



Office of the
Deputy Prime Minister

Creating sustainable communities

All Our Futures

The challenges for local governance in 2015



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April 2006



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Local Government Information Unit

Office of the Deputy Prime Minister: London

The findings and recommendations in the report are those of the consultant authors and do not necessarily represent the views or proposed policies of the Office of the Deputy Prime Minister.

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Executive summary

- 1 The shape of local governance in 2015 hinges on how the government answers the following question: are the risks it would incur in introducing a genuinely devolved form of governance (in terms of a likely variability in performance of more empowered local agencies) greater than the risk that a less devolved, more uniform approach simply could not respond to diverse needs of local communities in ten years time?
- 2 That question is underpinned by our analysis of what society is likely to be like in 2015 and its implications for local government and local governance. Our conclusion, based on a literature review, trends analysis and the involvement of expert policy makers through a Delphi survey and futures events, is that a distinguishing feature of society in 2015 will be difference and variation.
- 3 Differences between individuals and households: those with high skill levels and those without; those with property-related inherited wealth and those without; those who are fit and healthy and those who are not; those in traditional households and those who are not. And differences between communities: those which are ethnically mixed and those which are not; those with access to employment opportunities which match the new global economy and those without; those which are casualties of environmental pressures and those which are successfully responding to them.
- 4 The outcome of the futures events, which brought together senior policy makers from across Whitehall and local government, was unequivocal in one respect: central government's ability to address and respond to these drivers and pressures relies on a significant shift in the way in which local government and governance are structured, so that specific outcomes, local variations, differences, needs and aspirations can be identified, reflected and met appropriately.
- 5 We have identified ten core functions for local governance in ten year's time. These are the functions we have concluded will be essential to government in the future and which can most effectively be performed at a local level. Our analysis is based on the premise, supported by the conclusions of our futures events, that if the impact of potentially difficult choices is most manifest at a local level, then the decision-making, and the political process which supports it, should be local as well.
- 6 The functions we have identified differ significantly from the current conceptualisation of local government. They are concerned less with direct service delivery and more with regulation, influencing behaviour and supporting communities to respond to difference and care for vulnerable groups and individuals. This does not mean that service delivery will not still be relevant but it means that community leadership is likely to be the single most important feature of local governance. And community leadership within a political context. It also means that the move against silo working and towards joined up government at a local level will become more rather than less important. To abuse a literary reference, no service should be treated as an island unto itself!

- 7 The importance of policies and services being sufficiently flexible and responsive to meet varying local circumstances (in the context of greater difference within and between communities) is clear cut. More complex is the question of where and how decisions about the extent and nature of the variation in services and policies should be taken.
- 8 In this study we used two policy axes or dimensions to explore this issue. One dimension runs from “decentralised” to “devolved” governance; the other runs from “uniform” to “variable” services. By “decentralised” we mean that national policies are administered and delivered locally; whereas by “devolved” we mean that policies themselves are – within some limits – devised as well as delivered locally. By “uniform” we mean that services are delivered according to common national standards and entitlements; and by “variable” we mean that service standards and entitlements can – to some extent – vary from locality to locality according to local choices.
- 9 The interaction between the two sets of variables is crucially important and we designed four strategic options to encapsulate the possible combinations of approach. The four options are:
- Option 1: decentralised/uniform – incremental change;
 - Option 2: decentralised/variable – citizen focus;
 - Option 3: devolved/uniform – the managerialist option;
 - Option 4: devolved/variable – local politics revived.
- 10 By testing these four strategic options with key senior stakeholders inside and outside government we have reached a number of conclusions about the factors that should be taken into account in shaping policy now for local governance in 10 years time.
- 11 First, there is an important decision to be taken about the geographical level at which collective choices should be made. Neighbourhood structures could make a significant contribution. But it is important to reflect on the likelihood of there being significant differences between neighbourhoods in 2015 and a danger of inequalities becoming entrenched and communities becoming fragmented. Our analysis suggests strongly that some form of accountable decision making at an area or council level to operate as a fulcrum between larger and smaller spatial levels will be essential.
- 12 Second, the key question to which we have returned a number of times in this study is as follows: “Given the trends we have identified, and in particular the development of more acute differences within and between communities, which approach is most likely to ensure that the different needs of different groups are met – a strong focus on national minimum standards, or more scope for local decision-making to respond to the different needs of different communities?”
- 13 The analysis of the four strategic options suggests that a policy of devolution (rather than decentralisation), with an ability to vary policy in the light of local circumstances, is most likely to meet the challenge of “difference” and “diversity”,

but that a combination of uniform and variable policies and entitlements will continue to be necessary to reflect central government's continuing and legitimate interest in some key policy areas.

- 14 Pursuing this approach does involve some risk, particularly in relation to the likely variation of performance of more empowered local organisations. The issue which must be addressed is how that risk compares with the risk that a less devolved, more uniform approach, with a greater reliance on national standards simply could not cope with the variety of needs of society in ten years time.
- 15 Third, three areas stand out as priorities to be pursued in the short to medium term in preparing local governance to meet the needs of society in 2015:
 - First, the particular importance of local political leadership in at least three respects:
 - In providing the legitimacy for important decisions about regulation and between the competing needs and demands of different groups and communities;
 - In securing support for and commitment to the changes in behaviour and lifestyles that are likely to be necessary to meet the environmental and other challenges that society will face;
 - In bringing together and providing leadership for all the players in a locality.
 - Second, the fact that collaboration between organisations and the continued demolition of departmental and organisational silos will become more rather than less important over the next ten years.
 - Third, that to meet the challenges we have identified will exist in 2015 greater citizen engagement with the structures of local governance is essential, not simply desirable.

CHAPTER 1

Introduction

- 1.1 Effective community leadership; a step change in the degree of collaboration between all the key players in a locality; and a deeper engagement between local people and the state – these are the most important functions that must be delivered at a local level if government is to meet the challenges it is likely to face in 2015.
- 1.2 This is the key conclusion of our review of what society is likely to be like in 2015 and its implications for local government and local governance. The review was commissioned by the Office of the Deputy Prime Minister from the Tavistock Institute, Local Government Information Unit and Solon Consultants.
- 1.3 We have not identified a single preferred model for how these functions should be delivered, either individually or collectively. But we have concluded that there are two sets of factors which must be central to any debate about what framework should be created at a local level to deliver them. They are: a spectrum from “decentralised” to “devolved” government; and a spectrum from “universal” to “variable” service delivery. As this report will show, the interaction between these two sets of factors is extremely important.
- 1.4 This report examines global trends and drivers of change in our society and the pressures they will create on government and localities over the next ten years (chapter 2). It goes on to examine how the role of local governance and local public service delivery might evolve in response to these changes (chapter 3). Finally it uses four structural options for the organisation and structure of local governance and local public service delivery to explore the potential impact of more devolved governance and more local variability in services and entitlements (chapter 4).
- 1.5 Our conclusions are based on a literature review, trends analysis and the involvement of senior policy makers from across Whitehall, local government and elsewhere through a Delphi survey and a number of futures events (see box 1). Full details of the data collected and the methods used can be found in the Technical Appendix that accompanies this main report.

Box 1: Our methodology

This study was conducted in three stages:

- First, we prepared the ground through desk research on trends, drivers of change, emergent pressures on government and implications for the policy framework – see appendices II, III and IV of the Technical Appendix. The trends were drawn from our literature review. We then explored the pressures on government which are likely to result from those trends and sought to make reasonable inferences about possible policy responses and their implications for local governance policy framework.
- Second, we involved a variety of stakeholders through a two-stage Delphi exercise which asked them to comment on the likelihood and potential impact of the various possibilities we had identified – see appendix V of the Technical Appendix. The Delphi enabled us to survey the views of over 40 senior policy-makers from all the main “domestic” government departments, local government and other stakeholders.
- Finally, we organised two futures events to explore the implications of this material – see appendices VI to VIII of the Technical Appendix. The first event focused on the broad public policy implications and informed the development of a set of scenarios for 2015 and strategic options for local governance. The second event explored the performance of the strategic options and functions of local governance under the different scenarios. The events were attended by over 60 senior people from across Whitehall, local government and others with an interest in and knowledge of local governance.

An accompanying technical annex explains our methodology in more detail and presents the full data, analysis, outputs and conclusions from each part of our work. The report is available at: <http://www.odpm.gov.uk/index.asp?id=1136821>

CHAPTER 2

Society in 2015

2.1 Based on the analysis we have done – looking in detail at trends in demographics, economic and fiscal conditions, employment, the environment, energy supply and demand, health and care, quality of life and transport – we can be confident that a number of things will happen over the next ten years. Technology will continue to develop, environmental pressures will increase, globalisation will continue, there will be a higher proportion of older people in the population – with implications for both our economic performance and the way we live our lives. Differences between households, within and between localities, and within and between regions are likely to become more acute – as we live longer, as patterns of family life change, as economic competition intensifies, and as the consequences of disparities in educational performance play out in our knowledge economy.

THE TRENDS

2.2 To understand what society is likely to be like in 10 years time we need to look at the main “building blocks” of people, places, the economy and society itself. Our analysis of the trends and the views of senior policy makers, collected through the Delphi survey and futures events, suggest that the main ingredients will be:

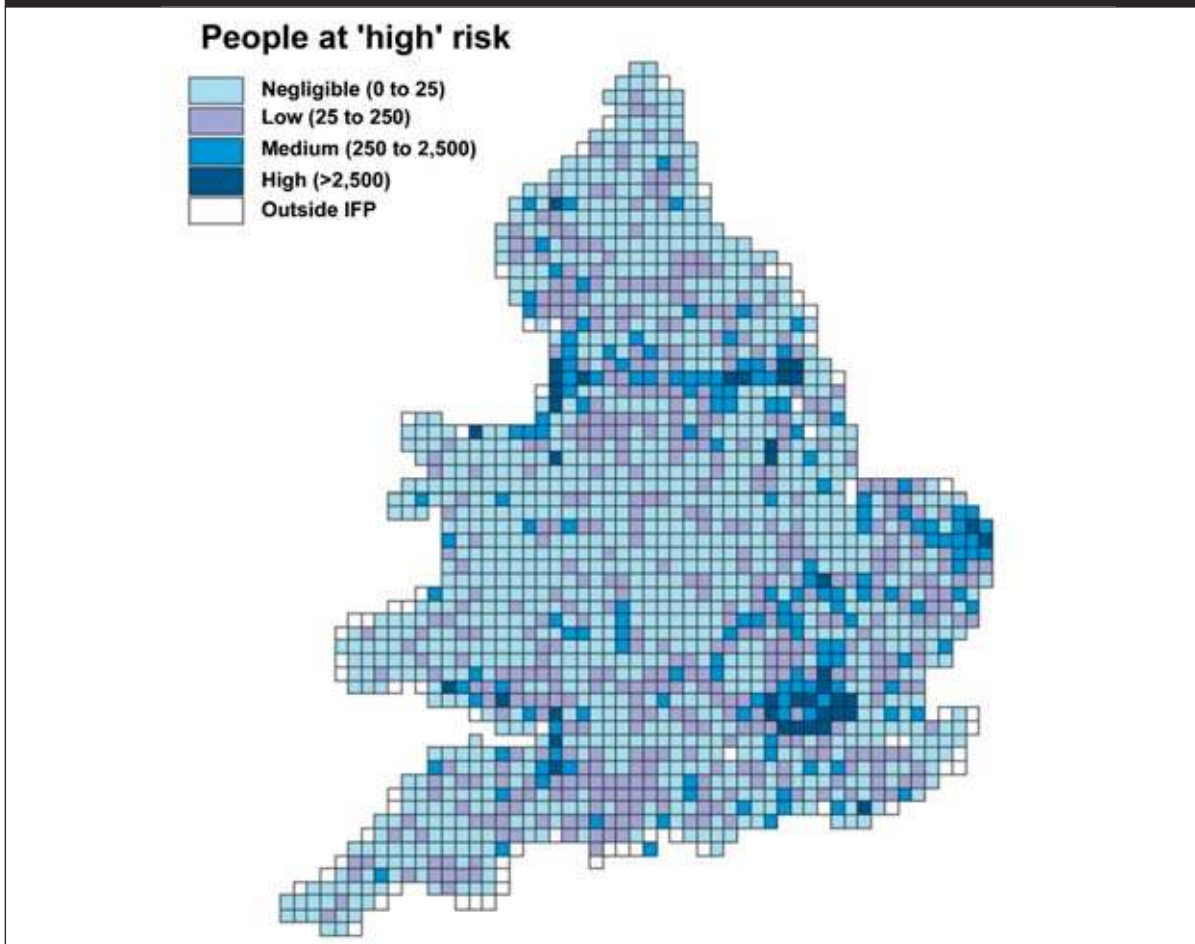
- More households and more varied types of household;
- A more diverse society with, for example, more elderly and more disabled people, wider differences in household wealth and ethnic divides;
- Continued technological development and global economic change which will exacerbate the different life chances facing those at each end of the spectrum of educational attainment;
- The impact of more “extreme” weather and growing environmental pressures ranging from land use to pollution.

