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Future Council the role of the local authority in a changing public service landscape



Essex County Council

The Policy and Strategy function within Essex County Council exists to analyse and advise, helping key decision makers in Essex and beyond understand the challenges that face our organisation and our communities and to evaluate possible solutions.

We bring an outward-looking, realistic perspective to our work – one that is well informed by analysis and research.

About the Authors

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Essex County Council provides services for 1.4 million people. With a budget of £2 billion it is one of the largest local authorities in the UK. We want to be a vibrant place where every individual and community has the opportunity to grow and reach their potential and play a part in our county's success. We call this vision **EssexWorks**, in acknowledgement of the work ethic, entrepreneurialism and pragmatism of the people of Essex, and in recognition of the fact that our residents enjoy living here and are proud of the county.

Foreword by Cllr Peter Martin

The old realities of public service are changing before our eyes. The new reality of deficit reduction means that much of the public sector, and local government especially, needs to look beyond the salami-slicing of budgets to balance their books. That a wide range of societal problems have proven remarkably resistant to interventions from public agencies also suggests the time is ripe to reconsider how we address seemingly intractable social challenges. For many there is a very real feeling that we are navigating uncharted waters.

The decisions being taken now are not easy. They do, though, act as a prompt to reconsider issues from first principles. Why should a local council do what it does? What is local government's core purpose? How should a local authority fit into the wider public sector picture? **Future Council** seeks to explain why local government is where it is, how councils can flourish in a new operating environment, and what town halls and Whitehall need to change if both are serious about serving citizens in a more effective way.

Few would argue that the local government sector in 2012 has entered into an age of austerity. To accept the situation and do nothing, however, is to look on as local government runs the risk of atrophying. For those who care about local government and believe in its unique capacity to represent the interests of local residents, this cannot be an option.

Future Council looks to promote discussion about the changing role of the council both as a democratic body and as a service provider. The ensuing debate should be of interest not only to students of public policy but also to those decision makers, both politicians and officers, whose primary concern is ensuring that the communities they serve can achieve their potential and flourish.



A handwritten signature in black ink that reads "Peter Martin". The signature is written in a cursive, flowing style.

Councillor Peter Martin
Leader Essex County Council

Summary

Future Council sets out to reconsider the council in the context of a changing public sector landscape. Highlighting examples of innovation, this pamphlet argues that local authorities in the twenty-first century could do well to consider dispensing with their traditional operating model and, instead, find new ways to meet their communities' needs.

Future Council begins with an account of how current trends, pressures and reforms will reshape our understanding of the role of the local authority. It argues that, as pressures increase and resources diminish, local authorities will need to ask themselves a common set of questions about their core purpose, their operating model, their relationships with communities and customers, and their appetite for economic growth and financial risk. To fail to engage with these issues is to risk being left behind.

Local circumstances will mean that local authorities' answers to these fundamental questions will vary. Whilst there is no uniform approach that will guarantee success, **Future Council** articulates a set of common characteristics that tomorrow's councils could, and arguably should, look to exemplify and, drawing on real-life examples, presents a picture of how leading-edge councils might operate five to ten years hence.

Appreciating the direction of travel that will move an archetypal local authority of today toward a council of 2020 may well be helpful but it would be naive to assume that this journey would not be without its challenges. The complex interrelationships that exist among local authorities, the wider public sector, and citizens and customers will come under strain as a new type of

public service emerges. In Part Three, we identify some of the key challenges associated with this type of transformation and outline how government at all levels might seek to overcome barriers through developments in national policy and local practice.

Introduction

On 20th October 2010, in response to an alarming deficit in the public finances, the Chancellor of the Exchequer announced the tightest squeeze on public spending since the end of World War II. The Coalition Government's Comprehensive Spending Review sought to restore discipline to the public finances and, in doing so, made cuts to departmental budgets averaging 11% to 2014-15. Substantially larger cuts will be borne by local authorities (c.27% of centrally funded spending to 2014-15)¹. The 2011 Autumn Statement heralded significant additional spending cuts through to 2017.

Although necessary, these cuts have brought debate about the future role of local authorities into the mainstream. For many local government leaders, they have thrown a spotlight on the need to reduce costs, manage down staff numbers and pare back service provision. For others, these cuts signal the start of a generation of public sector austerity – the first step in a chain of events that will squeeze service funding and increase service pressures. But, for a third group, these cuts are merely the latest chapter in their ongoing work to transform local services to provide a sustainable, locally determined offer that meets the needs of today's citizens.

For this group, the long-term challenges facing local services predate the 2011 Autumn Statement, the 2010 Spending Review, the recession of 2008-09 and the financial crisis of 2007-08. They have their root in the UK's changing demography; in changing attitudes to community; in the growth of new technologies and new forms of media; and in the tensions between each individual's role as taxpayer, citizen and consumer of public services.

Whether as a response to funding cuts or wider trends, traditional local authority operating models are now giving way to commissioning-led practices. Many local authorities already recognise that while they have a responsibility to ensure that services are provided, they need not necessarily provide these directly. And yet, as councils move to commission more services, there is a risk that, without a clear strategic vision, piecemeal decision-making could limit the scope for truly transformational change.

This paper, therefore, aims to stimulate debate on what councils could, and should, look like in five to ten years time. We hope that, from this debate, all levels of government can reach a consensus on how local authorities might address the common challenges they face and how national decision-makers can best support local developments.

Part One Drivers of change

In recent years, local authorities have become the most efficient part of the public sector, consistently delivering against challenging savings targets, when government departments have failed, and keeping council tax increases low. With local government providing around 800 vital services to households and businesses, at a cost of around £120 billion a year, the sector's role in sustaining economic recovery and providing public services is vital.

Even before CSR 2010, the Local Government Association identified an annual gap between demand and funding for local authority services of some £16.5 to £20 billion. Since CSR 2010, local authorities have been absorbing some of the biggest cuts in the public sector (c. 27% cuts in central grants to 2014-15). Council Leaders and Chief Executives have been making tough choices about which services they can keep running and how to minimise the impact that cuts can have on vulnerable service users and local communities.

Local authorities face a raft of non-financial challenges too. Changes in society, attitudes, behaviours and customer expectations risk creating divergence between the services local authorities provide and those that citizens, communities and taxpayers want to see. This paper identifies five imperatives placing pressure on, and driving change within, traditionally configured local authority services. These five imperatives are:

demographic shifts: people are living longer and, although a significant proportion of older people fund their own care, the system is coming under severe strain.² There is significant evidence of unmet need - the Dilnot commission recognised that over the last four years, as a result of this demographic

change, demand for adult care outstripped expenditure by almost 10%.³ Local authorities have been forced to target services in response to demographic pressures and by 2010-11, four in every five councils could provide means-tested support only to those assessed as having 'substantial' or 'critical' needs.⁴ Sustained demographic shifts are likely to further increase pressure on the care system. Without reform, the cost of the social care system is expected to increase from 1.2% of GDP (2009-10) to 1.7% (2029-30) – substantially faster than any other area of age-related public spending.⁵

Demographic changes are also placing increased pressure on services for those with profound disabilities (and learning disabilities in particular). As advances in medical science and care support those with ever more profound needs to live longer into adulthood, the pressure on support services increases. In 2010-11 the financial pressure associated with providing support to adults with learning disabilities was estimated at £179 million – only £1 million less than the equivalent pressure for older people's care. Only 41% of councils could afford to fully fund services to meet these increasing demands.⁶

changing public expectations: Polling data suggests that the majority of UK citizens see 'fairness' (common service standards) as paramount in the delivery of high-quality public services, but that this does not preclude greater help being available to address greater needs or local control of services. The research evidence also confirms that expectations of public service standards mirror those features typically attributed to private sector services: delivery, timeliness, information, professionalism and staff attitude.

