

A long-exposure photograph of Big Ben in London at night. The clock tower is illuminated and stands on the left side of the frame. The right side of the image is dominated by vibrant, multi-colored light trails from passing vehicles, creating a sense of motion and energy.

OPPORTUNITY KNOCKS

An alternative manifesto

Opportunity knocks

There is overwhelming evidence that public services tend to be more efficient and more responsive to communities when delivered locally. Successive governments have extolled the virtues of localism on their road to power, but have failed to deliver.

This 'alternative manifesto' creates a new vision of how better services could be delivered with local people. By setting a stress test against which political policies can be considered, it provides a mechanism to judge the likely effectiveness of future measures.

Delivering public services is complex, with a huge array of interdependencies, and difficult political decisions to be made to ensure vital services can be secured over the long term. However, from whichever political perspective these decisions are made, we believe there are some core principles which will test the deliverability of reform. Whether they have their roots in left or right, local or national, it is against these principles that we feel local government should measure reform's likelihood of success.

Solace's principles for reform

LOCAL SOLUTIONS have been proven to work most effectively in improving outcomes for communities, achieving greater efficiency and reducing costs.

INTEGRATION has the potential to improve outcomes, transform services and deliver significant financial savings. It is the long-term priority of local councils across all service areas, and should be for the wider public services.

ACCOUNTABILITY has to be re-invented in the light of pan-public sector whole-place approaches, and it needs to be comprehensible to the public.

A NEW CONTRACT WITH COMMUNITIES is needed to restore trust and build a more sustainable, adaptive relationship between local state and citizen.

GOING DIGITAL is already changing everything: the state needs to understand and develop the potential technologies have to revolutionise all service delivery and other interactions with communities.

Valued **LEADERSHIP AND LEARNING** is the thread which binds change together. Clear vision and intelligent leadership is a key enabler of reform. Investment in skills for leadership is essential to the success of reform and the ability of public services to learn and improve.

Observations on centralism

In many respects we have a political consensus that public service reform is required, and that decentralisation should play an important role in that reform. This view manifests itself in a wide range of recent policy, from the creation of academies and free schools to the devolving of funding to local enterprise partnerships. Nevertheless, while we are used to seeing political parties battle for the localist ground in the run-up to national elections, the strong feeling that the reality has never quite lived up to the rhetoric is also a familiar one.

The UK is widely considered to be one of the most centralist countries in the world. Devolution in Northern Ireland, Wales and most notably Scotland has made some progress in enabling governments closer to communities to shape the state's actions. But overall this has been limited. National government and the politicians of Westminster have placed great emphasis on the remoteness of European policy, but those same de-centralising principles are rarely applied at home. The 'localism' policies that have been progressed have made limited impact and avoided reform on the key fundamentals.

Financial autonomy, for example, has a significant impact on a local authority's ability to act responsively to local communities, and be agile and innovative when working with others to tackle local challenges. There has been piecemeal reform of local government's (still centrally-controlled) funding system. The percentage of finance raised locally remains pitifully low when compared both historically and internationally. Local government spending is a fraction of the level seen in most other countries. It is also true that turnout at local elections is higher in countries with greater financial autonomy – suggesting the health of our democracy, as well as its responsiveness, may be affected.

This centralist approach has not always been dominant. A century ago, local government accounted for over 50% of public spending and stood at the forefront of the development of the welfare state. Councils pulled local levers across a wide range of public services, enabling them to deliver more than the sum of their parts. In their own way, local people were developing their own local solutions to the problems of the day.

The environment in which councils operate may be very different, and the services delivered directly much changed, but as recently as 1990 local taxation accounted for over 50% of council revenue. The nationalisation of business rates and the introduction of capping, both absolute (and more recently through loaded local referenda), has severely restricted local democratic accountability in a relatively short space of time.

Of course, this centralised state now operates in a changed financial and social paradigm which makes the need for change more acute. The financial pressures on local government are well-documented, and these apply across government. While the sudden fall in national taxation revenue and increased national spending following the 2008 financial crisis created a financial straitjacket for public services, demographic change resulting in increasing demand means fiscal restraint will remain the norm for the foreseeable future.