2.3 Our full evidence base is set out in the accompanying technical annex. To illustrate our approach and evidence base four **boxes** are included in this section. Each box takes one of the “building blocks” referred to above and includes some supporting data, a related driver of change and a related pressure on government. These boxes provide *only a selection* of the trends we have identified; much more data is including in the Technical Appendix.

2.4 In 2015 the classic four person household – a mom, a dad and two kids – looks set to be far less common than it is today. This will be a consequence of factors such as people having children later in life, high divorce rates and people living longer.

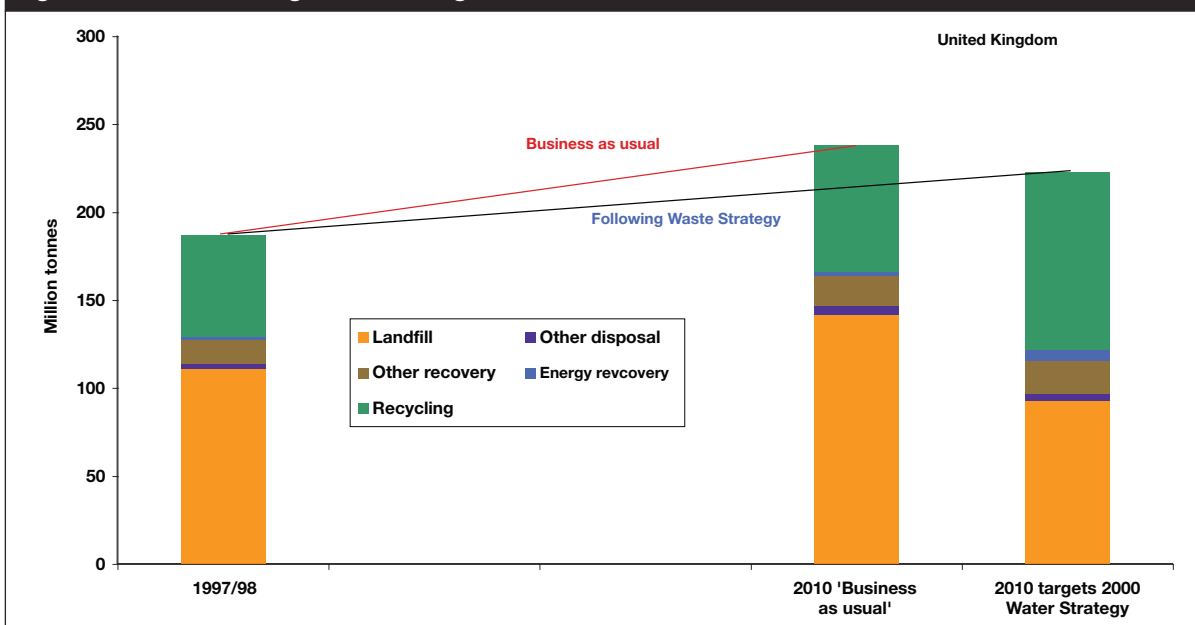
The impact of more extreme weather and growing environmental pressures ranging from land use to pollution

Figure 1: People at high risks from floods, 2015



Source: Foresight Floods and Coastal Defence Project, www.foresight.gov.uk

Figure 2: Waste arisings and management



Source: DEFRA, key facts about waste and recycling

Increasing threats to river and coastal areas

Waste management dependent on individual behaviour

UK greenhouse gas and carbon emissions are expected to fall long-term, but not meet targets. The trends analysis indicates that weather patterns will be increasingly volatile and that there will be significant risk, to people and economic activity, from flooding concentrated in specific areas. As Figure 1 shows, many parts of the country will have significant numbers of people at high risk from floods in 2015. [See also para 2.6.]

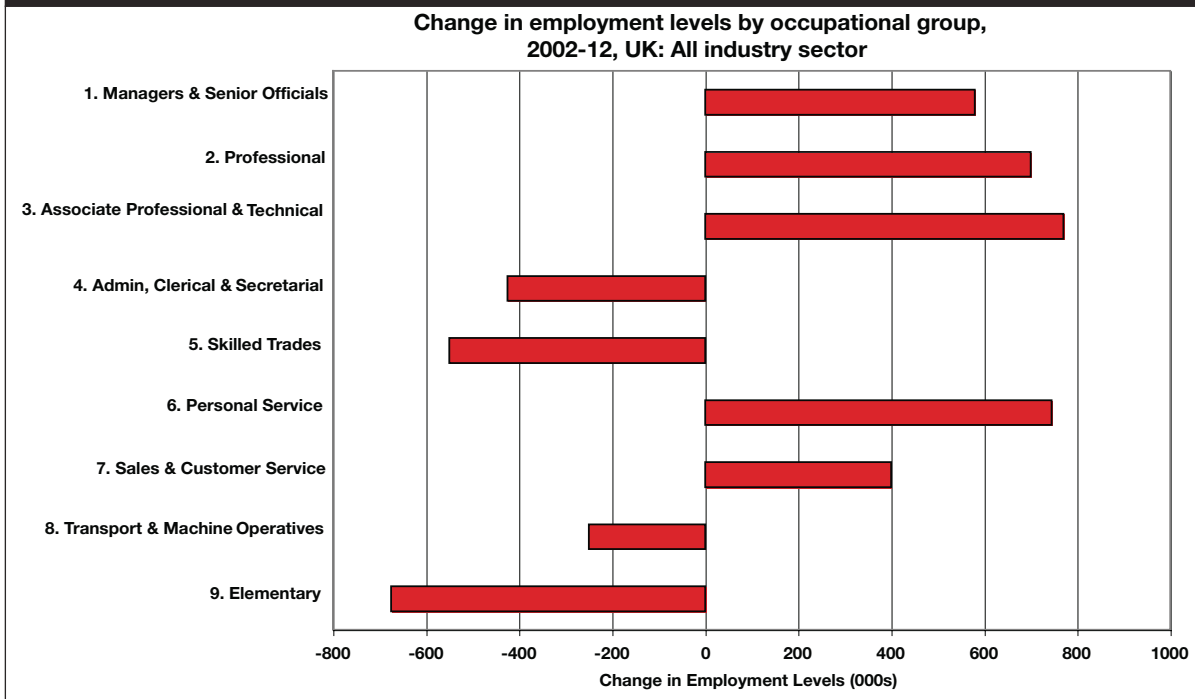
Figure 2 shows clearly how waste management is dependent on individual behaviour – the evidence suggests that if we continue at current rates, total waste generated will grow to 240 m tonnes by 2010, with more going to landfill. [See also para 2.6.]

For more information, see also trends analysis, drivers and pressures on the environment, energy supplies and demand and quality of life in the technical annex.

- 2.5 Technology will continue to develop: its potential, power and flexibility will fundamentally change how we can and do do some things, in ways that are almost impossible to imagine. It is salutary to remember that internet use was very much a minority activity 10 years ago with little commercial application. But technological change could well be doubled edged: it will give individuals more control over their lives, and will enable the state and business to know more about us. It will open new economic service structures and employment opportunities, but could raise the bar into well paid employment, disadvantaging those with low skills.
- 2.6 Environmental pressures will undoubtedly become more intense. Extreme weather conditions could well become more frequent. And issues around land for housing, business, transport and waste will become more acute. As regards the former certain river and coastal areas are likely to become much more vulnerable than others. As regards the latter, land use pressures will be highly intertwined with the nature of economic growth. At the same time continually rising expectations of quality of life will sit alongside those intensifying environmental pressures and increasing demands for “clean solutions” to them.

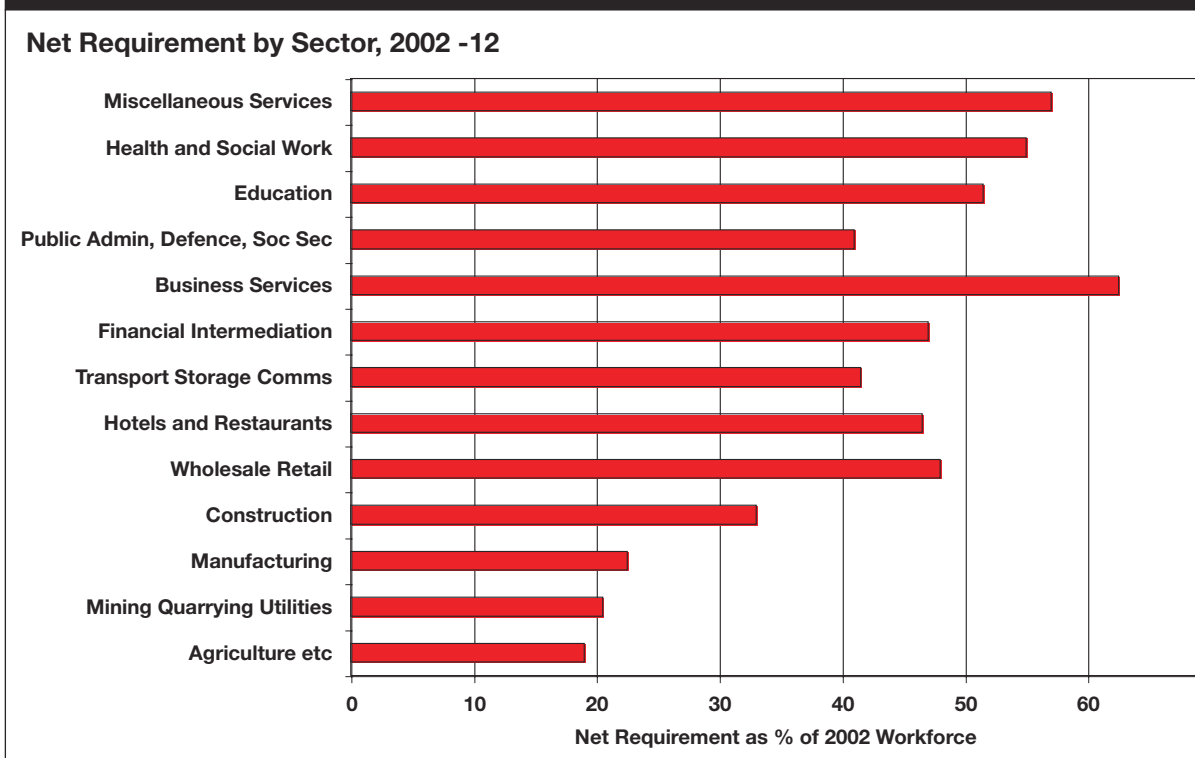
Continued technological development and global change, which will exacerbate the different life chances facing those at each end of the spectrum of educational attainment