Local control over services and personalisation and choice are seen as key priorities too, although potential tensions between fairness of provision, and both local control and choice remain unresolved. Finally, accountability is seen as important in principle, whether ensuring that outcomes reflect public priorities or that public services deal effectively with situations where things have gone wrong.⁷

demands for personalisation and choice: the democratisation of information means that local authorities are serving an increasingly informed and assertive public, making independent choices about the options available to them. The increasing diversity and personalisation of service demands make it difficult for providers of public services to broker consensus on how collective interventions should be prioritised, designed and delivered. Citizens and communities demand service standards and levels of flexibility that mirror the best that the market can offer.

Effective reforms to local services will need to recognise the different needs, preferences and aspirations held by different individuals and different communities, and allow these to be satisfied in a more specific, tailored and efficient way. A failure to deliver on this could see a decline in willingness to pay for public services through collective taxation and an increase in the belief that public services (however delivered) are inherently inferior to market solutions.

changing patterns of identity: there are two key shifts in identity that have implications for local authorities and providers of public services more widely. First, individuals and households are more geographically mobile - many people will live in one area, commute to another and spend their leisure time in a range of other locations. This, together with the continued expansion of communications technology has created new communities of interest and association that cut across the administrative units which frame the delivery of local authority services. Secondly, evidence from both local and national surveys shows that, despite the rise in mobility and in communities of interest, people associate more closely with their immediate locality – with their village, neighbourhood or town – than with regional or national identities.⁸

These shifts in identity have significant implications for those who preside over local services, particularly in times of limited resources. People are more willing to give their time and resources to support public services and community activity when these support their interests and/or are delivered and determined at the hyper-local level. Although this may provide a route to augment some services with support from both elective and affective communities, it will be difficult to motivate significant community action without relinquishing control over the means of service delivery. To unlock the ‘hidden wealth’ of communities, councils may need to consider how to devolve influence and service autonomy to the hyper-local community of place, or to non-geographical communities of interest.

new technology: The explosion of information and communications technologies have enabled people to work, learn, shop and socialise in ways which would have been unimaginable just twenty years ago. Today's social networks, for example, connect otherwise remote communities and organisations and new business models have enabled the increasing specialisation and personalisation of services, with online enterprises catering for specific niche demands and tastes.

To those who oversee local authority services, new technology offers the prospect of significantly increased productivity, including the delivery of services in an increasingly efficient, cost-effective and user-friendly way. But these new technologies also present the challenge of equality of access and usage. Intuitive technologies (e.g. touch screen computers), time, and the impact of existing learning programmes should reduce differential access to technology on the basis of skills and literacy, but the costs of technology are likely to remain high and some communities (such as those in rural areas) may find their access limited by the slow development of supporting infrastructure. Without sustained action, reliance on new technologies for the delivery of public services could be a force for digital exclusion.

Some argue that to address these imperatives properly, local authorities must have access to additional resources. They suggest that it is only by securing additional investment that councils could continue to deliver essential services whilst making the necessary changes to their systems and processes.

But additional resources alone cannot deliver a sustainable long-term solution. However welcome these may be, they will halt neither changes in society or developments in technology. To respond to wave upon wave of change by spending more and more is financially irresponsible and will serve only to build instability into the future of local government from the outset.

We know that additional resources will not be forthcoming. Government reforms to the local government finance system (such as the localisation of business rate revenues) will mean that local government spending remains within levels set out in CSR 2010 and in future spending reviews. Even in areas where councils do succeed in stimulating local business growth, they risk seeing local gains 'taxed' and redistributed to less entrepreneurial areas of the country. Legislation allowing Parliament to set thresholds determining 'excessive' council tax increases and subjecting such proposals to a local referendum will further limit councils' ability to raise revenue.

In any case, to argue that the progress within local government is dependent upon additional investment is to make the tacit assumption that the traditional local authority operating model is the only game in town. It is to assume that, in times of plenty, additional resources should augment existing provision and that in times of austerity managers should focus on salami-sliced cuts to service budgets rather than seeking out innovative solutions.

These assumptions must be consigned to history. However useful additional investment may be it is innovation that is required first and foremost. If local authorities are to rise to the challenge laid

down by continued societal change, they must dispense with their traditional operating model and find a new way to meet the needs of their communities.

The traditional local authority operating model

The most significant obstacles to addressing these future challenges arise because the traditional local authority operating model is:

1. narrowly focused on rationing services to meet demand;
2. concerned with a narrow set of social consequences rather than the wider causes and impacts of social failure; and
3. constructed on the basis of services rather than local needs.

The fact that the prevailing operating model is focused on rationing service provision is perhaps best illustrated by example. As things stand, when an individual requires a particular service - perhaps a care package - they can contact their council and have their needs assessed by a trained professional. Whether they receive a service or not will depend on whether their needs exceed the threshold below which support is not provided. Any service they do receive will be more-or-less standardised and based on their level of need.

A similar rationing activity can be seen amongst universal or community-wide services such as libraries or waste collection/disposal. The resources available to support provision are wholly independent of the value ascribed to these services by the community. When resources reduce, the local authority response

is often to **a)** cut costs or replace lost resources (e.g. by squeezing suppliers or generating income); **b)** reduce provision at the margins (e.g. scale back opening hours or reduce staffing); and finally **c)** reduce service levels (withdrawing services altogether).

That traditionally configured local services focus on a narrow set of social consequences rather than on the wider causes and impacts of social failure is laid bare by local authority spending patterns. Local authorities in England will spend £2.9 billion on waste collection and disposal in 2011-12 - the amount spent on waste minimisation will be less than 1% of this total.⁹ LGA estimates suggest that investing in prevention and early intervention could reduce the number of children looked after (some 60,000) generating savings of between £24 million and £30 million and radically improving outcomes for vulnerable children.¹⁰ Across Leicestershire, local authorities and their partners spend some £89.3 million dealing with the consequences of alcohol misuse annually, compared to just £4.9 million to prevent misuse.¹¹

This pattern is not unique to local authority services, it is part and parcel of a public service landscape where agencies have divided accountabilities and divergent incentives. The costs and benefits of public service interventions do not always accrue to the same set of decision makers – some bearing short-term costs while others enjoy longer-term benefits. One of the clearest examples of this is in the labour market, where local authorities' investment in schooling and effective youth provision can reduce NEET levels, improve skills and substantially reduce the financial costs borne by Jobcentre Plus (and, by extension, the taxpayer) for out-of-work benefits.

The final challenge to the delivery of twenty-first century services will be ensuring that local authority operating models can be structured around the needs of local communities whilst continuing to draw upon the deep technical and professional expertise that exists within local authorities. While the generalist civil servant may hold sway in Whitehall, the strength of local government services is grounded in the expertise held by specialists and professionals.

If distinct, professional hierarchies are rigid and inflexible, public service providers will find it difficult to promote individual choice and personalised services. As society changes, local authority structures and local authority professionals will need to continue to adapt, refocusing their activity on the customer and promoting individual choice. Now, more than ever, local authority services must reflect the needs of citizens, customers and communities.

Coalition government policy

Even without the need for change expressed in our five imperatives, coalition government policy looks set to herald changes to the traditional council operating model.

