



Strong Local Leadership – Quality Public Services

Presented to Parliament by the Secretary of State for Transport,
Local Government and the Regions,
by Command of Her Majesty.
December 2001

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Printed in Great Britain on material containing 75% post-consumer waste and 25% ECF pulp.

December 2001

Foreword



This white paper sets out a new vision for local government at the beginning of the 21st Century. It seeks to establish a partnership between central and local government, reflecting the

critical importance of local authorities as a tier of democratic government, delivering high quality public services to local people.

Democratically-elected councils are part of the fabric of our communities. The services they provide have a vital part to play in sustaining and enhancing the social and economic prospects and environmental quality of our towns, cities and countryside. They can have a profound effect on the opportunities and quality of life of the people who live and work there.

People want good standards of education, safe communities, efficient transport systems and high quality care for the vulnerable in our society. They want clean streets, decent housing, good leisure and cultural facilities, and well-planned neighbourhoods. They want their voices to be heard when decisions are made about how these services are delivered, and they want someone looking after and speaking up for the interests of their communities.

People therefore expect a great deal from their council. And those expectations are rising. To meet them, councils have constantly to seek new and more effective ways to deliver customer-focused services and lead their communities. The proposals in this white paper will provide a framework in which all can do so, through the application of the Government's four principles of public services reform:

Establishing a **national framework of standards and accountability** for the delivery of high quality services and effective community leadership

Within this framework, **devolution to local councils to encourage diversity and creativity**, giving them the freedom they need to respond to and meet their communities' needs.

Building local capacity in recognition of the need for **flexibility at the front-line** to exploit the opportunities we are opening up, and deliver the improved services and effective leadership we all want to see.

And more **choice for customers**, with access to an alternative supplier where performance falls below acceptable standards.

The implementation of this white paper will see greater freedoms for high performing councils, incentives to support the achievement of stretching targets, focused attention where councils are struggling, and effective intervention to tackle failure.

These proposals form part of the Government's agenda for modernisation and reform. For many, they will be challenging. They are meant to be. We propose these changes not for their own sake, but because local people will benefit. From the requirement that all services should be delivered to an acceptable standard. From the fact that the changes we all really want to see – better schools and social care, improved local environments, better transport and other vital local services – will get the priority they deserve. And from effective community leadership by councils in touch with local people and working to meet their aspirations.

I want to see central and local government working together in a constructive partnership to deliver high the quality public services that local people have the right to expect. In a practical way this white paper shows how we can do so.

Tony Blair

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CHAPTER 1

Introduction

We want a vibrant local democracy in which councils deliver high quality and improving local services and provide strong and confident leadership.

We will work with local government to achieve this and remove unnecessary controls which stifle local innovation. The proposals we set out in this white paper mark a radical change in the relationship between central and local government.

Strengthening local government

1.1. The Government wants to see strong, vibrant, innovative and responsive local government delivering the quality of local leadership and public services that their communities need. Councils are run by people elected by the local community. That gives them a unique role and responsibility to respond to local needs and circumstances, and to provide the leadership that helps to create and support thriving communities.

1.2. The proof that they can do so is all around us. In the magnificent municipal achievements of the nineteenth century. In the contribution that councils made to the establishment of our welfare system and economic prosperity in the last century. And it is there today in the things which councils up and down the country do day in and day out to help make peoples' lives better.

1.3. Four years ago councils were not well placed to respond to the Government's vision of successful local government. The resources they needed for essential investment were not in place. An effective, constructive partnership between central and local government did not exist. Universal capping and compulsory competitive tendering (CCT) were the order of the day, focusing on inputs and relegating the achievement of outcomes that matter, such as

improvements in education, social care, housing and transport, and the creation of a clean and safe local environment.

1.4. Since 1997 the Government has introduced a wide range of measures designed to develop better local leadership and focus on service delivery. Financial support for councils' revenue and capital expenditure has risen in real terms in each of the last four years (in stark contrast to the 4 years before that), alongside financial reforms including the end of universal capping.