Figure 3: Employment by occupational group

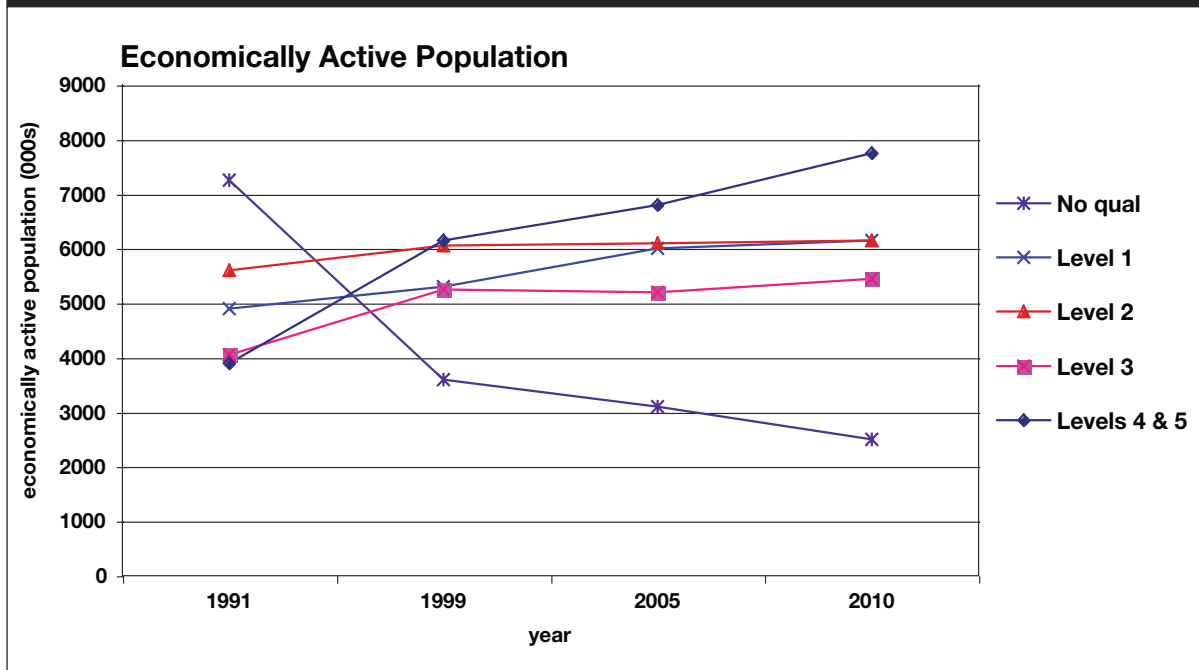


Source: R Wilson, K Homenidou and A Dickerson Working futures, national report 2003-2004

Figure 4: Net requirements by sector



Source: R Wilson, K Homenidou and A Dickerson Working futures, national report 2003-2004

Figure 5: Economically active by qualification level

Source: DfES Skills base, Labour market information database

*Relative growth in service and knowledge industries
Need to address low achievement by specific groups*

The evidence shows relative growth in service and knowledge industries – employment is expected to rise in higher level professional, managerial and technical jobs, and in the services sector, whilst falling in secretarial, skilled and elementary areas on employment – see Figure 3.

Furthermore, Figure 4 shows how demand for workers in 2012 relative to 2002 will grow most in Business services (+60%), Services (+57%) Health and social work (+55%) Education (+51%).

As Figure 5 shows, a probable growth is anticipated in the level of qualifications among the economically active. Furthermore, whilst educational achievement will grow, intense competition for skilled employees will create localised skill shortages. Increasing net requirements for those with higher qualifications, stresses the need to address low achievement by specific groups. [See para 2.9.]

For more information, see also trends analysis, drivers and pressures on economies and fiscal conditions, employment and international comparisons in the technical annex.

- 2.7 The consumer-led pressure for greater responsiveness in public services looks set to continue. But deepening inequalities, for example in relation to educational attainment and physical mobility, will have implications for the ability of different groups and individuals to exploit that enhanced choice. Similarly, as communities look set to become more diverse, so there are equally strong trends which could lead them to become more fragmented. Society in 2015 could well match increased choice with deepening inequities, greater diversity and a risk of more fragmented communities.

Pressures on Government

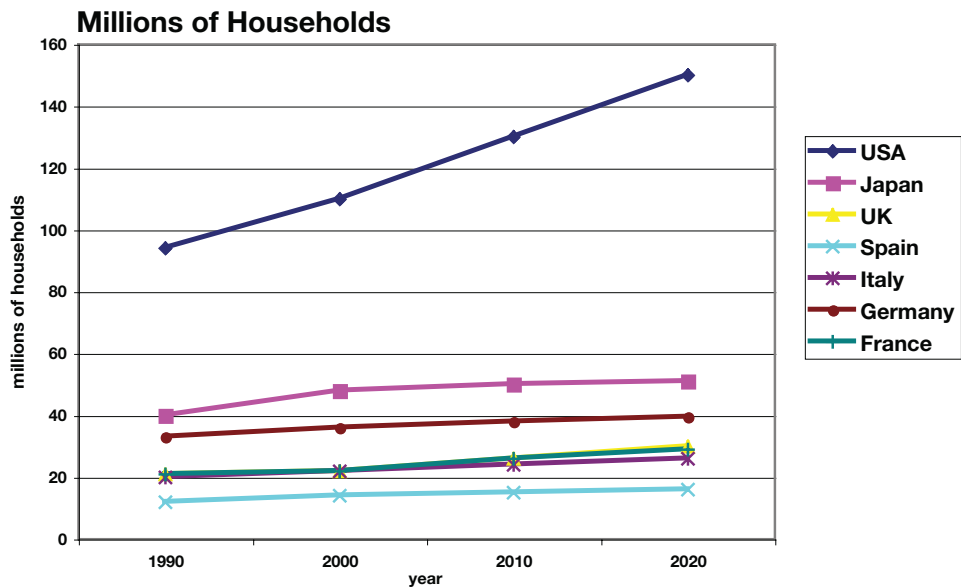
- 2.8 How government responds to these changes in society will depend on policy and political debate over the next decade. A study such as this cannot prejudge those decisions, but what it can do is to identify the issues that are likely to confront government if our conclusions about the trends over the next ten years are accurate.
- 2.9 Economic policy, for example, looks set to be dominated by the impact of the growth of Asian economies and the need to help those with low educational attainment to survive in an age in which skills will be at a premium. Innovative industrial clusters and networks; highly skilled, broad and deep labour pools; and a high quality supporting infrastructure of universities, housing, transport and communications will be vital for economic prosperity to a degree even more so than at present. Innovation and entrepreneurialism will be needed at a local level to respond to entrenched pockets of unemployment and skill shortages, to maintain economic growth and development through competitive advantage.

More households and more varied types of household

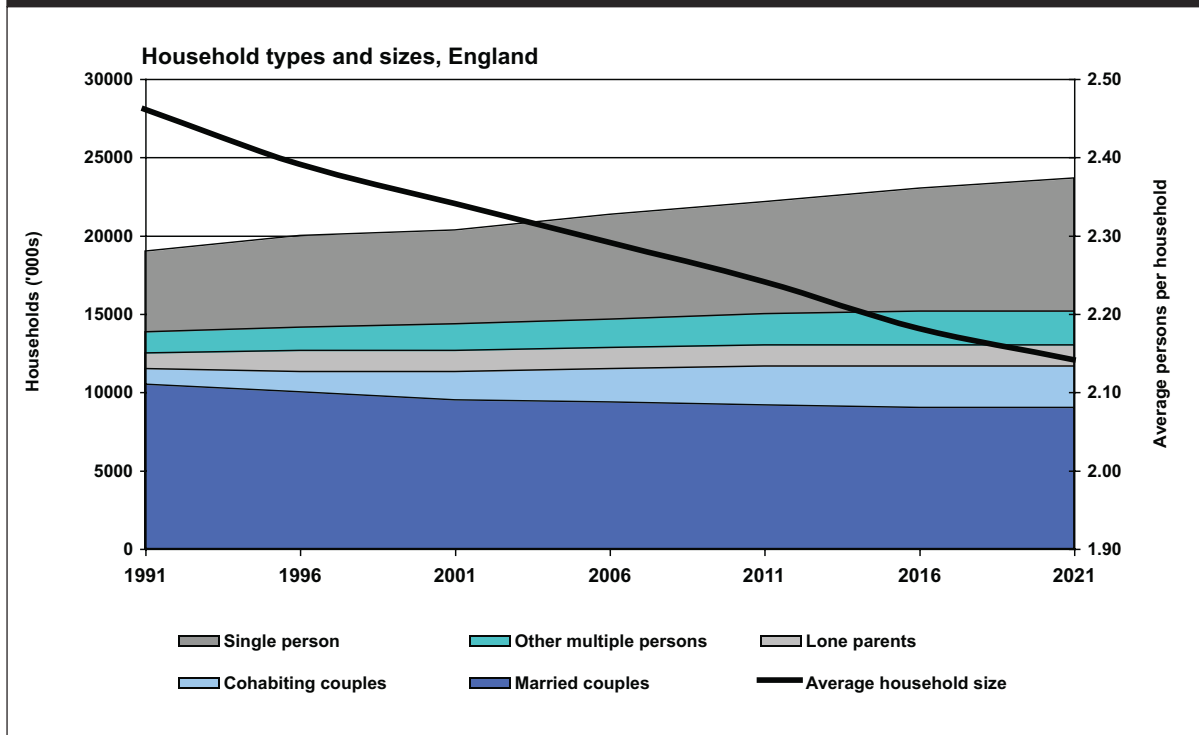
Figure 6: Numbers of households: international comparison

Household numbers are growing in Europe, but not nearly so fast as the United States

Almost 40 million new households will be created in the U.S. by 2020



Source: UN Centre for Human Settlements (HABITAT), an urbanizing world (New York: United Nations, 1996)

Figure 7: Household types and size

Source: ONS, Barker Report

More varied family and household structures

Lone households are increasingly a major influence on planning and building

The evidence shows that over the next 10 years more varied family and household structures will become increasingly prevalent, resulting in a rising number of new households. Figure 6 provides an international comparison of new household numbers.

As Figure 7 shows, average household size will fall from 2.45 to 2.2 persons between 1991 and 2015. In 2015, single person households will account for ca. one third of all households; about 7 million in total, meaning that lone households are increasingly a major influence on planning and building. [See para 2.10.]

For more information, see also trends analysis, drivers and pressures on demographics and international comparisons in the technical annex.