The coalition aims to:

‘create an open framework within which people have the power to make the choices that are best for them, and where all good, innovative ideas for improving the quality of services are welcomed and encouraged’

arguing that such reforms are the

‘only way we can deliver improved, modern public services in a time of fiscal consolidation and growing demand’.

The coalition’s plans place personalisation, localism and commissioning at the heart of public service reform.¹² For individual services such as adult care, education, skills training, health and social housing, it is proposed that power is transferred to those who use these services. This would see funding for these services following the user, with the corollary that a wider market of providers will have an active incentive to reduce waste, save money and provide services that respond to the needs and expectations of eligible clients.

For neighbourhood services such as leisure and recreation facilities, local public realm maintenance and community safety, it is proposed that services be provided at the local level with decisions taken by elected councils at the level of the parish, town or neighbourhood.

Finally, for local and national services that cannot be devolved to individuals or communities, (e.g. tax collection, prisons, emergency healthcare or welfare to work) public service providers should open up and decentralise commissioning wherever this is appropriate. Wherever services are amenable to commissioning, the default position will be one in which public bodies commission the service from a range of diverse providers rather than providing this directly.

It is proposed that this commissioning activity be sector-neutral, focusing on the quality of provision rather than on whether it is provided by the public sector, the voluntary and community sector, or the private sector.

Part Two

The role of the future council

Recognising the need to respond to our five imperatives, many local authorities are already moving to commission rather than directly deliver services. Acknowledging that they have a responsibility to ensure local services are provided, but that they need not provide these directly, many local authorities are working towards a slimmer strategic core, with services delivered at arms length through a wide variety of delivery bodies. This has not gone unnoticed; the *Open Public Services White Paper* recognises that *‘open commissioning is much better established in local authorities than it is in central government.’*

Nevertheless, there is a risk that, without a clear strategic vision, piecemeal commissioning decisions could limit the scope for truly transformational change. There is a risk that the traditional local authority model is retained, albeit with front line staff working for outsourced providers or joint ventures rather than the council itself. There is a risk that planners will commission planning services from third party providers, that, quite separately, social workers will commission social work services from external agencies and elsewhere engineers will enter contracts with independent infrastructure specialists. Those at the front-line may not be employed by the council, but the emphasis on rationing (rather than transforming) services, on structures that limit effective prevention, personalisation and choice could remain.

At the same time, reliance on independent contractors may increase the distance between decision makers and service outcomes. Councils may look to develop a role guiding service users through third party provision, but this will require a strong

brand and high levels of public trust. With few directly employed front-line staff, there is no guarantee that commissioning councils can maintain the profile required.

These risks do not present insurmountable barriers. But if local authorities are to respond to our five imperatives, work with the grain of the coalition’s reforms and make commissioning work, they will need to address these issues and develop a clear conception of their future operating model. They will need to ask, and answer, some fundamental questions about:

- their core purpose (i.e. do they exist primarily to meet local needs or to ration tax funded services to meet these needs as best they can);
- their operating model;
- their relationships with citizens, taxpayers, customers and communities;
- their brand profile; and, given anticipated reforms to local government finance system
- their appetite for economic growth and financial risk.

For every council that addresses these questions we will see a different future council. This is only right. History, geography and the dynamics of local communities will determine the shape of future councils as much as political ambition and effective change management. But for all the local nuances and subtleties of local expression, future councils will be bound by a common set of principles: a shared financial settlement and legislative environment will see to that.

With these commonalities in mind, it is possible to articulate a set of characteristics that the future councils could, and arguably should, look to exemplify. The five imperatives outlined in part one, together with recent and anticipated changes in the market for public services suggest that all councils will, to a greater or lesser extent, look to be:

- **entrepreneurial** – trading in a wider range of services and channelling surpluses into front-line services; creating a stronger link between service use and service costs by charging citizens; sourcing income from private, commercial and philanthropic sources to fund preventative investments and, following change in the finance system, competing with other councils to develop their local economies and increase business rate revenues.

- **conglomerate** – operating in multiple service markets and performing multiple functions. While councils will, primarily, be commissioners of services many will retain a stake in the delivery vehicles from which they commission services. They may also play a role as regulators, signposting customers towards quality assured service providers.

- **integrationist** – while they will hold conglomerate interests, successful future councils will look to integrate services to reflect the needs and demands of their citizens. The commissioning activity that drives their operations will link across historic service silos and across public service organisations. The development of community budgets and NNDR pooling mechanisms could accelerate the integration of local partners' commissioning structures.

- **devolutionary** – councils will balance their role as strategic commissioners by developing local mechanisms to empower individuals (e.g. through individual budgets) by devolving collective services to communities of interest, and by shaping the incentives that face local communities.

Entrepreneurial councils

Economics teaches us that human demands will always exceed the resources available to satisfy these demands. In times of austerity, this axiom shapes local authority activity, encouraging service managers to ration resources based on need rather than seek out new sources of revenue to fund services. Future councils will need to concern themselves less with rationing a fixed set of centrally determined resources, and more on securing whatever resources they need to meet the needs and demands of their citizens. To do this will require more than creative bid writing, or intensive lobbying for funds. It will require of local authorities what the market has long required of private companies - a spirit of enterprise, an appetite for competition and an acceptance of risk.

Commentators suggest that local authorities will trade in a wider range of services and channel surpluses into the front-line, and that they will charge for a wider range of services, using innovative mechanisms to link service use with service costs. The distinction between charging and trading is blurred, but both are focused squarely on the generation of income – the pursuit of traded income could come to define local authority funding in the way that grants from central government do today.

Analysis of the legislation suggests that local authorities already have a wealth of powers under which local authorities can charge for services and trade – the Local Authorities (Goods and Services) Act 1970 and the Local Government Act 2003 contain key provisions allowing councils to generate income by providing goods and services to public bodies and to engage in risk-based commercial trading in the private sector.¹³ But the introduction of the General Power of Competence through the Localism Act should herald a move towards a culture in which councils have the confidence to pursue commercial ventures to support their service activity. Councils of the future may even look to establish wholly new enterprises in wholly new markets. Some may choose to establish community shops, village pubs, local television channels or newspapers, providing employment, generating revenue to support core services whilst securing improved social outcomes.

We should also expect to see councils secure investment from a wider range of sources. The growth of payment-by-results and the emergence of social investment vehicles to fund upfront costs could see local authorities and other local agencies partnering with commercial and philanthropic investors to fund services and generating returns for those who bear the risk. We might also see local authorities act as investors, financing interventions made by other partners in their locality or by other councils across the UK.

If the shift to payment-by-results in public services continues at its current pace, we might also expect to see councils compete to deliver a range of services previously delivered by central government. Rather than lobbying Ministers with financial

Trading Councils

Despite the difficulties which many councils have had in sustaining library services, for many years Essex County Council library service has been running first class facilities. When reviewing its operating model in 2010, Essex County Council identified the opportunity to trade this service and, when Slough Borough Council sought an external partner to run its libraries, Essex Libraries was ideally placed to win the contract.

The collaboration between Essex and Slough is helping both councils to deliver a library service that maximises resources and improves outcomes for residents. Residents of Slough benefit from an efficient, high quality, library service, while Essex County Council builds its capacity to develop good practice and maintain local facilities, (directly benefiting Essex communities). This traded approach also provides opportunities for economies of scale and greater efficiency, a benefit which will be passed on to all residents. Ultimately, while other library services across the country are being closed, Essex County Council has managed to avoid closing any of its libraries through this innovative approach to securing sustainable traded income.

demands or approaching Whitehall departments seeking sponsorship for local projects, ambitious councils might even agree to bear the risk of delivering savings in Whitehall budgets. Local authorities are the most efficient part of the public sector and could look to generate local revenue by taking on devolved services and delivering efficiencies. Savings might be shared with HM Treasury, but the lion's share of these local revenues would be ploughed into services commissioned for local citizens.

