider area with a range of partners;

- the size and range of opportunities to attract higher quality political and managerial leaders.

There are increasing signs of interest in unitary government. However the Government has no plan to replace two tier local government in areas where an Elected Regional Assembly is not being established.

Coterminosity is also emerging as an important issue. Public bodies from traditionally separate services are now seeking to work closer together to deliver outcomes in areas such as health or community safety. Where the borders for different organisations do not match, this can be an obstacle to effective joint working.

In all cases, form should follow function, but there is a need for a debate to ensure that local authorities, as well as other governance structures, are fit for the 21st century.
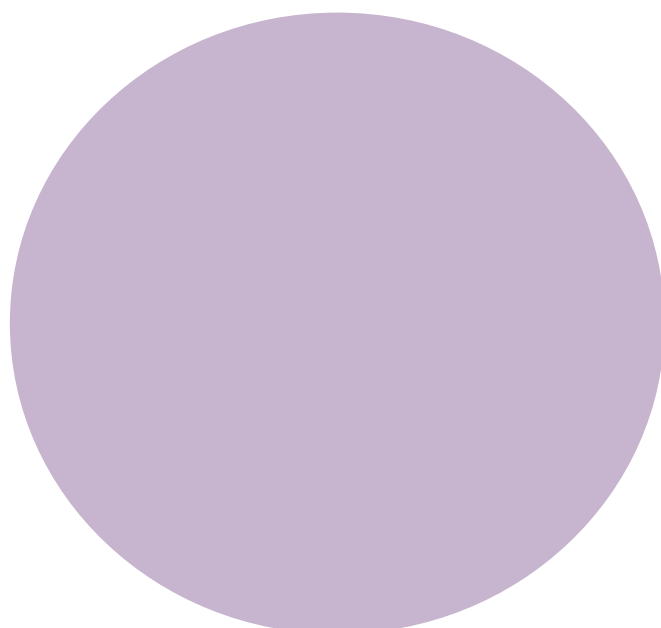
Local government finance

The local government finance system must provide a sustainable platform for the roles and responsibilities we see for local government in the years ahead, fit for the purpose.

First, local authorities must be able to plan ahead. A concern frequently expressed by local government has been the difficulty of planning ahead effectively when central Government funding to local authorities is determined on an annual basis. In the 2004 Spending review, the Government announced that it will introduce three-year revenue and capital settlements for local authorities following a full consultation. This will improve certainty and planning for councils and support them in realising efficiency savings, improving financial management and reducing the volatility of council tax increases.

We will also now build on the findings of the Balance of Funding Review in our work to secure a fair and sustainable system for the future funding of local government. We are already committed to revaluing council tax and to finding further ways of reforming it and making it fairer. The independent inquiry into local government funding which has been announced will also look in detail at the options for increasing the flexibility of local authorities to raise additional revenue and for making a significant shift in the balance of funding. The inquiry has been tasked with taking full account of the views of stakeholders in this new stage of detailed work.

Our vision is: local, regional and national government working effectively together to deliver better outcomes for local people.

This requires: clearer lines of accountability and responsibility, a more coherent and joined up approach across central Government, and a finance system which supports this.

Section 6 – Next steps

This document sets out some key components that can underpin a vision of strong, self confident local government, trusted to secure better outcomes across all local services and for all members of the community, and supported by a new settlement between central, regional and local government.

This vision will only be achievable if it is shared – between partners in Whitehall, in local government and elsewhere. That is why we need an open and inclusive debate.

This document is not a consultation paper, and we are not seeking formal responses to the issues raised. But it is intended to help frame the debate. We are not starting from scratch. There are already conversations underway on different elements of the vision, and these will continue and develop. But we also need to keep in sight the longer term future of local government as a whole – and the implications that has for the work we do now.

Over the coming months we intend to engage with a wide range of stakeholders as part of this debate. We will be hosting and participating in a range of meetings and seminars across England. We intend to use the issues raised to shape further discussions, activities and documents on more specific issues as the debate progresses.

We are also keen to ground the vision in the day to day experiences and challenges of working in local government. To that end, we intend to invite individual authorities to work with us to develop innovative ideas about the impact of implementing different elements of the vision in a co-ordinated way on the ground – tailored to the individual circumstances and ideas of different councils.

Our intention is to bring the issues back together by publishing a fully developed strategy for local government, possibly in the form of a White Paper, next year. This will not mark the end of the process. Strategies do not deliver themselves, and a new vision will pose ongoing challenges for both central and local government. But the energy, commitment and spirit of partnership generated through debate should provide an effective platform for successful delivery in the years ahead.
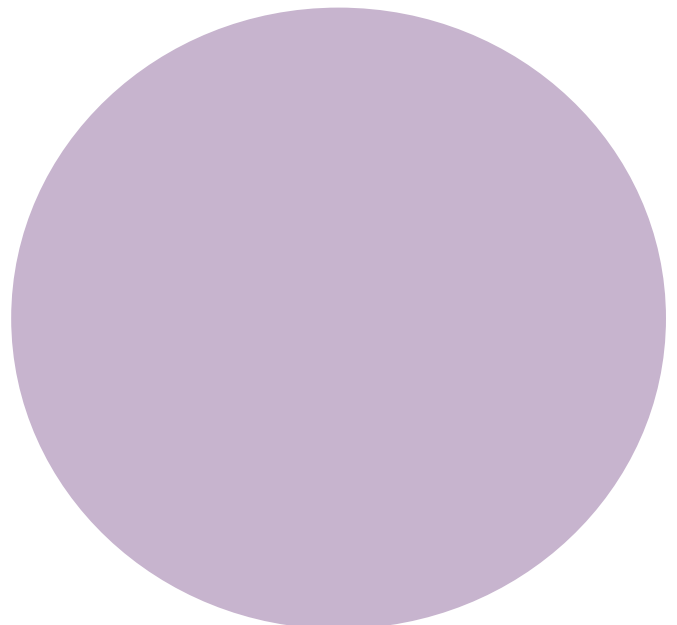
If you wish to contribute to the debate, or to find out more about our work on the future of local government, and the debates, seminars and meetings taking place in your area, please contact:

Website: www.odpm.gov.uk/localvision

Email: localvision@odpm.gsi.gov.uk

Local Government Strategy Unit, 5/C5 Eland House, Bressenden Place, London SW1E 5DU.

A short leaflet is available which summarises the key aspects of our approach. The leaflet and this document can be downloaded from our website, and further copies, including alternative formats, are available on request from [DoC to advise]

If you wish to find out more about our work on the future of local government and the debates, seminars and meetings taking place in your area, please contact:

Website: **www.odpm.gov.uk/localvision**

Email: **localvision@odpm.gsi.gov.uk**

Local Government Strategy Unit, 5/C5 Eland House, Bressenden Place, London SW1E 5DU.

A short leaflet is available which summarises the key aspects of our approach. The leaflet and this document can be downloaded from our website, and further copies, including alternative formats, are available on request.