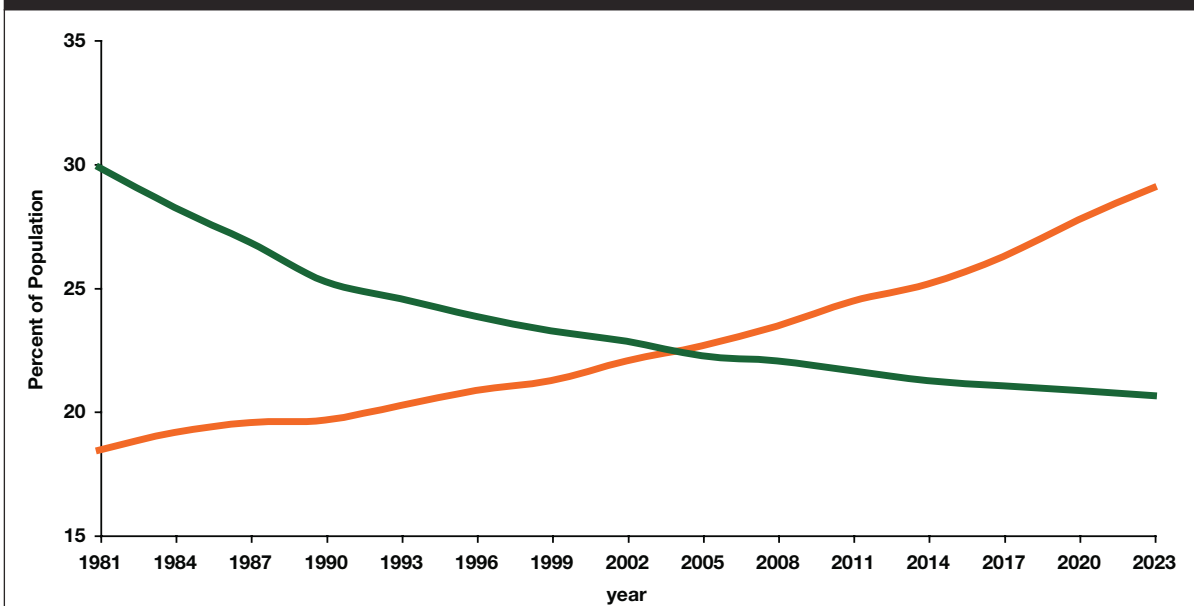
2.10 The challenges facing health and social protection will be considerable. On the one hand people's consumerist expectations will grow, and pressures to cap public expenditure will remain. On the other hand demands from an ageing society and the casualties of economic change will intensify. One size will not fit all care needs: we won't be able to house a large proportion of our population in institutions without major social dislocation. Each locality will need to find cost effective, socially stable and productive ways of caring for and including them in mainstream life.

2.11 The anticipated increase in the number of households coincides with environmental concerns about new development and intensifying pressure to reduce dependency on the car. Similarly policy will need to encourage lifestyle changes in order to meet environmental targets. The particular combination of carrots and sticks needed and acceptable will vary from community to community. Indications are that radical solutions can be envisaged where a local consensus can be created. Such consensus are unlikely to be forged as easily at the national level.

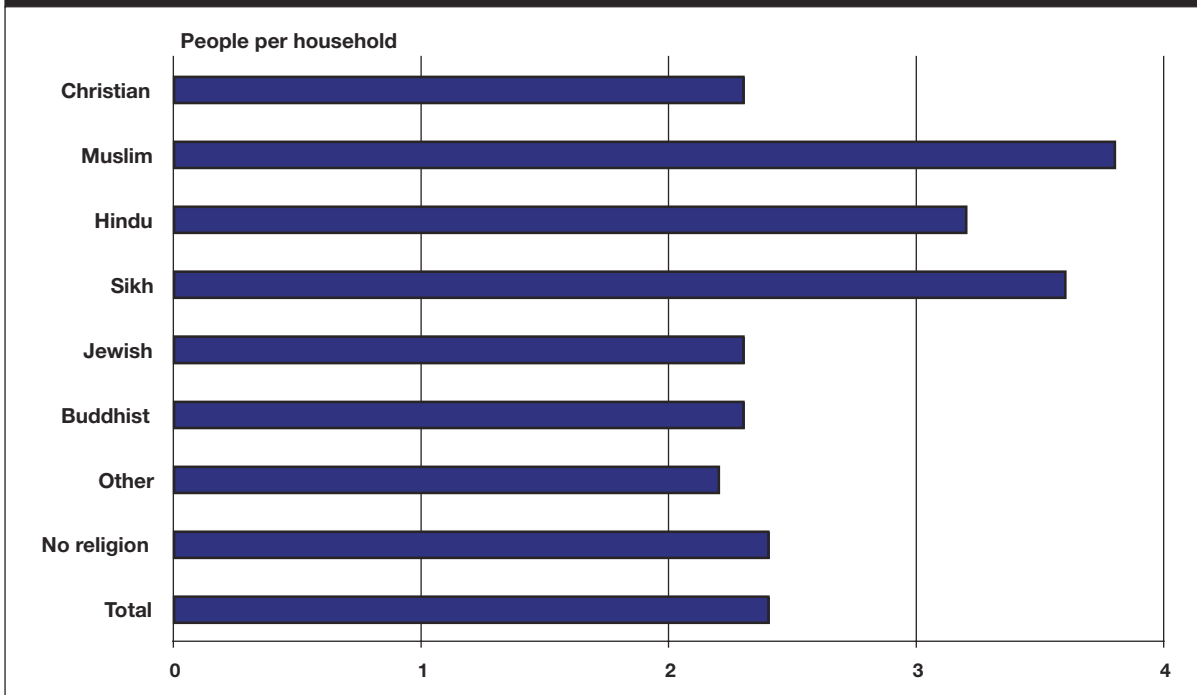
2.12 All the signs are that fear of crime will continue to be a dominant pressure on government and there is a danger that a focus on neighbourhood empowerment will intensify inequalities between different areas. Again, responses to crime, as to environmental pressures, are likely to be more realistic if addressed where they are most tangible – at the local level.

A more fragmented society with, for example, more elderly and more disabled people, wider differences in household wealth and wide ethnic divides

Figure 8: Population 'reversal' in Europe



Source: EU, Finnish National Research and Development, Centre for Welfare and Health (STAKES), The ageing population and technology: challenges and opportunities

Figure 9: Average number of people per households by religious affiliation

Source: ONS, Census 2001

Communities of interest grow relative to communities of place

*Life expectancy and ageing will rise; with a decline in proportions to young people.
Disabled longevity will also rise.*

Figure 8 illustrates the population reversal that is taking place across Europe: in 2005 the percentage of the European population in that is younger than 20 years and the percentage who are 60years+ is roughly equal at around 23%. However, by 2015, projections show that approx 26% of the population will be 60years+ and approx 21% will be under 20years.

Furthermore, other analysis shows that 25% of those born in 1951 can expect to live to 80+ and the 25-49 age group will fall in every region in England. The result being that the ratio of non working/dependent population to working population will continue to increase, as adults over 60 needing care increases from 4.5 million in 2001 to over 5 million in 2011. [See para 2.10.]

Evidence also shows that as immigration continues, the ethnic mix of some areas will change significantly, with larger Muslim and Sikh families that are younger and more stable. Figure 9 illustrates how the average number of people per household varies according to religious affiliation, with the largest households being in Muslim and Sikh communities. This may lead to more communities of interest and ethnic divides.

For more information, see also trends analysis drivers and pressures on demographics, health and care, quality of life and international comparisons in the technical annex.

- 2.13 It is potentially misleading to search for a single theme from a complex set of factors and forces such as these. But one set of issues does stand out from the work accomplished in our futures events: it is that of greater difference and variation. Differences between individuals and households: those with high skill levels and those without; those with property-related inherited wealth and those without; those who are fit and healthy and those who are not; those in traditional households and those who are not. And differences between communities: those which are ethnically mixed and those which are not; those with access to employment opportunities which match the new global economy and those without; those which are casualties of environmental pressures and those which are successfully responding to them.
- 2.14 The nature of political engagement could be crucial in determining government's ability to respond, yet our work suggests that new forms of political involvement – including single issue, direct action – will grow as conventional political engagement declines.

Implications for local governance

- 2.15 To explore the implications of this analysis for local governance we must draw further on the results of our trends analysis, the conclusions of the Delphi survey and the outputs of the two futures events. A key output is the identification of 24 pressures on government and on public services which our analysis (described in detail in the Technical Appendix) suggests are both **highly likely happen** and have a **high impact**. They are listed in **box 2**.

Box 2: The 24 highly likely, high impact pressures on government

fiscal & taxation

1. Increasing expectations of efficiency, effectiveness and transparency from public sector services and administration
2. Growing external markets for public service provision and the need for new and varied range of suppliers both private and voluntary

education & skills

3. Growing demands for more and better childcare/elder care and other support services
4. Need to bring long term recipients of benefit into work and address lack of opportunities for low skilled workers or disabled people

employment & productivity

5. Competition for skills increases at all levels and intensifies need for greater access to training and retraining throughout life
6. Non pay related factors play a growing role in the ability to attract employees – values of employer, flexible working, housing, schools etc

environment & habitat

7. Resolving environmental challenges increasingly dependent on changing consumer behaviour e.g. waste reduction/ recycling, lower emissions, reduced energy consumption

health, public health & social services

8. Periodic but intense public scares about health and environmental issues create demand for 'issue management' and also change public behaviour and perceptions
9. Lifestyle related choices and behaviours increasingly dominate ill health, disease and a growing demand for care
10. People increasingly survive diseases and conditions which previously caused death, but need ongoing care

housing & land use

11. Housing supply and price pressures intensify with conflicting land use demands increasing but with widening geographic variations

leisure culture & media

12. Tourism and leisure related industries become a more dominant sector in more localities
13. Demand for easily accessible, co-located services to increase integration, co-ordination and joined up provision

localities and neighbourhoods

14. Attractiveness and perceptions of localities increasingly depends on the ability to attract business and investment
15. Local variations in wealth, quality and economic performance increasingly reflect differing levels of education and skills
16. Need to improve the transfer of knowledge, skills and R&D from university to business and the public sector

public order, justice and security

17. Local engagement of individuals and businesses needed for more effective approaches to crime including ‘designing out’ crime
18. Groups of repeat offenders plus those with drug and alcohol abuse problems continue to be the major causes of crime

social protection & benefits

19. Funding of public sector pension provision reaches near crisis and fuels ever more intense debate around retirement and continued flexible working
20. Increasing welfare costs intensify need for return to work policies and support systems and services

trade & industry

21. Innovation and flexibility ever more essential to cost effectiveness, efficiency and profitability of services in public and private sectors
22. Rising impact of and need for effective mechanisms to attract ‘business clusters’ for thriving local and regional economies

transport & travel

23. More localities face growing demand for solutions to intense traffic congestion and parking problems in urban areas; or to solve car dependency in rural areas
24. Increasing numbers of cars per household and car use continue to increase concentrations of road congestion, parking problems and car dependency

2.16 In the light of this analysis we can, for example, be confident in asserting that local responses will be key to meeting public policy challenges such as caring for an ageing population, responding to intensified global competition, containing terrorism and disorder, alleviating energy dependency and climate change, and meeting the human resource needs of a knowledge based economy.¹ Similarly we can conclude that:

- High quality care at a reasonable cost can only be provided in tailored community settings
- A distinct local competitive advantage (social capital, human capital, environmental capital, physical capital) is needed to master global economic change

¹ Take, for example, the key issues identified by the Treasury contained in the July 2005 statement on the Comprehensive Spending Review 2007.

- Community conflict and disorder has complex, specific local roots and manifestations and successful management requires specific, particular responses
- Alleviating energy dependency and climate change will require creative local responses
- Deep and wide, skills intensive labour pools require sophisticated local partnerships between education, industry and households

2.17 These and other findings suggest that in 2015 many of the pressures on government will manifest most dramatically at a local level. More flexibility and responsiveness at a local level would significantly enhance government's capacity to meet those challenges successfully: to enhance life chances; improve the responsiveness of the economy; regulate and change behaviour; and address social tensions and conflicts.

2.18 In 2015, even more so than today, different policies and approaches will be required in different areas. Different communities and different groups of people within those communities will have different needs. Government will need to develop the capacity to respond to those differences. It will need to decide to what extent it devolves and to what extent it decentralises. It will need to decide to what extent it pursues a uniform approach, for example in relation to minimum standards, and to what extent it encourages diverse approaches.