The picture of the entrepreneurial council is completed by the development of Tax Increment Financing and the localisation of business rates. These measures will play a key role in changing local authorities' behaviour. First, local funding for infrastructure projects will depend on the expected financial returns and on the risk of achieving these returns. Local authorities will make investment decisions on the same commercial principles that govern the investment decisions of private enterprises. Secondly, CLG's proposals for localising business rate revenues will see local authorities compete with one another to attract private investors and new business to their areas. It will see them compete to grow their local business bases and secure a greater share of the local government resource envelope to fund services in their area.

Securing new investment

Essex County Council is working with partners in the social finance sector to develop a payment-by-results model, funded by a Social Impact Bond, to prevent vulnerable children and young people entering care and custody.

The Social Impact Bond will raise money from social and commercial investors to fund proven interventions (Multi-Systemic Therapy) allowing vulnerable children to remain with their families and enjoy improved social outcomes.

Investors will bear the financial risk of the interventions and Essex County Council will repay them for successful interventions only. Payments to investors will be based on the number of children who are kept out of care or custody and will be financed from the savings that result in Essex County Council's placements budgets.

Conglomerate councils

Local authorities are, in many ways, already conglomerate organisations. They provide social care services, safeguard vulnerable children and adults, undertake road repairs, lead major infrastructure and regeneration projects and dispose of waste. There is nothing to suggest that this diversity of interest will - or should - diminish over the coming years. Indeed, emerging government policy suggests that there could be scope to devolve additional service responsibilities relating to the natural environment; public transport support; skills; and services for families with multiple problems. This is an important move. Local authorities' ability to shape places depends on their ability to shape the local services mix, making decisions on the design and relative priority of the services in a locality. The wider the range of services over which local authorities have influence, the better they can tailor these to meet the needs of their communities.

Councils are also likely to see continued growth in the diversity of their interests. It would be a mistake to conclude that, as councils look to adopt increasingly commission-led business models, their delivery capacity will diminish entirely. Although future councils may be commissioners, rather than providers, of services, many will retain at least partial ownership of the private companies, social enterprises and employee mutuals that deliver at the front-line.

That councils may retain a stake in externalised delivery vehicles should not be interpreted as a reticence to cede responsibility for the day-to-day delivery of services. It should be seen as good public service and good business. If local authorities are to promote competition between service providers and meaningful

choice for citizens they will have to ensure capacity within the provider market. By retaining shares in local delivery vehicles – whether these are Local Authority Trading Companies, social enterprises or employee mutuals – local authorities can ensure that the provider market has the capacity to meet citizens’ demands without relying on what might be a limited number of established independent providers or waiting for new start-ups to emerge. In this way, local authority involvement provides the capacity necessary to support competition and citizen choice.¹⁴

Retaining interests in providers will also help to shape the character of competition and the balance competing providers strike between cost and service quality. Local authorities can, of course, shape competitive behaviours by developing innovative commissioning agreements, but councils will enjoy greater latitude to shape competitive practices if they have immediate influence over some of the providers that are active within these markets.

Local authority investment and involvement in delivery vehicles can also contribute to the stability and sustainability of local services. If local authorities retain an interest in delivery they may be better placed to deal with the risk of failure of independent providers. If local authorities were entirely reliant on the market then in-sourcing services in the event of supplier failure would be expensive and potentially disruptive to service users. While some costs will be unavoidable, by retaining a direct interest in provider services local authorities will be better placed to respond quickly and effectively to crises brought on by market conditions or investor decisions.

A retained stake in delivery vehicles

Established in 2009, Essex Cares was the first social care local authority trading company in the country. An independent company with a single shareholder (Essex County Council), Essex Cares specializes in supporting vulnerable adults across Essex – whether by installing home adaptations, providing care after a spell in hospital or supporting adults with learning disabilities to improve their job prospects and independence.

Essex County Council and, more importantly, Essex residents are now reaping the benefits of the Essex Cares approach. Within its first year of operation Essex Cares managed to meet its efficiency savings requirements, exceed predicted profit levels, and deliver a dividend return to the Council. Based on this initial success, the company is exploring options for trading in new discretionary services, generating additional revenue (and shareholder value) and responding to new opportunities in a competitive marketplace.

Crucially, the split between Essex County Council commissioners and Essex Cares providers has allowed frontline staff to be brought to the centre of the way Essex Cares operates. It is no coincidence that a more engaged workforce has translated into increased user satisfaction, with 99% of those surveyed satisfied with the service they received.

Despite this retained interest in, and in some cases wholesale ownership of, service providers, it is commissioning that will become councils’ core business.¹⁵ The majority of council services will be scoped to meet identified local needs and delivered through contractual relationships with their service providers, even when those providers are ‘in-house’. The value of this approach lies in this arms-length, contractual relationship and the

opportunities this brings for encouraging competition, transferring financial risk (e.g. by paying providers by results), realising efficiencies (e.g. by grouping contracts) and commissioning outcomes (encouraging front-line experts to innovate to improve the service provided).

Although commissioning will be at the heart of future councils' role, its conglomerate interests extend beyond the commissioner/provider split to include regulatory, advisory and customer access roles. Local authorities may not be providers of public services, but if they are to retain the trust and consent of their citizens and communities, they must play a role in quality assuring services. Whether we will see a rise in local 'kitemark' style accreditation, or armchair auditors scrutinising service providers based on performance data published by local authorities remains to be seen, but councillors will remain accountable – in the eyes of their communities and the courts – for service failures and for weaknesses in local provision.

A gateway to services

Essex County Council is currently undertaking an innovative new programme to work to optimise and improve its approach to customer contact and customer services.

The new model will direct customers through a single customer service contact centre, a single web portal and, for those who need face-to-face support, through an optimised property portfolio.

The new model will reduce contact costs and be flexible enough to extend to third parties, such as district/borough councils, NHS partners and the third sector. Essex County Council's customer service systems therefore have the potential to act as a front door to the totality of local public services.

Quality assurance is, of course, only one part of councils continuing customer service role. With a multiplicity of local service providers and an increasingly complex market to negotiate, citizens and communities – particularly those who are most vulnerable – will need to be supported to make informed choices about the services they receive and from whom. With these needs in mind, leading councils must look to develop their role as a 'gateway' to local services, providing a trusted point of access to all members of the community.

Although the mechanics of any call centre, help-desk or web service could be provided by an independent third party, each council's 'customer access point' must retain the council's trusted brand. It must play a dual role in ensuring the accessibility of services to all citizens and a sign-posting function, helping citizens navigate a potentially confusing public services landscape and referring them to trusted and quality-assured providers.

Integrationist Councils

Although councils will hold conglomerate interests, successful councils will be increasingly integrationist in their back-office, front-office, commissioning and budgeting structures. Much has been written about the scope for local authorities to deliver savings and efficiency gains by sharing back-office savings, and this is not the place to rehearse these well worn arguments.¹⁶ Back office integration has a part to play in the emergence of the future council, but transformational improvements will only be delivered through integration of commissioning activities, public budgets and local authority funding mechanisms.