1.5. A major public service reform programme has begun. The bureaucracy of CCT has gone. In its place, councils strive for continuous improvement through the achievement of best value. This means balancing costs and quality in consultation with local people, and identifying the most appropriate method of service delivery, be it public, private, voluntary, or in partnership. Local Public Service Agreements (PSAs) encourage councils to stretch their performance still further, in return for additional finance and the freedoms and flexibilities needed to do so.

1.6. The new constitutions that councils are introducing following consultation with local people will improve the efficiency, transparency and accountability of local leadership and decision making. The introduction of statutory community strategies and the broad new enabling power to promote community well-being encourage councils to face outwards and work alongside public, private and voluntary

partners to develop and deliver their communities' vision for their locality.

1.7. We need to build on these reforms to ensure effective service delivery and community leadership across the whole of local government. Further reform is needed so that councils have the tools they need to make the improvements local people want to see. In particular, we need to get rid of regulations where these impede councils in finding innovative ways of tackling local problems, and to modernise local government finance.

1.8. Reform is needed because Government has a responsibility to ensure that wherever people live in this country, they have access to good quality public services. Where local government is responsible for providing these services, it must be held to account for achieving appropriate standards across the country. That means tackling the current variability in service quality, especially in critical areas like education and social services.

1.9. Reform is needed to lay the foundations for local government's future. A future in which councils enjoy the confidence of all the partners they work with and all the people they serve, and which sees local government return to the very centre of life in their communities.

1.10. The proposals we set out here will mark a new and lasting basis for effective local government – by celebrating councils as a significant and vital sphere of government and by enhancing their ability to make a real difference to peoples' lives.

Summary of proposals

1.11 We will support councils to make a success of their unique role as democratically-elected leaders of their local communities. We will help them to develop the democratic legitimacy and sound governance needed to

underpin community leadership and effective service delivery building on the new well-being powers and local strategic partnerships. We will encourage other public sector partners to work effectively with councils to tackle local problems and exploit local opportunities. We will promote closer engagement between councils and their communities, and give councils further powers to serve local people and improve the local environment and public spaces. We will allow councils to introduce Business Improvement Districts to promote partnership with local businesses. Significant deregulation will increase councils' freedom of action.

1.12 In line with our principles for public service reform, we will shift our focus to the assured delivery of outcomes through a national framework of standards and accountability, and away from controls over inputs, processes and local decisions. This white paper sets out a comprehensive performance framework for improvement, accompanied by a substantial package of deregulation.

1.13 The framework (which will be complemented by the new performance rating system for social services) comprises:

- clearly defined priorities and exacting performance standards, developed with local government through the Central Local Partnership;
- regular comprehensive performance assessments for all councils, identifying how they are performing against these standards;
- co-ordinated incentives, rewards and tools which address the results of the comprehensive assessments and drive service improvement including:
 - clear and concise public information about councils' performance;

- integrated inspection programmes tailored to councils’ strengths, weaknesses and needs;
- additional freedoms, powers and flexibility over resources for councils with the track-record and capacity to use them;
- tough action to tackle failing councils and services;
- stretching targets and rewards for service improvement, through local PSAs; and
- a streamlined, proportionate and integrated best value regime.

1.14 With this framework in place there will be an increased emphasis on delivery, responsibility and accountability. By removing restrictions and requirements on planning, spending and decision-making and providing new powers to trade and charge, we will free up councils to innovate and deliver tangible improvements in the quality of services and effective community leadership. Unnecessary bureaucracy, red-tape and regulation will be removed for all councils. We will adopt a more co-ordinated and proportionate approach to the demands we make of councils, focusing on the delivery of priorities and outcomes. There will be more financial freedom within a basic framework underpinned by sound financial management and prudent decision-making.