But the challenges are not merely financial. Social change – particularly the impact of technology – has created new challenges and expectations of the state. Yet it is in this space that we also find opportunities. Technology has long been an important driver for increases in productivity; but as we create a networked world, the delivery of more devolved, more personalised public services becomes increasingly achievable. While the UK state retains its centralising instinct, the rest of our lives – from individuals creating their own holiday packages online to local area networked energy solutions – are seeing ever more distributed, localised or democratised methods of operation. Perhaps it is time the state started to swim with the tide.

1. Local Solutions

Local Solutions have been proven to work most effectively in improving outcomes for communities, improving efficiency and reducing costs.

Localism has clear constitutional advantages. There is a crisis of political trust in the UK where a succession of scandals have undermined the authority of national politicians. Trust in local councils is almost twice as high as trust in Parliament, and councillors are more trusted than any other politician.¹

While numerous National Audit Office studies have indicated that local councils are more efficient than Whitehall, local government has seen little new substantive freedom since 2010. The General Power of Competence contained within the Localism Act, the transfer of some health responsibilities, and the slow, creeping agreement of city deals have shown some progress.

But the overall impact has been small. Instead, the focus has been on redistributing the limited local government powers to communities, through neighbourhood planning and new, open approaches to commissioning. While this is positive, substantial and sustainable devolution is still some way off unless the centre gives up its power.

One of the main objections to localism (which creates tangible fear across Whitehall) is the risk of creating an unfair 'postcode lottery' of service delivery. The objection assumes that a centralised approach is a more effective method for delivering uniform service standards. However, the evidence suggests the opposite. The NHS, despite attempts at reform, is heavily centralised; yet it oversees huge regional variations in both the quality and cost of delivery. It is clear that the unintended consequences associated with centralised target setting have caused considerable harm.

With localised delivery, individuals are able to exercise choices both in the services they access and through a democratic mandate. Decision-making is therefore more responsive to local circumstances and the needs of individuals.

However, the advantages of local solutions go beyond decision-making. Smaller units of delivery help to create an agile, dynamic and innovative sector, which single, monolithic institutions find it more difficult to develop. They are also of benefit when decision-making goes wrong. A local focus ensures that risks are restricted to smaller units, and creates a system that is less fragile overall. It avoids catastrophic system-wide failure, and enables speedier recovery.

Finally, the smaller unit of delivery unlocks one of our other principles for reform. Integration has proved incredibly difficult in Whitehall, where the nature of our organisational system and the many vested interests ensure that progress remains slow. It has already proved far easier to bring local managers together to co-produce solutions with local communities than to solve systemic problems from Whitehall.

2. Integration

Integration has the potential to improve outcomes, transform services and deliver significant financial savings. It is the long-term priority of local councils across all service areas, and should be for the wider public services.

Local government has driven efficiency gains through the vertical integration of services for some time. The improved management of supply chains has ensured that local government has been able to respond effectively to fiscal restraint and limit the impact on frontline services.

The integration of services from a citizen or customer perspective has also delivered significant change: not merely in improving customers' experience, but also in reducing failure demand. However, horizontal integration across organisations is where the most significant barriers remain, and yet where the greatest potential rewards can be found.

Integration can be seen as an end in itself; the source of greater efficiency and effectiveness. But (probably more importantly) it is the key that opens the door to early invention. Organisational silos prevent the movement

of investment to earlier in a life-cycle. Only with integration can public resources be effectively shifted from managing symptoms to prevention.

Integration is most effectively done locally, and should be possible without central government encouragement. Clear vision and strong, open leadership across partners create the conditions where integration can deliver results. Indeed, these factors are often easier to foster at a local level where strong, long lasting relationships have been developed.

However, in order for benefits to be realised, financial flexibility and a permissive environment is necessary. Local public servants require the decision-making freedom to work independently with local partners. Their performance management frameworks should be aligned so that shared outcomes can be agreed and complementary individual incentives created. With the correct funding arrangements, we are able to ensure the correct organisational incentives are also in place and that investment and reward can be appropriately matched. Therefore, central government action is required to help remove these barriers to integration.

Health and social care, and the 'Better Care Fund', should not be the end of integration in local public services. Only if it becomes the default reform for all public services can the sector remain both sustainable and relevant to citizens. For example, local employment services, skills provision and energy markets all provide opportunities to reach across organisational boundaries and provide services that better match individuals' needs and save the taxpayer money.

3. Accountability

Accountability has to be re-invented in the light of pan-public sector, whole-place approaches, and it needs to be comprehensible to the public.