2.19 A crucial issue at stake here, which we explore further in section 4, is the balance between on the one hand responding to diversity, and on the other hand acknowledging the political pressure for equity of standards in areas such as health care and education across the country.

2.20 The outcome of the futures events, which brought together senior policy makers from across Whitehall and local government, was unequivocal in one respect: central government's ability to address and respond to these drivers and pressures relies on a significant shift in the way in which local government and governance are structured, so that specific outcomes, local variations, differences, needs and aspirations can be identified, reflected and met appropriately.

CHAPTER 3

The functions of local governance in 2015

3.1 But what does all this mean for the functions of local governance and local government? Taking as a starting point our conclusions about the nature of society in 2015 and what that means for government, we have identified ten core functions for local governance in ten year's time:

1. Coping with stark differences within and between regions and places,
2. Caring for a significant proportion of the population (young, old, disabled, vulnerable),
3. Controlling and regulating human and physical flows and circulation (from ASBOs to traffic), including dealing with threats and managing emergencies and disasters,
4. Promoting economic growth and developing economic performance capacity and capabilities,
5. Strategic marketing (identifying, developing and 'selling' new actions to the public),
6. Brokering, marshalling and relationship building between key actors,
7. Planning (including planning of investment) and mobilising local resources,
8. Providing and making transparent complex sets of information,
9. Reconciling the diversity of individual and group expectations, needs, culture, identity and morality, and
10. Representation (of the locality, of the community).

3.2 These are the functions we have concluded will be essential to government in the future, and which can most effectively be performed at a local level. The justification for this conclusion varies from function to function but there are two important common elements:

- First, the importance of policies or services being specified or designed at a local level to reflect the different circumstances in different localities; and

- Second, the fact that in many cases this requires important choices to be made about the allocation and distribution of resources. In many cases these will be difficult and potentially controversial decisions which will require public debate and ownership. Our conclusion is based on the premise, supported by the output of the futures events, that if the impact of these choices is primarily manifest at a local level, then the decision-making, and the political process which supports it, should be local as well.

3.3 There are five core public policy and public service tasks:

Coping with stark differences with and between communities

3.4 The differences and variations we envisage growing and intensifying over the next ten years will often be most starkly manifested at a local level (see pressures 4, 10, 11, 15, 18 and 19 in box 2). This will be the case in relation to, for example, educational attainment and environmental quality. It will apply to differences in age and propensity to be a victim of crime. Some localities will have particularly high concentrations of some groups of people – for example those with low educational attainment. Others will include stark difference between communities within their boundaries. Public policy and public services will face both short and long term challenges as a result of these trends – coping with the “casualties” of difference in the short term, and seeking a more cohesive society in the longer term. The primary task is to ensure that an effective process of participation and engagement enables difference to be addressed without communities and localities becoming fragmented.

Caring for a significant proportion of the population (the young, old, disabled and vulnerable)

3.5 If, as all the trends suggest, people to continue to live longer the demand for social care, both at home and in institutions will increase. There will also be a need to support, for example, those who do not have the skills to prosper in the changing economy. (See pressures 3, 4, 5, 9, 10, 15 and 20 in box 2). The way in which such care and support is provided will undoubtedly change, but the need to ensure that such care and support exists, to take political choices about how such care is funded and to act as a safety net will become more rather than less important – and those choices can most effectively be taken at a local level.

Controlling and regulating human and physical flows – from ASBOs to traffic

3.6 The need for regulation of various forms is likely to increase – ranging from, for example, vehicle access to town centres to drink and entertainment licensing. The terrorist threat and implications of more extreme weather will intensify this trend. (See pressures 7, 8, 9, 11, 17, 23 and 24 in box 2) But such regulation will be acceptable, and will work, only if there is public support for it. The precise scope, nature and intensity of the regulation will vary from area to area and its impact will differ from areas to area – which means that the decision-making process should be at the same level. As a consequence of this, the importance of local regulatory activities looks set to increase. This is a potentially significant development. Councils’ regulatory responsibilities have not had a particularly high profile and have not been treated as political priorities. The introduction of the

new licensing legislation has changed all that, and our analysis would suggest that its profile will remain high. Meaningful public engagement in shaping those regulations is critically important. It may be helpful to view regulation as one side of a coin, the other side of which is action by citizens, individually and collectively to help meet the needs of their local community. Meaningful local consultation and political debate on regulatory matters will be as important as technology or enforcement.

Promoting economic growth and developing economic performance and capacity and capabilities

- 3.7 Most commentators agree that current developments in China and India will have major implications for the UK economy; but what is too often overlooked is the likelihood that the impact of these global developments will be different in different communities, and local action will be needed to respond to that impact and to enable local economies to prosper in changing times. (See pressures 2, 3, 4, 5, 6, 12, 16, 21 in box 2) The challenge of turning the rhetoric of lifelong learning into reality in areas suffering from economic collapse and poor educational attainment will be an enormous one; and different strategies will be required in different localities reflecting the local labour market and the capacity and capability of local institutions.

Strategic marketing

- 3.8 The state alone, whether national or local, cannot address many of the challenges that look set to emerge over the next ten years. Action by local people will be critically important. In waste management, councils increasingly see their role as being as much about encouraging new behaviour (producing less waste and recycling more of what waste is produced) as delivering a conventional service (refuse collection). This approach is likely to become more important in relation to more service areas over the next ten years – for example, in relation to transport, care for older people, and education and training. (See pressures 3, 7, 8, 9, 10, 17, 19, 23 and 24 in box 2) In these areas action by individuals – for example, using cars less, producing less refuse and recycling more of what they do produce – will not simply be desirable; it will be essential if the society and government are to meet the challenges of 2015.
- 3.9 These functions all span traditional service and organisational boundaries. The last decade has seen a growing recognition of the need for “joined up government” and the weakness of silo approaches to policy-making and delivery. All the trends we have identified reinforce that development and strengthen the case for the demolition of any remaining silos.

- 3.10 Hence, two further core tasks for local governance:

Brokering, marshalling and relationship building between key actors

- 3.11 There never has been an illusory golden age in which a single organisation has been responsible for public services and public policy. But the trends we have identified will increase the need for closer collaboration between the relevant organisations and sectors, particularly at a local level.

Planning and mobilising local resources

- 3.12 If that brokering is to bite it must be underpinned by a co-ordinated business planning and resource allocation process. What is needed is a mechanism by which there is a single strategy for a locality, jointly owned by all the key actors and supported by a business plan which marshals the totality of public expenditure in that locality in support of the locally agreed priorities.
- 3.13 Our analysis suggests that the existence of more acute differences and variability in and between localities will mean that many of the choices to be made at a local level will be extremely difficult ones – whether they are about regulatory policy, the encouragement (or discouragement) of particular behaviours or choices about the allocation of resources.
- 3.14 This reinforces the importance of effective and democratically accountable **community leadership**, in order to ensure that these decisions genuinely reflect the needs and aspirations of local people and have their support. The phrase community leadership has been prominent in discussions about local government for the last ten years, but the concept has lacked clarity and edge. Our analysis can both help to put some flesh on the bones of this role and suggests a step change in terms of what it actually means for what councils do.
- 3.15 On the basis of our analysis the most important elements of a community leadership function in 2015 should include:
- Creating an understanding across a locality of the different circumstances, needs concerns and pressures of different communities;
 - In the context of that understanding, balancing the different and potentially conflicting needs of different communities in terms of, for example, the allocation of resources or prioritisation of action;
 - Leading debates about issues such as the justification for action and expenditure to equip people with low levels of educational attainment to survive in the changing economic circumstances;
 - Securing a consensus around areas, such as the use of transport or production of waste, in which changes in the behaviour of individuals are required;
 - Seeking support for new forms of regulation and the enforcement of that regulation – overcoming reactions such as that prevalent today in relation to speed cameras.
- 3.16 Indeed, our analysis of what is required in 2015 would suggest that this will be the single most important governance function at a local level. But it is important to understand that it will be a very political function. If “difference and variation” encapsulate the challenge, then “understanding and engaged politics and representation” encapsulate the essential features of an effective response.

3.17 Three final core tasks are crucial to the delivery of that community leadership function:

Providing and making transparent complex sets of information

3.18 Information is crucial, to inform the brokering and planning processes and to underpin the new engagement with the public necessary to secure support for discharging the functions referred to above. Information is also crucial for the final tasks.

Reconciling the diversity of individual and group expectations, needs, culture, identity and morality

3.19 This is likely to be a crucial element of the community leadership role. To fulfil it councils will need to put in place arrangements to secure an understanding of the different groups and communities they serve and to facilitate bridge building between them. This could be delivered through the political process itself, through the role of local political parties and through the gamut of consultation and participative devices available to councils and their partners.

Representation of the locality and the community

3.20 It is significant that, while some features of this list would feature in a description of local governance today, the list as a whole differs significantly from the current conceptualisation of what local governance and local government exists to do. For example, while many of the “traditional” activities of local government are implied here (such as social services or education) none are identified as core functions as such.

The key public services

3.21 How services such as social care and education are provided and funded will undoubtedly continue to be the subject of political and policy debate over the next ten years. The focus on choice as a driver of improvement in public services is important, and provides one way in which those services can better respond to the greater diversity and difference which we envisage will be a feature of society in 2015. But on the basis of our work it is possible to draw three further conclusions about this aspect:

- Public services must each be planned and funded in such a way as to facilitate communal choice, as well as an individual choice, to enable them to reflect the different needs and priorities of different communities. In other words, decision-making must take place at the level at which the differences within and between communities can best be addressed to ensure that the services are tailored to meet the needs of those communities;
- Citizens must be engaged in the process, not only as “consumers” exercising choice, but as co-providers, whether as parents supporting their children’s learning or as neighbours visiting older people in their street;

- Each service must be integral to and reflected in the development and delivery of the shared strategy and integrated business plan for each locality – the implementation of the continuing drive for more joined up government which our evidence suggests is essential if the challenges of 2015 are to be met. To abuse a literary reference, no service should be treated as an island unto itself!

Local leadership, local politics

3.22 If our conclusions about the core functions of local governance in 2015 are accurate, then there are significant implications for the nature of politics and the political and managerial leadership required to support those functions. The ability of local politics to both reflect and bridge difference will be critically important. This means that the question of the extent to which councillors are representative of their community will become even more important than it is today. And the nature and tenor of local political debate will come under closer scrutiny. The skills required of leaders will be as much about brokering, collaboration and persuasion as about steering the operation of a major service delivery organisation.

Barriers to change

3.23 The next section will explore the framework needed to deliver these core functions, but before doing so it may be helpful to reflect on the extent to which local governance bodies are currently constrained from fulfilling these functions and the relevance to them of the policies currently being pursued by government. Reaching conclusions on the adequacy of the current local governance framework was not a substantive part of our work, but we have identified six areas which we conclude act as constraints and pose a critical question in relation to each of them.

Capability

3.24 Do the current organisational and governance structures optimise the managerial, political and delivery capacity available for each locality?

Image

3.25 Does the current image of local government reflect the ambition and drive needed to provide the community leadership our picture of 2015 would require?

Politics

3.26 Given *Today*-style questioning can Ministers free local institutions to take responsibility for local decisions and be accountable publicly for them?

Leadership

3.27 Do we have strategic, legitimate, high quality political leadership informed by a genuine understanding of localities?

Strategic

3.28 Do localities have the capacity to raise and strategically allocate resources to meet the priorities they have identified?