1.15 Specifically, for all councils we will:

- abolish the council tax benefit subsidy limitation scheme;
- shift control over council borrowing decisions to the local level;
- significantly reduce the numbers of plans and strategies that councils are required to produce;

- scale back on area-based initiatives and give greater scope to rationalise partnerships;
- remove unnecessary red tape and bureaucracy including many requirements for councils to obtain Government consent before acting;
- provide councils with wider powers to provide services to others; and
- allow councils to charge for the discretionary services they provide.

1.16 Additional freedoms will be available for high performers, with less ring-fencing, fewer planning requirements and greater freedom to use income from fines. These councils will also have more discretion over best value reviews, a much lighter touch inspection regime and the widest freedom to trade across their services. We will not use reserve powers to cap the council tax increases of high performing councils. Other councils will also be able to agree additional freedoms, depending on their performance profile. Freedoms will also be negotiable through local PSAs, to accelerate progress on key national and local priorities.

1.17 This package of reforms demonstrates Government’s commitment to bring about vibrant, innovative and responsive local government. Local authorities will have more freedom and responsibility to improve their performance and serve their communities. This will enhance local democracy, with local authorities being more clearly accountable to their electorate for service delivery and council tax levels. In return, Government will expect local authorities to rise to the challenge and bring about significant improvements in performance and overall efficiency.

1.18 Police authorities are a special type of local authority, whose national standards and priorities are the responsibility of the Home Secretary. They will retain their own separate

performance framework and will benefit from elements of the wider local authority proposals, such as the new freedom to borrow.

1.19 We will draw together support, on a cross-departmental basis, for:

- building councils' capacity to deliver; and
- improving the skills of councillors and council staff.

1.20 The emphasis will be on targeting resources where they are needed most and on enabling councils themselves to tackle their weaknesses and develop their strengths. Chapter 5 seeks views on our proposals to do this. We will help councils to exploit the potential that new technologies offer to restructure services, speed up transactions, provide a single point of contact for people's needs and join up delivery by local authorities and other agencies.

1.21 We will promote sound financial management in local government including requiring councils to maintain adequate reserves and keep finances under review. We will reform the single capital pot to reduce the proportion of ring-fencing of Government support for capital investment for high performing and striving councils.

1.22 Chapter 6 outlines our proposals for reform of the local government finance system including reforms for parish and town councils. Part II of this publication describes our local government finance proposals in detail.

1.23 We will clarify accountability for financial decisions. In providing greater responsibility to councils for decisions on borrowing, fees and charges and council tax, we will also strengthen the scrutiny role of councillors and reinforce the need for local consultation. Council tax bills will be clearer. They will show the annual percentage change in council tax for different authorities up front, not hidden away in a leaflet.

1.24 We will design new grant formulae that are more intelligible and transparent to all stakeholders.

1.25 The Government's goals of bringing decisions closer to the people they affect, increasing democratic participation and improving the efficiency and effectiveness of service delivery are also being addressed at a regional level. The Government is committed to publishing a white paper setting out proposals for giving people in the English regions a better say in how they are governed. These proposals will be based on the drawing down of powers from central government, as part of our wider commitment to devolution. This will have close links with the ways in which we are strengthening the role of local government and improving the working relationships between different levels of governance.

Wales

1.26 The policy proposals set out in this white paper are for England. The National Assembly for Wales will be consulting shortly on proposals for local government in Wales.

CHAPTER 2

Leading and empowering communities

An effective local democracy, with strong and accountable political leadership, is central to community leadership and the delivery of public services.

We will support councils in their efforts to lead their communities and meet people's needs. In particular we will:

- help councils to enhance their democratic legitimacy and improve governance;
- encourage other public sector bodies to work effectively with councils;
- support greater levels of community engagement and involvement in council business;
- give councils greater freedom and more powers to meet people's needs; and
- allow the introduction of Business Improvement Districts.