The current over-emphasis on looking upwards to Whitehall and Westminster needs to be re-balanced by the agreement of shared local outcomes, a local treasury and more accountability for local people.

Devolving power to local communities and locally-elected representatives is only possible if there is far more significant reform in Whitehall. Localism has had a limited impact on Whitehall, and a significant proportion of civil servants still reject the government's stated policy.²

Whitehall continues to possess some well-established shortcomings around weak performance management, inefficiency and silo-based delivery.³ Devolution of power and responsibility would enable a clearer, more focused civil service to be created, devoted to evidence-based policy co-ordination in the spheres where it can add most value.

A major hurdle to such reform is the system of accountability across Whitehall and its impact on the wider public service. The dominant role of the 'senior accountable officer' creates a significant and understandable barrier to change. The current hierarchical accountability structures need to be swept away if public servants are to work together to

solve problems. The National Audit Office has already recognised that current and emerging funding arrangements do not match 'traditional accountability structures'.⁴ It is vital that our response is not to squeeze new approaches into the outdated structures of Whitehall, but that we work together to develop modern solutions, such as local treasuries and scrutiny arrangements, that enable rather than disable integration.

Local democratic accountability of public services should be the norm. This will unlock integration, align incentives and increase responsiveness.

The current lack of local fiscal control also undermines accountability. The power wielded by government departments' handling of revenue grants creates an irresistible temptation to micromanage and stipulate exactly how money is spent. The drift back to financial 'ring fences', the re-emergence of allocating funding through 'challenge bids', and individual policies to control not just what they do but also how (e.g. waste collection, parking), weakens the local democratic process and restricts a council's ability to innovate.

Most importantly, it denies local representatives the scope to make substantive promises and then deliver on them; while the impact of gearing means, perversely, that a marginal national government decision can have a disproportionate financial impact on local communities.

Greater fiscal devolution and fully exploited integration will help unlock the potential of local public services, and the accountability of those services must improve. Only then will local communities be able to engage in real decisions about their local place.

2. Civil Service World Special Report, Rebuilding the ship of state, May 2012

3. NLGN, The Localist Manifesto, 2012

4. NAO, Local Government Funding: Assurance to Parliament, 2014

4. New contract with communities

A new contract with communities can restore trust and build a more sustainable, adaptive relationship between local state and citizen.

Citizens are increasingly demanding relationships that are less hierarchically determined and more network based. The state also needs to reflect the changed long-term fiscal position, a mutual recognition of responsibility and the balance between smaller state and more active citizens. Only by building a new contract can we work with communities to create the new public service.

Local government has responded to austerity by asking hard questions about the services they provide. Efficiencies have been driven through; and in some cases, organisations have revisited the reason why some services exist entirely. However, we must also recognise that these strategies will ultimately not provide the answer to the long-term demands on the state.

Local public services are increasingly attempting to manage the demand for their services, as well as looking for efficiencies in their supply. This is helping to reframe the future of local public services and the relationship an individual has with the state; doing this successfully will see a new contract develop with local communities.

Examples from across the country demonstrate the variety of opportunities to consider public sector efficiency from the demand side. Some councils have taken a whole-organisation approach, while service-specific work has been done in areas as diverse as 'early help and advice' in children's services, and behavioural insight in recycling services.

The long-term financial context is clearly shaping many of these conversations, but the changing social context is also enabling policy to develop in new ways. Citizens are also demanding a new relationship with the state in an increasingly open, transparent and networked environment.

The drive to reduce cost should not be under-estimated, but this should be matched with a locally based, co-produced approach to service reform. To develop the relationships required to make new contracts work, councils need to be 'open by default' and build trust across their communities. These approaches leave space for communities to develop new approaches which effectively substitute state provision.

But it will remain important that any new contract is based in the reality of our fiscal position. It is important that local government continues to lead the way in demonstrating that our financial position is permanently changed, and that our approach to state-sponsored service delivery needs to respond.

5. Going digital

Going digital is already changing everything; but the potential, particularly in public services, is still poorly understood and developed.

‘Digital’ is much more than a shift to cheaper channels of services delivery, important though that is. The state needs to invest in understanding more strategically the potential technologies have to revolutionise almost all service delivery and other interactions with their communities.