Scale

3.29 Are we confident that the current arrangements reflect the scale at which these functions should be discharged?

3.30 The question of scale is inevitably a controversial one. We have not specifically addressed the structure of local government, but it is possible to draw three conclusions from the evidence we have collected:

- First, in all of the options we have explored (see next section) there is at least one potentially sensitive and difficult boundary between one tier or sphere of government and another. How those boundaries are managed looks set to be an important issue for 2015.
- Second, our finding that differences within and between communities are likely to become more acute by 2015 has significant implications for the way in which any neighbourhood dimension is implemented. It would be important to ensure that a neighbourhood framework does not entrench disparities and inequalities between communities.
- Third, strategies to address some of the trends we have identified – for example the impact on this country of the growth of the Chinese and Indian economies and environmental and transport pressures – require a capacity to shape policies at a conurbation or sub-regional level.

3.31 There are issues in this list for both government and councils to address. The ability to address cultural and skills issues, for example, lies primarily with councils themselves. The current direction of policy, particularly within ODPM, does address some of the functions we have identified for local governance and some of the constraints referred to above. Local strategic partnerships provide a framework for a closer relationship between key players at a local level and local area agreements have the potential to shape a relationship between the localities and the centre based around priorities agreed for each locality. The debate the ODPM has prompted around local leadership and neighbourhood engagement is also important.

3.32 There are at least three important gaps in the current package which must be addressed if the challenges we envisage that communities will face in 2015 are to be met. They are that:

- Too much of the current framework ignores or homogenises politics. Too often, for example, local area agreements and comprehensive performance assessment are treated in a managerialist way and are seen as “matters for officers” rather than politicians. Local political differences are fudged rather than celebrated.

- The emerging framework is not wholehearted in its response to difference. If our analysis is accurate fostering and responding to difference and variation have to become as much a feature of, say, education policy as it currently is in planning or economic development.
- Too often it provides partial solutions – for example the creation of environments that foster leadership is as important as the development of leadership skills per se.

CHAPTER 4

The framework for local governance in 2015

- 4.1 On the basis of the expert views of senior policy makers obtained through our Delphi survey and futures events, together with the results of the trends analysis, we have concluded that the challenges facing government in 2015 will focus around more stark differences between individuals and communities, difficult balances between lifestyles and other pressures and the impact of economic and environmental change. We have identified a set of core functions that will need to be discharged at a local level to meet those challenges. In a word, in 2015 it will be necessary think about services more *strategically*.
- 4.2 This implies that *who* delivers services in the narrow sense – who empties the bins, who provides adult education – may not be that important. But who organises, who makes the strategic choices – and whether strategic choices are and can be made at all – about service delivery will be immensely important to public policy outcomes.
- 4.3 The most important characteristics of those functions include a more engaged relationship between the individual and the state and a step change in the degree of collaboration between all the key players at a local level. The acronyms will undoubtedly change over the next 10 years, but the need for the collaboration, integration and shared focus currently provided by Local Strategic Partnerships, Local Area Agreements and Local Public Service Boards will become more rather than less important.
- 4.4 It is clear from our analysis that policies and services must be sufficiently flexible and responsive to cope with the increased different and diversity that we expect to be a feature of society in 2015. But how much variability in service provision and entitlements is appropriate, and where should decisions about this be taken? What form should local governance take if it to fulfil those functions and meet the challenges we have identified? What should the distinction be between local government and local governance? And what should the relationship be between central and local government?
- 4.5 It would not be appropriate or possible for a study such as this to produce a single solution. These are matters for political debate. Our aim has been to inform that debate by testing four broad strategic options for the future of local governance. The options were not designed as competing solutions, rather they were intended to capture the full range of possibilities in terms of the scale and nature of change envisaged. Our objective was not to identify *the* solution; our objective was to draw some conclusions to help steer a subsequent debate with and within government.

- 4.6 The issues we are exploring in this section are complex. They are encapsulated by the following question: “Given the trends we have identified, and in particular the development of more acute differences within and between communities, which approach is most likely to ensure that the different needs of different groups of people are met – a strong focus on national minimum standards, or more scope for local decision making to respond to the different needs of different groups at a local level?”
- 4.7 Our second futures event (details of which are set out in the Technical Appendix) validated the use of two policy “dimensions” or “axis” to inform the development of policy on the future shape of government at a local level (see **diagram 1**). One dimension runs from “decentralised” to “devolved” governance; the other dimension runs from “uniform” to “variable” services. By “decentralised” we mean that national policies are administered and delivered locally; whereas by “devolved” we mean that policies themselves are – within some limits – devised as well as delivered locally. By “uniform” we mean that services are delivered according to common national standards and entitlements; and by “variable” we mean that service standards and entitlements can – to some extent – vary from locality to locality according to local choices. The interaction between the two sets of variables is crucially important.
- 4.8 The four strategic options have been designed to populate each sector on diagram 1. We have introduced a number of other factors into the options, including:
- The extent and nature of arrangements at a neighbourhood level;
 - The relationship at a local level between the managerial and political leadership of an authority.
- 4.9 The four strategic options we have developed reflect four pivotal points on these dimensions (see **box 3** and **diagram 1**):
- Option 1: decentralised/uniform – incremental change;
 - Option 2: decentralised/variable – citizen focus;
 - Option 3: devolved/uniform – the managerialist option;
 - Option 4: devolved/variable – local politics revived.
- 4.10 To illustrate the scope of the four options and the differences between them the box briefly explains how three different policy issues would be handled under each of the options:
- The installation of speed cameras;
 - The introduction of variations to the national benefits system to respond to the differential impact on local communities of the growth of the Asian economies;
 - The introduction of neighbourhood structures.

Box 3: The Four Strategic Options**Option 1: decentralised/uniform**

This option is epitomised by incremental change. Coterminous boundaries become the norm and more professional staff are located at a neighbourhood level. The performance of council cabinets has improved, but the role of “back bench” councillors is less well defined. A reformed inspection system focuses on partnership working. There is relatively little increase in councils’ financial discretion.

- All local areas required to install speed cameras on roads which meet nationally determined criteria;
- Local administration of a national benefits system with no scope for local variation;
- All local areas required to introduce a standard neighbourhood structure.

Option 2: decentralised/variable

Citizen focus lies at the core of this option. Boundaries will be more influenced by local circumstances rather than the case for coterminosity. Well-resourced neighbourhood forums exist, but at a council level senior managers have a powerful role, reinforced by national inspection which constrains local political choice. Personalised needs assessment is widespread and the impact of more local taxes is dampened by resource equalisation.

- All local areas required to install speed cameras, but can choose from a nationally set menu of criteria to reflect local priorities and traffic conditions;
- Local administration of national benefits system, with government action to introduce local variations to meet particular local circumstances;
- All local areas required to establish a neighbourhood structure, and able to choose from a national menu of possible structures.

Option 3: devolved/uniform

This is a managerialist option. Better links between council staff and citizens has eclipsed the role of councillors. Decisions, including those at a neighbourhood level, are primarily influenced by professional staff. Councils are free to raise more resources locally and council influence has spread across the whole range of local public services. Devolution to local councils has been matched by devolution to regional tiers of government. Councils have broad freedom to determine how policies are delivered at a local level, but little scope to shape what the priorities underpinning those policies are.

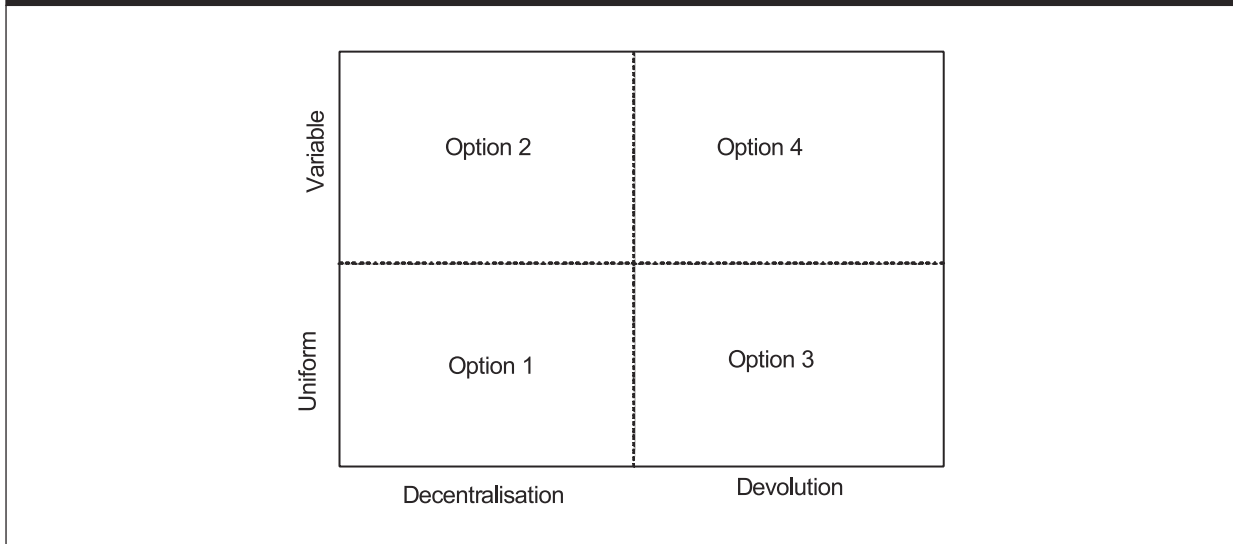
- local areas may install speed cameras, but must apply nationally-set criteria;
- local areas able to draw down from a menu of variations to the national benefits system if they think it is appropriate to do so;
- local areas able to introduce neighbourhood structures if they wish, but must use a national menu of arrangements.

Option 4: devolved/variable

This option hinges on effective local political leadership that can engage different groups of citizens. Councillors are also at the hub of well-resourced neighbourhood forums. Local politicians have enhanced their influence across all their local partners. Performance management is locally driven and spans the membership of local strategic partnerships. The share of council resources raised locally has increased significantly.

- local areas may install speed cameras and can set their own criteria;
- local areas have the ability to design their own variations to the national benefits system to respond to particular local circumstances;
- local areas are able to establish neighbourhood structures if they wish and to design their own models for doing so.

Diagram 1: The Four Strategic Options



4.11 The annex to this report outlines the options in more detail and sets out our analysis of them. Our analysis of the options is based on the results of our Delphi survey and the outputs of the two futures events we held.

4.12 It is significant that the use of the two dimensions proved to be extremely robust, both in the futures event and in the subsequent analysis. The degree to which decision-making power is devolved to a local level, and the degree to which services and entitlements are designed (as well as delivered) locally, and the relationship between the two are the most important factors to be considered in framing arrangements for government at a local level. They can also help make sense of the government/governance divide (government requiring devolution to a body with the power to take decisions across a strategic range of functions and responsibilities).

4.13 This exercise has reinforced our view that many political and organisational boundaries are difficult and require careful management. Each of the options involved at least one difficult boundary, whether between the centre and the locality, or between the locality and the neighbourhood. How these boundaries are managed is crucially important to the success of whatever framework is put in place.

4.14 Each of the options has strengths of weaknesses in relation to the delivery of the core functions of local governance we identified in the previous section:

Coping with stark differences and caring for a significant proportion of the population

4.15 Delivering these functions will often involve making difficult choices which can best be facilitated through effective community engagement and political leadership. Options 2 and 3 enshrine mechanisms for identifying individual needs, but would be less effective at reconciling competing needs and interests. The neighbourhood dimension of several of the options could be advantageous, but it would be important to ensure that it does not entrench differences between communities. Option 4 provides the strongest political dimension.

Controlling and regulating human and physical flows

- 4.16 Securing community support for the imposition and enforcement of regulations will be crucially important. This is likely to be necessary at both a council and neighbourhood level and will require political leadership of a high order. Only option 4 fully meets this requirement.

Promoting economic growth

- 4.17 This function could be delivered effectively under all four options. The greater financial discretion available under some options could act as an incentive to councils to give priority to this function and could help to fund its delivery.