Why local democratic leadership matters

2.1 Thriving communities and strong democratic leadership go hand in hand. Such leadership helps to enhance the quality of life of individuals and communities, boost the local economy, improve the environment, and contribute to the achievement of wider regional and national policy goals. Councils are uniquely placed to provide this leadership. The Government is committed to helping them to do so.

THE VALUE OF DEMOCRATIC ACCOUNTABILITY

2.2 Effective local democracy is essential to strong community leadership and improved service delivery. Because they are elected by their communities, councillors play a unique role in linking the delivery of services with local people's needs and ambitions.

2.3 Resources are finite, and communities' views and priorities can diverge and conflict. Consensus cannot always be reached, and so choices and compromises have to be made. That can mean creating winners and losers, trading short-term losses for long-term gains, or

foregoing one set of opportunities in order to exploit another. It also means making strategic choices for future generations not just dealing with immediate interests and issues.

Democratically-elected councils provide the means for expressing and resolving these conflicts, for ensuring that differing points of view are heard and understood, for promoting understanding, and for making tough choices. Councils are then responsible for explaining those choices and will be held to account for them by local people.

2.4 Councils – unlike any other local organisation – are designed specifically to play this role.

COMMUNITY COHESION AND CIVIC RENEWAL

2.5 Communities and places differ and change, and so do the challenges they face. Local areas are becoming more diverse. Our towns, cities and rural areas contain many communities, often sharing space and resources, with many similarities but also significant differences.

2.6 Communities everywhere face rapid changes to their economy, environment and social mix. The leaders of those communities have to adapt continually to such changes. The

best councils anticipate change and respond accordingly. Shifts in economic activity are met by developing new foundations on which to build economic success. Changes in cultural mix are met by developing positive community relations and promoting inclusiveness. Failures in community leadership can contribute to a breakdown in community cohesion. This can lead in the most serious cases to the sorts of incidents of civil disorder that we saw last summer in a small number of our towns and cities. A report on these incidents produced by the Ministerial Group on Public Order and Community Cohesion¹ examines the link between community leadership and community cohesion in more detail.

2.7 Successful councils ensure that the voices of all get heard – not just the most vociferous, powerful or well-established. They assess the problems faced by different groups and tackle discrimination and disadvantage wherever it is found. They enable individuals, families and communities to find and develop solutions to their own problems, provide the resources and opportunities to help them do so, and work with others to contribute to those solutions. They stand up and speak out for all local people. And they engage them in the design and delivery of services.

DELIVERING SUSTAINABLE DEVELOPMENT

2.8 Strong community leadership means providing the economic infrastructure needed by local businesses to compete successfully on the local, regional or wider stage. It means developing social capital by supporting civic engagement and networks of neighbourhood organisations. It means enhancing environmental quality by reducing waste, energy use and air pollution and improving public

space. And it means safeguarding the interests of future members of the community. Many decisions made now will have long term implications. These need to be identified, understood and designed into local policies. These are not separate goals – sustainable development means addressing all of them at the same time.

2.9 Communities are inter-dependent. Actions taken at sub-regional or regional level can have a profound effect on the development of local areas. Local activity contributes to the achievement of wider goals. Someone needs to champion their communities' interests at these wider levels, join up with neighbouring areas to identify and achieve common goals and take local action which promotes the wider economic or environmental interests of the region and beyond. Councils are the best placed local bodies to do this.

DELIVERING HIGH QUALITY SERVICES

2.10 The Government believes that all residents, no matter where they live, are entitled to good quality public services. Local government has a key role to play in enabling people to receive this entitlement, through arrangements that reflect local circumstances and that empower local communities. This is particularly true of services (such as social services, planning, transport and leisure) that need to be tailored to the particular needs of the locality or individual service users. And it is true for problems which are to some extent rooted in local circumstances and therefore vary from area to area (neighbourhood renewal and improving public spaces are good examples). Local authorities are well placed to achieve this balance between national policy goals and local service delivery.

¹ This report is to be published by the Home Office shortly.