Whatever the scale of local authorities' ambitions, moves towards increased integration must begin, at least conceptually, with the integration of the council's own services. The shift towards a commissioning model of local government provides the opportunity to enhance collaboration between professional groups whose existence has characterised many local authorities for the past sixty years. An integrationist approach can allow commissioners of adult services, children's social services, environmental services, public transport and others to agree a common set of outcomes and to commission providers to deliver these outcomes. By basing these outcomes on analysis of local needs, local opinion polling and the council's political priorities, the integrationist approach to commissioning can support truly joined-up services that are accountable to local communities.

But while the integration of commissioning processes begins within the local authority, it need not end there. Joint commissioning with local partners provides a cost effective means of joining up services and outcomes across the public sector. The health sector and social care services already enjoy mature joint commissioning arrangements, and this relationship will be strengthened by emerging legislation such as that contained in the Health and Social Care Bill. Closer joint commissioning is likely to become a feature of other previously disconnected service areas such as trading standards (an upper-tier authority activity) and environmental health (a lower-tier activity), skills development (a function shared by local authorities, Jobcentre Plus and central government agencies) and the rehabilitation of offenders (a function shared by prisons, probation, skills providers, Jobcentre Plus, and various local authority departments including mental health, drug and alcohol services and housing services).

Joined up commissioning

As part of its transformation to a commissioning-led organisation, ECC has established a Commissioning Executive Board bringing together key commissioners from across its directorates.

The board is chaired by the Deputy Chief Executive and, by defining a common set of outcomes and exploring new commissioning opportunities as a group, is playing a key role in promoting joint working. The work of the board will help ensure that commissioned services better reflect citizens' needs whilst drawing on the wealth of expertise contained within the council's professional groupings.

Community Budgets in Essex

Essex is participating in the Community Budgets pilot focused on families with multiple problems.

Partners across Essex are pursuing a programme to develop five innovative, locality-led prototypes to help families with multiple problems. When taken to scale, these prototypes will improve outcomes for families currently facing multiple problems, take early action to stop families developing problems and deliver savings in the order of £2.5 million per year.

Local work on community budgets does not stop there. Essex County Council is also exploring the potential to develop thematic and place-based community budgets across a range of services and communities.

Integrated commissioning activity requires a shared set of outcomes and shared ambitions. Beyond this, the next step is the development of a shared bottom line that promotes a joined-up view of the budgets and resources that finance the pursuit of these outcomes and ambitions. The development of Community Budgets is a key step in the move towards better integration

between local partners. The government's pilot programme of sixteen community budgets focussing on support for families with multiple problems is due to be rolled out to fifty localities in 2011-12 and a further sixty in 2012-13.

But the potential of the community budget model is not limited to families with multiple problems. Community budgets have a role to play wherever responsibility for outcomes, or the policy levers that can influence these, is split across different agencies; wherever the effectiveness of one agency's interventions can increase or reduce the costs faced by another; and wherever the separation of service activity across organisations multiplies overhead costs. These are common issues in many services and, if partners work together, the cost of improving public health, cutting crime and rehabilitating offenders, and reducing worklessness can be reduced.

Another step in the integration of local services is the sharing of tax revenue streams. CLG proposals for the reformation of business rates will allow local authorities to enter 'pooling arrangements' which would see them agree the distribution of local revenues and their liability for any levies set by CLG to fund redistribution.

Forward thinking councils will be able to cooperate with partners to maximise economic growth, invest in infrastructure schemes funded by Tax Increment Financing programmes and, ultimately, capture revenues to fund services. Pooling could also provide a mechanism for managing the risks of volatility in business rate revenues. As local authorities look to exploit risks in other areas they will look to minimise uncertainty in others.

Willingness to enter into a pool will require a mature approach to partnerships but, given uncertainty over the growth prospects for the UK economy, we would expect to see a number of forward-thinking councils enter pools over the coming years.

Devolutionary councils

Although councils will increasingly act as commissioners, some will recognise that they cannot be the *only* commissioners of local services.

Where services are consumed by individuals, we should expect councils to encourage the growth of 'micro-commissioning', with councils devolving decision-making power to citizens. In a growing range of public services, citizens will be free to choose their own services and pay for these using personal budgets, vouchers or some combination of public and private funds.

The personalisation of adult social care has started this trend – personal budgets allow vulnerable people and older people control over their care and the freedom to make choices over the services they receive. Current reforms will see the personal budget model extended to families with children who have special educational needs and to those with chronic health conditions, but we could see the approach extended further to support families with complex needs and/or offender rehabilitation.

In areas where citizens do not become budget holders, we should expect to see flows of public money follow individuals' choices. Councils will have a role in reshaping local services to

give citizens meaningful choice over the services they receive. Councils must look for innovative ways to develop provider markets, whether by seed funding new enterprises, building capacity across the range of providers or attracting venture capital.

The change in local services could be just as dramatic where councils retain a stake in service delivery vehicles. These delivery units will need to ensure that they can market their services to an empowered and increasingly discerning marketplace. Services will have to become more customer-focused. It will be by direct appeal to the customer – rather than to Whitehall departments – that delivery units secure their revenues and, ultimately, their commercial survival. Council delivery units will not be guaranteed a monopoly in any market and they will have to develop a more competitive edge if they are to become the provider of choice for a critical mass of newly empowered service users.

Of course, not all commissioning responsibilities can be devolved from councils and their partners to the level of the individual citizen. Those local services such as parks, arts, culture and leisure facilities, which are provided on a collective basis are in many cases already devolved to the neighbourhood level and controlled directly by communities.

Whether under the control of parish councils, groups of residents or committees of divisional members, decisions on local services could be taken by those who have the greatest stake in getting decisions right. The further devolution of services to the neighbourhood level might also see the acceleration of

community budgets, bringing together the money, people and other resources (such as volunteers, tools, and materials) to tackle local issues and improve local quality of life. Ultimately, neighbourhood level budgets could provide for more integrated services, with residents and service providers working together to design and commission services around the community's priorities.

Personalisation

ECC pioneered the personalisation of services in social care with some 13,000 service users and carers now receiving personal budgets.

The authority is taking bold steps to develop the provider market by supporting the growth of private and third sector service providers.

Locality Boards

Bringing together elected councillors from the various tiers of local government, Locality Boards promote closer collaboration between the various tiers of local government with a focus on devolution of powers, joining up delivery and resources and doing things more efficiently.

There is no uniform structure, with different geographies adopting approaches that work well locally. What is common, though, is the desire to engage communities better in decisions that affect them, to exert local influence over commissioning decisions and to ensure value for money public .

Those services that are not devolved to individuals or to communities will be commissioned, but not necessarily delivered, by public sector professionals. In the near future, multidisciplinary teams will tackle the issues planners, social workers, and public health professionals currently grapple with alone. This move will be vital if local authorities are to avoid conflating commissioning with traditional outsourcing. If public services are to become more agile and responsive to citizens' needs, commissioners will need to resist moves to simply transfer delivery to extant private providers. Outcomes will not improve if the weaknesses of public sector bureaucracies are simply replicated within a new corporate monoculture. Rather, local government professionals will need to develop a sound approach to local commissioning, working with other public services to involve communities in the design and development of local services. Although models of co-production and community-led commissioning are at an early stage of development, they offer an opportunity to prioritise local need better and to unlock additional resources in the form of, for example, volunteers' time.¹⁷ By bringing citizens and service users into the service design and commissioning process, councils could maximise opportunities for improving outcomes and reducing dependence on tax funded services.

While the empowerment and involvement of communities will be crucial to the future of public services, if councils are to make real progress in tackling social problems, they will need to influence the behaviours of citizens and the lifestyle choices they make. Without behavioural change at all levels of society, demands for services will become increasingly difficult to manage and resource. Therefore, as well as devolving services, councils

will need to shape the incentives that citizens face, and reward socially responsible behaviours. This may be done through the council tax system or by providing rewards in areas where the actions of individuals or communities reduce local service costs.