Strategic marketing

- 4.18 This function would be delivered in very different ways (and therefore in all likelihood with varying degrees of effectiveness) under the four options. If the challenge of encouraging people to alter their behaviour is seen as primarily being a matter of political leadership then option 4 would be appropriate. But if “officials” are seen as being more trustworthy than politicians, then options 2 and 3, which enhance the status of officials could perform well. Options 2, 3 and 4 also provide a framework in which this function could be discharged at a neighbourhood level. It is not possible to be confident that the incremental changes envisaged in option 1 could support the effective delivery of this challenging role.

Brokering, relationship building, planning and resource allocation

- 4.19 All four options provide the scope for a better relationship between all the various players at a local level. That is likely to be an easier relationship under the “uniform” models (in which the tensions between horizontal and vertical accountabilities would be less acute), but the scope for genuinely meeting local priorities would be curtailed. Also valuable would be the coterminosity envisaged under each of the “uniform” options and the focus on partnership of the reformed inspection regime envisaged under option 1. The more prominent position of the managerial leadership in local government in some models could assist with relationships, but truly engaged local political leadership is likely to emerge only under option 4. Under this option partnership working would have to accommodate the dynamics resulting from elected and non-elected leaders sitting round the same table,

Reconciling diversity and representation of the community and locality.

- 4.20 The different options have different strengths and weaknesses in relation to this function. There is potentially an important neighbourhood dimension to this, which could be provided to varying degrees under each of the options – but only the 4th option provides a vehicle for differences between neighbourhoods to be addressed politically. Similarly the scope for a local community leadership role is significant under models 2,3 and 4, but a debate is needed about whether the focus for such leadership should be at a neighbourhood or council level and about the role of elected politicians in helping to shape and deliver that leadership.

4.21 In relation to the options themselves our conclusions are that:

- Option 1 has all the strengths and weaknesses generally associated with an incremental approach. It involves least risk in terms of its implementation. But if our analysis of the changes facing society in 2015 is accurate and, for example, the variations facing government are as stark and multiple as we suggest they could be, there is a real danger that this option would fail to meet the needs of society in 2015. There is a particularly acute danger that under this option the lack of discretion at a local level would lead the centre to become overloaded.
- Option 4 is the “challenging” option. It involves the most potential risk in terms of its implementation and a reduced ability for central government to influence delivery on the ground. It depends on local political and community engagement working, and on high quality local managerial and political leadership. But, other things being equal, it is the option most likely to be able to cope with, for example, the degree of variation and difference that we envisage being a feature of society in 2015. This option is consistent with the belief that public confidence in the state must be revived but by its very nature has more inherent risks, particularly in relation to the capacity of organisations at a local level to deliver.
- Options 2 and 4 are more resilient in futures where either collective regulation has increased in importance, relative to demands for higher quality individual services, or where citizen engagement has revived. Option 2 is consistent with a judgement that civic engagement is more important than joined up government. However it is by no means certain that efforts to encourage greater engagement will be successful.
- Option 3 is consistent with a judgement that developing an effective form of joined up government is more important than reviving local forms of democratic involvement. It fits the view that government cannot afford to assume that the world will not change too much in ten years. Options 2 and 3 contain significant risks for the viability of local representative democracy because of the emphasis on the role of officials.
- Option 3 proved to be the option which many people found difficult to grasp. A framework in which power is devolved, but common national standards and entitlements prevail clearly has internal contradictions, but it is quite possible that government could respond to pressures for greater devolution *and* the avoidance of a postcode lottery in precisely this way.

4.22 So no option offers the certainty of success. Some options (3 and 4) would be resilient in any future scenario considered through this research, but these are the options whose delivery is least certain. Other options (1 and 2) are vulnerable to the more challenging possibilities that the future could bring, but we can be more confident that they could be put in place.

- 4.23 The analysis of the four models raises the question of at what level collective choices should be made. In reality, where a neighbourhood structure exists such choices will be made at both a neighbourhood and council level. But it is important to reflect on the likelihood of there being significant differences between neighbourhoods in 2015 and a danger of inequalities becoming entrenched and communities becoming fragmented. Our analysis suggests strongly that some form of accountable decision making at an area or council level to operate as a fulcrum between larger and smaller spatial levels will be essential.
- 4.24 Our analysis revealed a significant tension between the notion of uniformity – the delivery of services according to common national standards – and either decentralisation or devolution. But it is also the case that the notion of variability – the ability to vary standards and entitlements locally – poses the greatest risks for government. There is a fine line between choosing, on the one hand, a diversified and variegated approach and, on the other hand, a fragmented approach.

CHAPTER 5

Reflections and conclusions

- 5.1 Some readers may be frustrated that we have not identified a preferred model for local governance in 2015. That was never our intention and it would be poor policy-making to assume that a model designed today would be fit for purpose in ten years time.
- 5.2 We have, however, reached some important conclusions about what society is likely to be like in 2015. We have identified a set of core functions for local governance to enable it to meet the needs of society then and we have tested four strategic options for delivering those functions. But a lot can happen in ten years. There will be at least two general elections, and many of the issues raised in this report will be subject to intense political debate.
- 5.3 This report has been completed in what can safely be described as “interesting times” for local governance: the government is committed to producing a local government white paper, the remit of the Lyons inquiry into local government finance has been extended, and important government initiatives, policy statements and legislation on education, health and police will have major implications for local councils.
- 5.4 Strategy-making in such a rapidly changing environment needs to be undertaken with care. Current thinking in relation to business strategy is based on a view that overly specific long-term visions can prove hazardous in unpredictable circumstances and can often distract those involved from emerging opportunities and threats. The strategic approach recommended by business academics is to establish a broad vision or direction of travel, which can be adapted as events unfurl and circumstances change, and to be clear about the short and medium term priorities that should be pursued (see ‘Strategy as Active Waiting’ by Donald Sull, Harvard Business Review September 2005).
- 5.5 If we were forced to encapsulate the pressures government is likely to face in 2015 in two words they would be “difference” and “variation”. If we were granted a few more words, we would highlight the social and economic implications of globalisation, technological change and environmental pressures, which will impact in different ways in different localities. The core functions we have identified can be delivered effectively only if there are robust governance arrangements at a local level.
- 5.6 The key question to which we have returned a number of times in this study is as follows: “Given the trends we have identified, and in particular the development of more acute differences within and between communities, which approach is most likely to ensure that the different needs of different groups are met – a strong focus on national minimum standards, or more scope for local decision-making to respond to the different needs of different communities?”

- 5.7 The analysis of the four strategic options suggests that a policy of devolution (rather than decentralisation), with an ability to vary policy in the light of local circumstances, is most likely to meet the challenge of “difference” and “diversity”, but that a combination of uniform and variable policies and entitlements will continue to be necessary to reflect central government’s continuing and legitimate interest in some key policy areas.
- 5.8 Pursuing this approach does involve some risk, particularly in relation to the likely variation of performance of more empowered local organisations. The issue which must be addressed is how that risk compares with the risk that a less devolved, more uniform approach, with a greater reliance on national standards, simply could not cope with the variety of needs of society in ten years time.
- 5.9 The extension of choice in public services will enhance the capacity of those services to respond to diversity and difference, but our work has shown that attention also needs to be paid to extending communal as well as individual choice, and to the role of government in influencing public attitudes as well as responding to them.
- 5.10 Significant difficulties will arise if sensitive decisions are being taken locally in the absence of an effective mechanism for political accountability at the level at which those decisions are being taken. And to that extent that national minimum standards continue to exist in the context of greater devolution and variability, government will need to be clearer than it is today about the areas in which such standards are set and why.
- 5.11 Three further aspects of our analysis and conclusions are particularly important:
- First, the particular importance of local political leadership in at least three respects:
 - In providing the legitimacy for important decisions about regulation and between the competing needs and demands of different groups and communities;
 - In securing support for and commitment to the changes in behaviour and lifestyles that are likely to be necessary to meet the environmental and other challenges that society will face;
 - In bringing together and providing leadership for all the players in a locality.
 - Second, the fact that collaboration between organisations and the continued demolition of departmental and organisational silos will become more rather than less importance over the next ten years.
 - Third, that to meet the challenges we have suggested will exist in 2015 greater citizen engagement with the structures of local governance is essential, not simply desirable.
- 5.12 Pursuing these themes could form the short and medium term priorities recommended in Sull’s approach to strategic planning.

- 5.13 The way in which this debate is taken forward is likely to be almost as important as the content of it. There was a common assumption among those we engaged in this work, not of how policy is implemented but of who can initiate policy. The settled view is that central government initiates and local government waits for a good initiative. While this is true in the formal sense, the nature of central government reforms can be highly dependent on initiatives at the local level. To differing degrees, all the strategic choices considered require local government to be semi-autonomous and to act as if it were autonomous. A psychological shift from dependency to autonomy will significantly enhance the odds of success for all strategic options.
- 5.14 If the strategic choice is to move local governance from dependency on central government to a meaningful measure of local autonomy (as seems necessary given what we expect the future to hold), then this move can not simply be legislated for, it has to be managed, because, as we have seen, it is not a risk free process. Discomfort is unavoidable: change can not be piecemeal; the danger is not so much the toll of failure as that of inadequate success. Piecemeal approaches to grand reforms are rarely a success, but a big bang approach to reform is not practicable.
- 5.15 If the direction of travel is clear, then quite small changes at the margins (stop doing this, do a little bit more of that) will have large cumulative effects. Progress will require a certain degree of self-denial in Whitehall, short term pressures will need to be withstood where they cut across longer term objectives; quick wins which gain legitimacy for the process will need to be identified. If reform is to be successfully effected legislation is not the key; rather clear and settled ministerial intentions and expectations.

Annex: The four strategic options

STRATEGIC OPTION 1: DECENTRALISED/UNIFORM

Government has responded to the emerging demands on the state through a series of incremental steps intended to better enable local public services to respond to the complex mix of neighbourhood level and area wide challenges that they face.

Public services have been re-organised to create coterminous boundaries for all services managed below the regional level. Most affected has been local government, where two tier structures have been abolished. Council borders now match Strategic Health Authority (SHA) and police force boundaries.

Responsiveness at the neighbourhood level has been significantly enhanced through the combination of effective back-office information technology and professional staff located at neighbourhood level. Decisions are primarily influenced by professional expertise. Staff are adept at managing local opinion both in the decisions they make and the way that they implement policy. This has helped to reduce resistance to collective regulation decisions on issues from anti-social behaviour to dogs in parks.

Elected executives now have an easily understood role. Innovations such as four-year terms, improved training and support not only for mayors but for all executives, have led to greater political focus on the quality of council decisions. The role of back bench councillors remains less fully resolved. In parallel public service managers have experienced significant increases in centrally defined duties. The result has been to ensure that clearer political leadership is balanced by tighter constraints on what policies options are permitted at local level.

Management systems to drive improvement continue to be based on a centrally prescribed and monitored set of standards. Technical advances in performance measurement and information management have significantly reduced the burden of inspection. Most key policy goals are delivered through partnerships and their performance is driven through the new inspection regime.

Councils raise more money locally and have closer links to the business community through business taxes. However, there is little room to use tax as a lever for relative advantage because central government has defined the parameters of tax collection and central government grants use equalisation to remove individual localities' advantages in their tax base.

Personalisation of services has advanced significantly. Needs assessment across a range of services continues to improve with best practise spreading across professional boundaries, notably from councils to the NHS. Councils have also developed scale economies through market management with large suppliers. However, the result is that while personalisation underpins service delivery, service solutions are provided from fixed menus agreed with big suppliers. The timescale for meeting new demands can be slow when contracts have already been set.