A ROLE FOR ALL COUNCILS

2.11 All councils can contribute to effective democratic leadership. As the most local form of democratic governance, parish and town councils have an invaluable role to play in identifying needs in rural areas and market towns, and then working with others to meet them. Our proposals to establish Quality Parishes² will strengthen their role still further.

2.12 Districts have a strong local presence too. They are responsible for many of the services – planning, housing, leisure, environmental services – which have a direct impact on quality of life. The contribution of upper-tier authorities, especially for education and social services, is equally important. This is the level at which links to other key service deliverers – such as the health service and the police – can most effectively be formed.

2.13 Each tier therefore makes an important and distinctive contribution. Effective working between all tiers – both strategically through local partnerships and in the day to day delivery of services – is essential if communities are to be well-served by their councils.

Helping councils to lead their communities

2.14 Responsibility for community leadership rests with councils. Government can help to create the conditions that enable councils to make a success of their leadership role. As Government at all levels must recognise, real

leadership has to be earned – it cannot be conferred through the ballot box alone. To be successful community leaders, councils need:

- democratic legitimacy;
- sound governance;
- effective partnerships with other local organisations and their communities;
- powers that enable them to make a real difference;
- real community engagement and empowerment;
- room to respond effectively to local priorities;
- continuous improvement in their service delivery; and
- a willingness to exploit the potential afforded by new technologies.

2.15 The Government has already taken action to help councils with each of these. We can and will do more.

DEMOCRATIC LEGITIMACY

2.16 Improving turnout is one of the key ways of bolstering democratic legitimacy and civic engagement. Currently, turnout at elections is falling and in local elections is frequently below 35%. There are many reasons for this. Reversing the trend will require long term changes in people's behaviour. In their report on the 2001 elections³ the Electoral Commission concluded that it is above all the quality and persuasiveness of policies put forward by the political parties

² *Our Countryside: The Future A Fair Deal for Rural England*, DETR, MAFF, November 2000, Cm 4909, ISBN 0101490925. <http://www.defra.gov.uk/erdp/erdpfrm.htm>
Quality Parish and Town Councils: A Consultation Paper, DEFRA, DTLR, NALC, LGA, Countryside Agency, November 2001 <http://www.defra.gov.uk/wildlife-countryside/consult/qtpc/index.htm>

³ *Election 2001: The Official Results* Electoral Commission, Politico's Publishing, July 2001, ISBN 1842750208. <http://www.electoralcommission.gov.uk/publications.htm>

and their ability to motivate voters that will determine future trends for electoral turnout. This is as true for local elections as for Parliamentary elections. The Commission recognise also that it is essential to modernise electoral arrangements and respond to people's changing expectations.

2.17 Central and local government have a shared interest in working with the Commission to tackle these issues. We will continue with pilots of electoral innovations, including investing in and promoting e-voting. We are working with the Improvement and Development Agency (IDeA), local government and others to introduce an electronic register of electors. And we are developing an implementation plan and strategy for e-democracy and e-voting.

2.18 The current cycle of local government elections is confusing. Some councils have elections once every four years while others have elections in three years out of four. It is too easy for electors to lose track of when elections are to be held or how many votes they have on any particular election day. And this arrangement can lessen the immediate impact of voters' behaviour on council control. We will therefore invite the Electoral Commission to propose options to simplify the current cycle of local elections.

SOUND GOVERNANCE

2.19 People will have more confidence in their councils as leaders if they know who actually makes the decisions, how they are made, and how the decision-makers are held to account.

2.20 Our approach is that people should be able to choose how they are governed locally. Councils need to listen to people's views when deciding what their constitutions should be and how to conduct their business. The reforms introduced in last year's Local Government Act provide a range of choices. Decisions will be

made efficiently and openly by people who are visible to their communities, and overview and scrutiny arrangements will strengthen the links between councillors and the people they represent.

2.21 We have introduced statutory codes of conduct, standards committees, and the independent Standards Board for England. This framework means that councils operate under a more rigorous ethical regime than any other local partner. These measures will help to halt the slide in public trust caused by the small number of high-profile cases of councillor misconduct.