There will, of course, be practical issues to address in the design and delivery of any new incentives regime. But if councils have the creativity to address these issues we could see a fundamental shift in the relationship between local services, local citizens and the delivery of outcomes. We could see a new partnership between councils and communities based on long-term community interests and a shared responsibility for improving local quality of life.

Incentivising behaviours

Through the Creative Councils programme, launched by NESTA and the local government group, Essex County Council is pursuing innovative ideas for incentivising individuals and communities to adopt socially responsible behaviours. Keen to move the debate beyond 'pay-as-you-throw' bin taxes and crude systems for charging service users, Essex County Council is eager to explore prospects for rewarding responsible behaviour through the council tax system.

Using existing legislation – and identifying any areas where legislative change would be required – Essex County Council is keen to examine the feasibility of providing rewards, linked to council tax, in areas where individual and collective efforts reduce local service costs. For example, localised increases in recycling rates could reduce costs for waste disposal authorities. Savings could be passed on to individuals or communities in the form of council tax discounts, rebates or grants for local projects.

Part Three

Building the future council

Some local authorities, Essex County Council among them, have already set in train initiatives to move their organisations into this new territory. Clearly, given the situation local government is operating in today, with growing demands and diminishing resources, the challenges associated with this journey are not inconsiderable.

Geographies and local circumstances mean that there will be no single roadmap for reform. But, if today's local authorities are to develop into councils of the future, governments at all levels have a part to play. Ministers have, to their credit, dispensed with overweening guidance and regulation, but this does not mean that councils are at liberty to pursue the full range of opportunities explored above. Proposed reforms to the local authority operating environment could support councils to change, but failure to carry these through could leave local authorities unable to respond to changing needs.

If we are to build the future council, Whitehall officials and other policy-makers at local and national level will need to develop a joint approach to those issues on which the future success of local authorities depends. Key issues include:

- the development of the community budget model;
- the development of payment-by-results mechanisms;
- the development of a future-proof finance system;
- the future form and function of two-tier local government;
- the limits, and challenges, of voluntarism; and
- the role of councillors and a new form of local politics.

Community budgets

Government (and local communities) expect councils to bring together the wider public sector to solve complex social issues. Councils sit at the nexus of local accountability and local knowledge and, as such, have a role to play as prime integrator of public resources. Recent history is testament to this, building on the lessons learned from Total Place, and Place-Based Budgets, local authorities are a keystone in the development of Community Budgets.¹⁸

There is an obvious logic to adopting locally-focused, whole systems approaches to seemingly intractable and costly social problems (and indeed less complex public policy issues). It is this logic that saw the launch of the first Community Budget pilots focused on families with multiple problems and that underpins moves to roll-out this approach to 110 local authority areas over the next two years. By helping to turn around the lives of 120,000 families, local authorities, and their local partners, will take responsibility for what is arguably the most significant social justice challenge facing this country.

But community budgets have the potential to address a wider range of social challenges. A community budget approach could for example, enhance provisions to improve skills and tackle worklessness; better connect social care and social housing or deliver improvements in public health. The corollary between community budgets and joint commissioning should be clear to all – both take a more nuanced, holistic and locally-driven approach to service delivery.

All too often public services – through conflicting incentives and reporting lines - add complexity and cost to what are already complicated and expensive social problems. Community Budgets are a device that can reduce overlap, duplication and conflicting incentives. Even in times of plenty, the workings of public bureaucracies can seem perverse – in an age of austerity, there is a moral imperative to look to ways to deliver services more effectively and efficiently.

The Government has signalled its commitment to the continued development of community budgets. The second phase of the Local Government Resource Review commits to testing new forms of community budgets through a series of pilots. The appetite for community budgets amongst local authorities signals a widespread recognition of the savings and service improvements that these reforms could bring.

And yet, significant barriers remain. The Communities and Local Government Select Committee has observed that for many, innovation can be uncomfortable and unsettling. Key government departments, critical to the success of community budgets, are unwilling to adopt place-based techniques, preferring instead to direct from Whitehall through a network of local offices.¹⁹

If government is to enable rather than constrain the development of the future council and, more importantly, help address the complex challenges facing our communities, this will need to change. The development of community budgets must be supported by Ministers across government and officials across Whitehall. If some departments do not engage with developing community budget pilots or, worse still, if large areas of

public spending are ruled ‘out of scope’ from the beginning, opportunities to tackle some of society’s most difficult social problems could be lost. Much has been made of the government’s desire to remove barriers to local innovation: securing government-wide buy-in to community budgets would remove the greatest barrier of all.

Payment-by-results

The development of new payment-by-results approaches has the potential to reshape radically the role of public service commissioners and the imperatives facing public service providers. Building on the principles of outcomes-based commissioning, payment-by-results approaches involve funding an intervention or service provider on the basis of the outcomes it achieves, rather than on the activities or outputs it delivers. Payment-by-results therefore strengthens the incentives for service providers to develop innovative solutions to complex social problems and, in doing so, creates services that are better tailored to the needs of their users.

While the coalition government has championed payment-by-results approaches, it is clear that there is no single understanding of what this approach means in practice. At what is, arguably, the most ambitious end of the payment-by-results spectrum, those providing services/interventions cover the up-front costs of services and payments are only made in respect of the outcomes achieved. At the other end of the spectrum, commissioners may link only a small proportion of the overall payment they make to providers to these outcomes.

But whatever model of payment-by-results is used, it is important that central government recognises the role that payment-by-results agreements could play in decentralising and devolving services. Payment-by-results contracts should not be the sole preserve of the private or voluntary sector - local authorities should not be overlooked. By drawing on their local knowledge and combining devolved services with those commissioned locally, councils could take on previously national services on a payment-by-results basis. Given councils' track record of delivering efficiency savings this approach could pay dividends for local communities (who would see a better integrated mix of local services) and for the exchequer.

Viewed in this way, payment-by-results arrangements could be developed not just between central and local government, but as a new way of casting relationships between local partners. Payments could, for example, be made by Jobcentre Plus to schools and further education colleges when those young people considered at risk of becoming NEET are supported to finish their courses and enter employment. Any such agreements should, of course, be voluntary, with terms agreed by both local and national partners.

Local authorities must also get to grips with payment-by-results in their role as commissioners. The design, development and negotiation of local payment-by-results arrangements will depend, in large part, on the structure of the provider market. Are there a large number of small providers or a smaller number of large providers? How readily can providers access finance? Do providers have an appetite for risk? How quickly can providers'

services deliver results? The answers to these questions will help determine whether particular services can be commissioned on a payment-by-results basis. Local authorities' commercial awareness and market management capabilities will determine how readily they can find these answers.

They must also develop a deep understanding of the risks and rewards that payment-by-results approaches can bring. The complexity of some agreements (particularly those supported by investments such as Social Impact Bonds), presents a risk to local authority commissioners. Although financial risks may be transferred to providers, local authority commissioners will need to ensure that they have the flexibility they need in their procurement and budgeting processes to engage in payment by results processes, to develop strong relationships with providers and social investors and withstand any external shocks or unanticipated service changes that could affect their ability meet future payment liabilities.

Crucially, local authorities must work with national and local partners to ensure that there is a strategic approach to payment-by-results within their area. At the very least, commissioners will need to define payment-by-results agreements in a way that separates their target client groups from those supported through partners' payment-by-results schemes. Without co-operation across, and at all levels of government, there is a risk that the public purse could pay several times for the same outcome. As custodians of taxpayers' money, Whitehall departments and local authorities must work more closely together on the design, development and roll-out of payment-by-results approaches.