Analysis of Strategic Option 1: decentralised/uniform

The Opportunity

This option aims to fall short of the demands of 2015. However, what it lacks in ambition it makes up for with the use of more tried and tested methods. It may be that fuller achievement of lower ambition delivers more progress than aiming higher, but risking more serious failures.

This approach avoids relying on reforms whose success cannot be assured. While actively engaging with citizens, success does not depend on a creating a culture of civic engagement. While there is room for executive councillors to play an important role, the system of national standards and improvement drivers ensures that management can deliver reasonably in all areas. If the quality of individual services continues to be seen as more important than collective decisions, then this approach avoids much unnecessary effort. Conversely, strong neighbourhoods will not be able to exclude minorities and misfits from access to state services.

Strengths

The main strength of this approach is that it only relies on managerial systems that already exist. Inspection, market management, partnership and needs assessment systems are further refined. The task is made easier by creating coterminous borders. This option minimises threats to basic minimum standards applied nationally through the relative dominance of professionals in specific service decisions. Systems for developing staff are more advanced than those for developing councillor or community competence and so the outcomes of investment can be expected with more confidence.

Costs

This option is the least costly. However, the reliance on market pressures and scale economies will conflict with the diversity of personalised services that are needed, unless there is investment in transferring 'mass customisation' skills from the private sector.

Risks

The central risk is that this approach will be swamped by the scale of variations in local circumstances. Wealth gaps between localities or within local authority areas can be ameliorated, but their root causes are unlikely to be addressed within so centralised a system. If issues of collective regulation rise up the political agenda this option will be ill suited to manage the consequences. Equally if citizens' interest in civic engagement increases this system may come to be resented as an obstacle to that aspiration. The option does not increase incentives or support for joining up services. As a result while joined up government may become more technically feasible at the local level through improved management systems, each public services silo focus in Whitehall will continue to act as a drag on change and place inconsistent policy demands.

STRATEGIC OPTION 2: DECENTRALISED/VARIABLE

Government have recognised the need to ensure that citizens feel connected councils and local public services, while retaining central levers to maintain the drive for continuous improvement.

Many council boundaries have changed, to better match citizens' own definition of their communities. Both population size and match to other public service boundaries have been given second place to the need for genuine links between the elected authority and public perception of community.

The desire to strengthen citizen engagement is also clear at neighbourhood level where forums are well resourced and enabled to take a wide range of decisions both in regulation such as anti-social behaviour or licensing, and also in collective services such as park management and leisure.

Partly in response to the managerial problems of this greater local variation the powers of senior managers have been strengthened relative to councillors. The result has been to clarify and contain the role of elected representatives. This is most visible in policy areas where local citizen engagement has not been nationally defined as essential.

Officer dominance at the authority level is reinforced through more effective national inspection which constrains local political choice. Technical advances in performance measurement and information management have significantly reduced the burden of inspection, while enhancing its ability to drive improvement.

There is residual direct service provision by councils but most services are delivered through management of very diverse service markets. Council skills focus on identification of personalised service needs and the management of markets to meet these needs. Personalised needs assessment and market management have created a system in which councils make steady and incremental improvements across their service portfolios. Growing competence in these areas ensures that councils are often the preferred agent for devolution of central government services.

Councils have gained extensive powers to use taxes as local policy tools both to change local behaviour and gain advantage relative to other localities. However, the macro effects of these initiatives has been dampened by central government funding policy which creates safety nets through resource equalisation.

Analysis of Strategic Option 2: decentralised/ variable

The Opportunity

This option devolves power through the town hall to neighbourhoods supporting greater civic engagement and democratic representation at the very local level. It hollows out decision making at the councils' strategic apex creating a more competent local agency for central government goals.

If collective regulation rises in political significance then this approach will be well placed to harness social capital at the neighbourhood level. By relying on incremental improvements to current management systems this option increases the chance that councils will become effective agents of national policy. One result would be to give new importance to the role of councillors, but mainly at a neighbourhood level.

Strengths

The system is capable of harnessing social capital in delivering and gaining consent for collective action. Central government will have greater agency power to manage localities from the centre. Strengthening neighbourhood engagement provides a more resilient context for the return of tax powers as a tool in delivering local policies.

Costs

The lack of coterminous borders means that greater investment will be needed to ensure that personalised services do not conflict with scale economies. The management competence needed relies mostly on extensions of existing competence, rather than the development of entirely new approaches.

Risks

If decisions about collective priorities and needs do not take on greater political importance there may not be much left in the councillors' role. Conversely, minorities and misfits are at greater risk of exclusion the more that collective neighbourhood decision-making dominates council action. Political decision making at the local authority level remains weak creating major obstacles to strategic decision-making and addressing 'difficult' decisions. Progress will be more dependent on central government intervention. As a result the risks on NIMBY-ism and inequalities between rich and poor neighbourhoods are increased. Economies of scale will be lost unless councils become skilled at 'mass customisation' techniques that are not in use within the public sector.

STRATEGIC OPTION 3: DEVOLVED/UNIFORM

Government have responded to the impact of differing local contexts on policy implementation through major expansion in local autonomy balanced by dramatic increases in the coherence and authority of management systems and processes.

Improvements in the links between council staff and citizens have eclipsed much of the authority of elected councillors. Reorganisation has created single tier local government coterminous with all major local public services.

Responsiveness at the neighbourhood level has been significantly enhanced through the combination of effective back-office information technology and professional staff located at neighbourhood level. Decisions are primarily influenced by professional expertise. Staff are adept at managing local opinion both in the decisions they make and the way that they implement policy.

Increases in the duties on chief executives and senior managers have expanded their powers relative to those of all councillors, whether executive or backbench. The result is that while the authority and scope of action of councils has increased, the authority of councillors has declined.

In this more managerially driven context the task of driving continuous improvement has been devolved to local level where it is driven by peers and partnerships of local public service providers. Councils themselves have allowed direct service provision to fall away relying instead on the development of significant skills in market management. This role extends beyond services for which councils are statutorily responsible. Involvement in cross-cutting policy has spread council influence across the whole range of local public services.

Councils' skills in aggregating personalised demand and managing the contract markets that meet this demand has evolved service models that deliver continual improvements through scale economies and market power.

Councils have gained extensive powers to use taxes as local policy tools both to change local behaviour and gain advantage relative to other localities. The share of funding raised locally has significantly increased and the impact of this new autonomy is accentuated by the simplicity of central government funding and its reduced concern for equalisation between areas.

Devolution to local government has been matched by devolution to regional tiers of central government. As a result central-local relationships are increasingly managed through local-regional institutions and this has had a noticeable impact extending the scope of public service partnerships targeting local issues.

Analysis of Strategic Option 3: devolved/uniform

The Opportunity

This approach can handle high levels of local variation allowing the council to attack the root causes of policy problems rather than mitigating their symptoms. By relying on the development of managerial, rather than political, competence and designing institutions around those skills it creates the most easily achieved chance of delivering joined up public service that is both highly efficient and responsive. It creates sufficient authority at local level to drive the successful delivery of the most complex cross-cutting policy goals. It is a system in which the political role is that of tribune or non-executive.

Strengths

In the short to medium term, reliance on managers rather than councillors may well ease the task of creating fully joined up services at local level. If authorities were large enough, then equality issues could be addressed through tax raising powers and internal resource equalisation. There is significant scope for efficiency gains through joining back office functions and economies of scale. The backbench role is likely to be enhanced, if only because councillors will have few other avenues of influence.

Costs

The effort involved in developing a new form of performance regime will be reduced by the dominance of management authority and the coterminosity of all public services. The scale of change in central-local relations will create management development challenges across all local public services.

Risks

In the long term this approach can only reduce social capital as it encourages citizens to be passive respondents to the state's search for better outcomes. Over the same time scale the decline in any democratic participation or representation could trigger both backlash and a rejection of the legitimacy of decisions made by the local state. It could be that confined to a non-executive role councillors will increasingly focus on opposition to state spending; a modern version of '*no taxation without representation*'. The system leaves little room for civic engagement and this could undermine legitimacy and acceptance of both tax and regulatory decisions. If collective regulation becomes a political priority, the legitimacy of this option be undermined by its lack of civic engagement.

STRATEGIC OPTION 4: DEVOLVED/VARIABLE

Central government has come to believe that the scale and complexity of local variation in nature of national policy challenges can only be met through major devolution and the development of local political leadership that can engage different groups of citizens.

Council boundaries have changed, to better match citizens' own definition of their communities. Both population size and match to other public service boundaries have been given second place to the need for genuine links between the elected authority and public perception.

The desire to strengthen citizen engagement is also clear at neighbourhood level where forums are well resourced and enabled to take a wide range of decisions both in regulation such as anti-social behaviour or licensing, and also in collective services such as park management and leisure. Councillors are at the hub of these networks.

The role of executive councillors and mayors has been significantly expanded. The quality and authority of those who have taken these new roles has ensured that these politicians take the lead in developing their councils and have significant influence across all their local partners.

The task of delivering continuous improvement has been devolved to local level where it is driven by peers and partnerships of local public service providers. Councils deliver services in-house when this provides a strategic resource that supports the long term partnerships through which their key goals are delivered.

However the core competence of councils is in working with groups and individuals to define collective and individual service needs and match them to a wide range of service solutions supplied through markets and key partnerships, but developed with the council. The entrepreneurial nature of council organisation creates a bias towards dramatic innovation, but has brought with it more frequent serious mistakes.

Councils have gained extensive powers to use taxes as local policy tools both to change local behaviour and gain advantage relative to other localities. The share of funding raised locally has significantly increased and the impact of this new autonomy is accentuated by the simplicity of central government funding and its reduced concern for equalisation between areas.

The rise in both managerial and political authority at local level has been matched by devolution to regional tiers of central government. At the same time Whitehall has narrowed the scope of its work in order to focus on cross cutting issues and strategic influence. As a result central-local relationships are increasingly managed through local-regional institutions and this has extended the scope of local public service partnerships to involve many regional level bodies. However, it has also triggered growing concerns that the basis of ministerial accountability is ceasing to be viable.

Analysis of Strategic Option 4: devolved/variable

The Opportunity

This option could harness social capital channelling it through democratic institutions and wielding democracy as a force for better policy outcomes. It could unleash a renaissance in local democracy contributing to a significant improvement in public attitudes to politics. It could unleash a new era in joined up government, reviving public confidence in the state and so beginning a virtuous spiral of improvement across all public services. The consequences of creating an adult-to-adult relationship between central and local public bodies will spread beyond local public service acting as a catalyst for modernisation across Whitehall.

Strengths

Citizens will have real opportunities to take control of their lives and their local environments. This option provides major role for local democratic politics and does so in a way that enhances policy outcomes. This option can deliver fully joined up government at the local level.

Costs

High and demanding levels of engagement and participation by the public are required if this option is to work. The scale of investment in developing both managers and local politicians is greater than any other option and the route to success is less certain. 'Mass-customisation' skills must be learnt in order to ensure that scale and other economies can be retained. The shift to innovation driven approaches, that trigger more frequent errors, demands still greater skill in the management of media and politics. This approach is likely to require significant investment in new skills and systems within Whitehall.

Risks

This option depends on the successful transformation of the organisational culture of local public services and their management. A new cadre of elected representatives will be required. Whitehall itself will have to change its relationship with local services more significantly than has been the case since 1997. By giving each level real authority this system potentially creates significant tensions between different levels and so its success relies on the development of skills in network management of negotiation. Significant and simultaneous change, across many fronts, would also mean that there is a real risk of failure, with the potential for a problem in one area having implications for the package as a whole.

This report identifies and assess social, economic, organisational, technological, cultural and political key issues and trends of relevance over the next 10 years and considers the impact of these on local public services and local governance in the future.