2.22 To support these changes, we will

- work with the Local Government Association (LGA) and the IDeA to develop a best practice programme on how the new arrangements are operating;
- evaluate the benefits that new constitutions are bringing, and ensure the results inform the work that councils do;
- review the help and guidance we give to local authorities;
- support efforts by the IDeA and others to build capacity for political leadership; and
- continue to support local authorities in developing their approach to overview and scrutiny. We will clarify our statutory guidance to make clear our view that overview and scrutiny committees should:
 - focus on reviewing the actual outcomes that their councils' policies are achieving for local people in practice, as well as reviewing the policies themselves;
 - search for innovative ways to improve the quality of services within best value;
 - involve other local stakeholders in their work; and
 - review the work of other local service providers.

2.23 We are monitoring the experience of those councils who have held referendums and are now moving forward to hold elections for a mayor. In last year's Urban White Paper we said that where local people think that a directly elected mayor is right for their town or city, they should have the opportunity to vote for one.

2.24 In partnership with councils where people have decided to pursue this form of governance, we will develop a support programme which includes:

- education of voters about mayors and the voting system;
- learning from the lessons of the first round of mayoral referendums and elections, in order to refine and improve the process, in particular how people go about submitting a petition to require a referendum; and
- sharing information with all councils on best practice.

2.25 As experience grows, we want councils to look again at their constitutions, including the form of leadership chosen, taking account of local opinion. We therefore propose that after a set period – perhaps five years – councils should review their constitutions. Local choice will remain the guiding principle, based on full consultation and, where appropriate, referendums.

2.26 Councils will need to bring to such reviews the developing body of best practice and the experience of others. We will help local authorities to undertake such reviews and look to see that they are guided by what local people tell them. We believe that independent and representative democracy commissions provide a good vehicle for this.

2.27 We recognise that there are circumstances where having a mayor would have particular benefits, for example where a council has been failing and requires decisive managerial and political leadership to sustain improvement. In chapter 3 we set out proposals for intervening in failing councils. One option would involve putting the council into a form of administration for an interim period. As the position stabilised following this, we think that, subject to the views of local people in a referendum, a mayor and council manager could provide the decisive leadership to ensure that improvement is sustained. We will set out more detailed proposals on this in due course.

2.28 It is important that local authorities continue to operate transparently and increase the openness with which they do business. Authorities already operating executive arrangements must publish a forward plan containing details of key decisions they are going to take and they must take such collective decisions in public. We have defined key decisions as those which will result in significant savings or expenditure or which are likely to have a significant impact on two or more electoral divisions or wards within the local authority, or both.

2.29 Following consultation,⁴ we believe local authorities are best placed to make the choice as to what constitutes a key decision for this purpose. We plan to review the access to information regime for councils during 2002 at the same time as we are preparing for implementation of the Freedom of Information Act in local government. As part of this, we will work with authorities and the LGA to identify best practice in defining what is a key decision.

⁴ *Access to Information in Local Government: A Consultation Paper on Aspects of the Access to Information Regime for Local Authorities in England*, DETR, April 2001 <http://www.local-regions.detr.gov.uk/consult/infoinlg/index.htm>

EFFECTIVE PARTNERSHIPS

2.30 In recent years there has been an increasing recognition, in both central and local government, of the importance of successful partnership working. To tackle our most challenging problems – on health, crime, education, transport, housing and the local environment – we need to marshal the contributions of the public, private and voluntary sectors, and of communities themselves. We will not achieve genuinely citizen-centred services unless service deliverers work well together.