Building future-proof finance

Future-proofing local government finance will require town halls and Whitehall to consider new mechanisms through which they can fund services and investment. This could see councils borrowing on the bond markets, making wider use of Tax Increment Financing, and lobbying for the sorts of local revenue-raising powers that North American and European municipalities enjoy. The overall level of taxation need not change, but a recalibration of the sums levied locally and nationally would be welcome. Whilst there is some welcome movement at the periphery, central government's unwillingness to cede significant control of finances to local councils leaves local authorities reliant on the centre in a way that would appear deeply troubling to North American and European local politicians.

Whilst we are still some way off councils having access to a broad range of financial levers, the moves toward localisation of national non-domestic rates (NNDR or business rates) appears to offer some scope for a degree of local financial autonomy. Changes to the business rates regime is a technical subject that is still under development; yet it seems - for all the focus on incentivising local authorities to promote growth and reducing councils' dependence on central government - the emerging scheme will be one that ensures local authority resources cannot increase beyond limits set centrally.

Even if local councils create the right micro-environment for business growth and if macro-economic conditions are benign (something that can hardly be taken for granted), the benefits

of councils who secure 'disproportionate' growth in their local economies will accrue to HM Treasury. If it is only the disbenefits of growth – congestion, potential environmental degradation, and additional cost – that are localised, the incentive for councils to compete to attract investment and promote the growth of their local business communities could be weakened. Without further reflection at national level – reflection informed by an open dialogue with local authorities – the vision of entrepreneurial future councils, driving growth and reaping the financial benefits of successful investment in skills and infrastructure could be ruled out from the beginning. Councils may choose to kick back against this limited localism, arguing that the balance of risk and reward should better reflect the role that councils can play in pursuing business-friendly policies and securing local (and national) economic growth.

Future-proofing the local government finance system requires action at the local level too. Councils must be prepared to exploit the opportunities, and manage the risks, that new financing mechanisms present without seeking guarantees that Whitehall will underwrite the risks. They must also seek to work more closely together, pooling resources and integrating their funding streams to support shared interests. The financial advantages of, for example, entering into pooled arrangements for NNDR revenues, far outweigh the risks of remaining independent. But it is only where local authorities develop a mature approach to partnership working, one focused on areas of shared interest rather than difference, that we should expect to see pooling arrangements emerge. Areas with a two-tier local government structure could lend themselves to the development of pooling arrangements, but

forward-thinking councils may also look to negotiate pools across areas bound by local enterprise partnerships or other upper-tier groupings.

Within any new financial system, local government leaders must look to reassess the relationship that exists between business and local government. Future councils must nurture stronger relationships with the business community – locally, nationally and internationally – to understand their needs and to help combat the view that spendthrift councils would all-too-readily milk the private sector were it not for the stabilising hand of central government.²⁰ Whether this means a ‘business vote’ or simply enhanced engagement mechanisms, it is vital that councils listen to the private sector and act on its concerns.

Growth will only come as a result of the efforts of the businessmen and women whose hard work underpins our national prosperity. This entrepreneurialism is all the more important given the severe strain on public finances. Councils need to recognise this, nurture local growth, and make the case for retaining more of the benefits locally. It is vital that a reformed system of local government finance creates a strong and direct link between councils’ success in delivering local growth and the resources they have to fund services. Without such a link, reforms can offer little to those councils that have consciously set out to foster an environment in which business can prosper.

Two-tier local government

As councils move to develop operating models based around commissioning and the integration of their operations with partners, the future form and function of two-tier areas could be, for many in local government, the elephant in the room. Wholesale reorganisation is an expensive business that has failed to deliver anticipated savings in the past.²¹ But whilst this may well lead one to argue that the current two-tier framework is best left alone, a concerted effort is needed to demonstrate how two-tier councils can operate in the future, balancing the need to commission efficient and cost effective services, and maintain local influence over these services.

The emergence of local authority commissioning has seen councils reduce costs through smarter procurement, by aggregating contracts and by reducing transactional costs to deliver greater economies of scale. This has, in many cases, resulted in large contracts with the potential to deliver significant financial savings across a range of services. This approach can only take us so far: large unitary or county-level authorities can exploit economies of scale, but economies of scale need to be sought by all local authorities and to be sought beyond the boundaries of organisations.

Shared services and community budgets can provide a means of collaboration, but the reality is that, at the operational level, there is little overlap between tiers – county and district or borough authority functions typically complement rather than duplicate each other. A focus on pursuing shared outcomes

should be welcomed but even with full collaboration, councils will not achieve savings capable of countering the 27% funding reductions set out in last year's Comprehensive Spending Review. Without debate on a new two-tier settlement, the fragmentation of responsibilities across two-tier councils could militate against the efficient commissioning of services and the emergence of innovative new practices.

Any new working relationship between tiers of local government might be based on a move to strategic joint commissioning. This might involve drawing a distinction between those services which would benefit from a centrally managed, strategic commissioning approach and those which are essentially local. Services that can be strategically commissioned would be brought together and commissioned centrally, and at a higher spatial level delivering benefits in service quality and cost. Such services are likely to be those which are delivered to a common set of service standards or through similar mechanisms in all areas, or those which would benefit from a strategic approach to service planning and development.

By strategically commissioning services, lower-tier councils would have an opportunity to strengthen further their democratic credentials. Whilst benefiting from the improved economies of scale that strategic level commissioning can offer, they would be free to refocus their role on engaging communities and developing models of direct democracy to address local quality of life issues. Indeed such a new approach could be progressed in line with the coalition government's desire to draw distinctions between personal, neighbourhood and commissioned services.

This is one approach amongst many – it is intended to stimulate debate on a way forward. But whatever the answer to the two-tier question turns out to be, decision makers cannot overlook the issue. Two-tier local government needs to ensure it retains its relevance to the modern public service landscape.

Voluntarism

As today's local authorities become the councils of the future, they will need to get to grips with the power and potential of voluntary activity. Although voluntarism is only one element of the Coalition Government's Big Society programme, volunteering will be critical if plans to open up public services to a range of non-state actors are to succeed.

As currently articulated, the Big Society wants to see individuals involve themselves in their communities more. This civic engagement need not be limited to looking out for an elderly neighbour or serving as a school governor. A range of Community Rights may bring additional complexity to an authority's operating environment, but if they open up public service provision as the government hopes, and local services are run by entrepreneurial local authority staff or committed communities, the modern local council will find itself just one component of service provision.

Yet this narrative is not without its problems. On the face of it, volunteering is alive and well: over 25% of UK adults volunteer at least once a month. Yet, co-ordination can be required to meld bite-sized acts of volunteering into the provision of a service; volunteers move on to other things as they re-enter

the paid labour market or their interest wanes and voluntarism is not uniformly distributed across the country.²² A challenge for local councils, then, is to develop ways in which to promote volunteering beyond the, not insignificant, core constituency and into the mainstream.

There are limits to voluntarism – for one thing, certain types of volunteering are more popular than others (education continues to be a more popular cause than social welfare, for example). For another, whilst the role of the voluntary sector is growing, there is reluctance among both the public and many professional groups to consider the provision of public services as the responsibility of organisations outside the public sector.²³

Another issue councils need to grapple with is how to persuade the significant number of citizens who feel the government's focus on voluntary action simply serves to mask spending cuts.²⁴ Given the economic climate, it would be unfortunate if this scepticism served to limit voluntarism.