The greater use of technology is already thought of as central to the transformation of public services. ‘Digital by Default’ is already a catchphrase for many programmes and underlines a desire to use technology to drive efficiency.

However, using cheaper service delivery channels is just one element of a movement that will go far beyond altering how we deliver services. As we reform public services, we need to recognise the potential and adapt.

Digital is a vehicle for social change as well as efficiency: so, as new approaches to public services develop, it is important that these reflect such change. For example, councils’ use of social media is now mainstream. New channels have been built with citizens that are more direct and visible.

As these develop, we are already seeing more interactive models developing, with communities feeling more active and empowered. Looking forward, we see the emergence of new models of service delivery that sit between traditional sectors and provide small, agile models of service delivery with high social value.

The responsiveness and immediacy of networked communities provide a valuable tool for participatory activity but also presents challenges. Just as companies such as ‘First Direct’ drove the level of expectations in 1990s contact centres, so our councils’ digital response will be judged against the best from other sectors.

Our response should not be constrained to the creation of new services and engagement channels. Technology also has the potential to provide the information required to use resources more effectively, and target activity in areas where we are able to make the most impact. By ensuring such ‘big’ data is also ‘open’ data we can also support wider economic and social benefits.

However, most of all, ‘digital’ is about people as much as technology. While devices and architecture may unlock the potential, it is the wider impact on society, our communities and their values that we need to be aware of and responsive to. Serving a networked community will require a new set of leadership skills and a more flexible approach. Our workforce will also require new skills, from digital communication to data analytics. But that workforce will also be part of those networked communities, and therefore will bring those changing expectations and norms into the workplace.

6. Leadership and learning

Valued leadership of place plays a strategic role in driving the pace and direction of change.

A local partnership between political and organisational leaders enables progress to be delivered both within organisations, but also across partnerships and geographical boundaries. Wherever leadership lies, it needs investment to ensure behaviours and approaches reflect the new operating environment, and create incentives which propel progress rather than oppose it.

Local government leadership, whether political or organisational, is no longer focused purely on the council. While councils can achieve much in isolation, their powers and responsibilities are limited in affecting the challenges facing their local communities. So much of what a local council now does is done by working with and through the full spectrum of partners. Leaders now use 'contextual' skills not only to allow them to operate within this new environment, but also to influence its development.

It is important to recognise that this transition from 'service deliverers' to 'leaders of place' has been swift; and, as with any programme of change, we should not ignore the 'people' element of such a transformation. As local government continues on this journey it must invest in this change,

to ensure that both the leaders of today and those following behind have the attributes for success. Leadership in an agile, flexible environment will prove to be different to the hierarchical approaches of the past. Under-investment in those who lead this transition will make that change more difficult than it need be.

Learning should therefore be given more prominence in the role of senior officers in local government. Our current investment in skills and training is tiny when compared with other parts of the public sector – such as the health service, and our private sector cousins – and the sector should do more to invest in its talent.

As resources tighten and the significance of each decision becomes more critical, it is important that local authorities also develop themselves into learning organisations. Evidence-based decision making will enable us to push forward with local solutions and integration that will have the most impact. We will be able to analyse the 'big data' that we hold, and provide context to co-production, to ensure we aren't merely responding to those with the loudest voice.

As local public services evolve, local representatives will continue to play the vital, yet complex, role of 'scarce resource allocator'. Ensuring decisions are open, transparent and evidence-based will ensure we are able to grasp the opportunities available to us and continue to support the most vulnerable elements of our communities in an effective yet sustainable way.

Where next?

The intention of this document is to promote debate and provide a framework to help thinking around local public service reform. While progress may sometimes feel slow, the radical redesign of local public services is discussed now in ways that would have been inconceivable only a few years ago.

However, local government must also recognise the inherent risks to local government and their communities of greater autonomy. For example, a key driver of centralisation has been the desire to equalise resources across councils with different levels of taxable wealth and demand, and seeking to avoid the 'postcode lottery' through a complex mechanism of central redistribution.

Central government has understandably (if unnecessarily, given local government's strong record) had fears regarding devolution's potential impact on national fiscal stability and prudence. It's important that local public services continue the dialogue to ensure locally-led, integrated and accountable solutions are not lost in the pursuit of public sector reform.

To comment on 'Opportunity Knocks', make suggestions to move the dialogue on, or highlight lessons from what is happening in your area, please visit:

www.solace.org.uk