As attractive as the idea of a vibrant civil society is, there remains scant evidence that there are significant untapped voluntarist resources – those who want to contribute already have ample opportunity to do so. For initiatives such as the Big Society to persuade, more work needs to be done to sell the concept and the opportunities to participate to those who would not ordinarily volunteer. For voluntarism to expand there needs to be a compelling narrative, from the heart of central government and from local councils, demonstrating that the benefits of the Big Society are personal and societal, not fiscal.

Having successfully supported neighbourhood engagement and strengthened civil society, the council of the future will be expected to balance this local voluntarism with its democratic role and its duty to promote choice and fair access at a time when provision will become less uniform and more localised. The challenge is not insignificant.

But for all the work that councils and central departments need to do to encourage greater engagement and community-level participation, it would be a mistake to overlook the contribution that citizens and communities can make to tackle social problems through their-day-to-day actions and decisions. Forward thinking councils need to explore intelligent ways of influencing public behaviours to reduce pressure on services and enhance local outcomes. The development of local tax levers might provide one route for doing this, but councils must also think creatively about how they can develop local norms to guide communities' actions and decisions without using financial incentives.

The challenge will be to think of citizens as partners, rather than consumers of services. By reassessing their relationship with citizens in this way, future councils could find the key to improvements in outcomes that have eluded traditional provider-client models of public service

The future Member

Local authorities are political organisations and the Member has a critical role to play as an elected representative. This democratic function cannot be lost without seriously weakening the credibility of the council as an organisation capable of meaningful community leadership. Members' democratic role also provides a focal point for electors to ensure public money is spent wisely.

Governmental policy and a future council's own direction of travel means it is unlikely that the roles and responsibilities of the elected Member will remain static over the coming years. Reliance on independent contractors may increase the distance between councillors and service outcomes. There is a risk that this, together with the coalition government's emphasis on participatory democracy, could diminish councillors' influence in both local services and in their communities. There is a wider risk that commissioning councils, focused on improving customer service, could struggle to retain their role as community leaders. Local authorities may need to look, with support from central government, at how the role of elected Members will develop over time.

We have, of course, been here before. Little more than a decade ago, the Local Government Act 2000 saw a move away from the committee system for all but the smallest local authorities. That said, research suggests that for many councillors in Cabinet positions, the responsibility of a service or departmental portfolio has seen the executive Member become as deeply engaged in the day-to-day responsibilities of that service as the Committee Chairmen.²⁵

What is different this time around is the nature of the change goes beyond a restructuring of the democratic apparatus. With more councils adopting a mixed economy approach to the delivery of services, the idea of a Member being responsible for the day-to-day running of a service does not necessarily sit comfortably with a 'commissioning council' approach. Neither does the 'Member as manager' paradigm readily dovetail into the local voluntarist narrative articulated in the coalition government's *Open Public Services* White Paper.

In the same vein, an enhanced role for the community (however defined) in making decisions about its own local priorities could also lead to a richer patchwork of provision. Whilst local control is cautiously welcomed by the general public, inequity remains a cause for concern and a real antipathy exists toward the 'postcode lottery'.²⁶ Both central and local government need to acknowledge the likely emergence of a varied provision – denigrating variance is a cheap shot, and one that implies local preferences are inferior to centrally-prescribed standards.

In an operating environment where services are commissioned from a range of providers, there is a danger that Members become disengaged and disempowered, as delivery vehicles take decisions about how service delivery is approached and communities determine their own local priorities. There is little evidence that Members are keen to adopt the model articulated by Nicholas Ridley in the 1980s that would see a council meet once a year to award contracts.

If disengagement is a risk at the level of the Executive Member, it is a real danger for back-bench or front-line Members. Since the reforms of the 2000 Act, the role of non-executive Members

has been a focus of sustained debate. But with an increased emphasis on participatory democracy at the local level and in increased distance between councillors and service outcomes, local Members could look to play a role in:

- acting as consumer champions, playing a prominent role in pushing for increased quality and greater choice in services; and
- holding providers of services to account through the process of local overview and scrutiny.

Vital to the development of such a role will be the recognition – already made clear in the *Open Public Services* White Paper – that councillors are the ‘principal representatives of the communities.’

This recognition needs to be embedded across the whole range of local public service agencies and their commissioned providers. Enhancing the role that elected councillors play in the scrutiny of local services would be a key step towards this. Councillors’ powers to scrutinise the NHS are already being enhanced – it is important that these powers are extended further to cover the whole gamut of local, tax funded services.

Councillors may also feel that they are well placed to champion ‘direct democracy’ and shape their local area through greater local freedoms on planning, finance, regulator powers and infrastructure. Given the coalition government’s aspiration to devolve a range of services to the neighbourhood level this could suggest a role for councillors as community entrepreneurs, taking some responsibility for devolved services and spending their time

trying to help communities to get the resources they need to set up social enterprises or encourage residents to work together to tackle local issues.

Self-evidently, decisions about the nature of the councillor role need to be taken by Members themselves but in the council of the future, a role for Members that extends no further than peripheral involvement in the commissioning process does not appear viable.

Central government should be mindful of this as it looks to develop community-based solutions whilst grappling with the issues of equity and fair access; there is a certain irony to an approach that promotes community-based action but overlooks existing elected councillors – long-standing community champions with a democratic mandate. In the world of *Open Public Services*, the Member’s role goes further still both as a community advocate but also as a convenor, enabler, supporter of participative democracy, and scrutineer of other public services. It is important that elected Members consider how these roles can be developed.

Conclusion

The public sector is undergoing a profound realignment. Smaller budgets, a commitment to a localism of sorts and a desire to open up public services have created the conditions where innovation and new ways of working can come to the fore. If coalition policy sticks, the future shape of ‘public services’ will be more nuanced, less uniform and increasingly focused on the needs of the citizen. Yet these changes are not without challenges for local councils.

By way of examples, moves to commissioning will only work if they are supported by a deep understanding of local needs, an ability to shape the market and a capacity to cost risk that is far from commonplace today. In a similar vein, the council as shaper of place will need to be capable of focussing on shared interests rather than difference, and be equally comfortable serving as a junior partner, leading a broad coalition of agencies, or bringing community groups together. Add to this a scrutiny role that will see councils hold other bodies to account and it becomes clearer still that the capacity to adapt, to feel at ease with ambiguity, and to navigate increasingly complex organisational networks – frequently public, private, and community – will be critical if place-based budgets, voluntarism and locally-driven economic growth are to deliver.

Future Council has deliberately eschewed the idea that there is a roadmap to the next generation of local authorities. There are many different routes and to suggest a common path to a shared destination would smack of hubris. Decision makers in individual councils will be best placed to decide how their authority can best adapt to a ‘post-bureaucratic’ age of open public services and financial retrenchment. If they delay there are others – in Whitehall and the local village hall – who will be all too keen to shape the future of public service provision in their locality.

Citizens will be ill-served by delay. Moving from where local government is now to where we want it to be may well be a long journey. But it will start with a single step.

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- 3 *Dilnot Commission, 2011, Fairer Care Funding: the Report of the Commission on Funding of Care and Support, p14. Efforts by Harrow (2007), Birmingham (2011), and the Isle of Wight (2011) to increase eligibility thresholds have been found to be in breach of the Disability Discrimination Act.*
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- 13 *For a more developed review of local authorities current charging and trading powers see Barnes, J. 2011 in Trading Councils: How Local Authorities Can Innovatively use Commercial Powers. Localis; London.*
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