2.31 The Government has done a great deal to encourage such partnerships in policy and service delivery at both national and local levels. We are committed to building on the successful track record of partnerships like the New Commitment to Regeneration and Health Action Zones. In particular, we will complete our drive to establish effective local strategic partnerships (LSPs). These partnerships are the key element in developing integrated approaches to local service delivery, and to tackling policy priorities in a joined-up way. They bring together service deliverers, communities, the voluntary sector and business to identify local priorities and to devise and implement strategies to meet them. They also lead local efforts to close the gap in living standards and opportunities between the most deprived neighbourhoods and other areas.

2.32 We are therefore committed to playing our part to help LSPs succeed. Local authorities and their partners have put in a great deal of effort to establish LSPs. In many areas, significant progress has been made, and examples of exciting and genuinely inclusive approaches to partnership working are beginning to emerge.

2.33 In practice, it is clear that success depends on securing the effective involvement of the

public, private, voluntary and community sectors. Local partners are best placed to decide how to achieve this. So the detailed structure, membership, and geographical coverage of LSPs should be determined locally.

2.34 The Government Office accreditation process now underway in the 88 most deprived areas will provide a rich source of feedback and learning on how LSPs are developing. We will look carefully at the lessons learned from the accreditation process, and draw these out in revised, non-prescriptive guidance to be published next summer. The Government has no intention of imposing a one-size-fits-all approach, or of attempting to micro-manage LSPs through Government guidance or accreditation.

Councils' role on local strategic partnerships

2.35 Councils have a particular responsibility towards LSPs. Our recent guidance reflects this. We look to councils to be the prime movers in instigating LSPs where they do not already exist and in guiding them through their early stages. Once LSPs have been set up the partnerships themselves should decide who leads. As many as one in four LSPs are chaired by partners other than the local authority. This is in keeping with our non-prescriptive approach. That does not mean that once an LSP has been established a local authority's leadership role has ceased. Irrespective of who chairs an LSP, someone needs to take responsibility and be accountable for ensuring that:

- the membership and methods of consultation and engagement are balanced and inclusive;
- difficult decisions are addressed and resolved, not just the easy ones. Those decisions should not simply represent the "lowest common denominator"; and

- the partners properly resource and support the LSP.

2.36 In one sense these responsibilities are shared by all partners. But someone needs to step forward and take a lead on these issues if others are failing to do so. This is a key part of every councils' responsibility as the community leader.

Rationalising partnerships

2.37 Some partnerships are established by statute. Others derive from the requirements of funding or planning activities. Proliferation of these separate partnerships can lead to fragmentation, duplication and inefficiency. LSPs were established, in part, to bring some order to this situation, by placing themselves at the apex of local partnership arrangements and organising existing partnerships on a sensible basis.

2.38 The Government will reduce the number of partnerships it requires. The Regional Co-ordination Unit's review of area-based initiatives will help to reduce the number of partnerships associated with these initiatives. Our proposals to reduce the number of ring-fenced grants and plans will also lead to a reduction in funding and plan-based partnerships.

2.39 Local partners should not have to wait for these deregulatory initiatives to bite. From now on they will have wide discretion as to how and when to rationalise their partnerships. LSPs will be able to slot any statutory partnerships into their emerging structure, for instance as sub-partnerships of the LSP. They will have a free hand to rationalise other partnerships, bringing them together in mergers, nesting them within the LSP and so on. In doing so, partnerships which have a separate legal status will need to maintain a distinct identity. To ensure that these changes are effective, LSPs must develop, discuss and agree them with the partnerships in question.

2.40 Government Offices should be kept informed of any such developments and may be able to provide advice and assistance (but not exercise a veto).

2.41 For the future, the Government will commit itself to working within existing structures wherever possible, signalling to LSPs when we expect a particular policy initiative to be dealt with collectively and looking to LSPs to decide how best to arrange that locally.

Public sector involvement in LSPs

2.42 If LSPs are to succeed, all the relevant public sector partners – as well as those in other sectors – need to play their part. The Government doubts whether a statutory duty will improve the participation of public sector bodies although we will keep this under review. Instead, it will use various other means to encourage engagement with LSPs, including:

- budgetary mechanisms to ensure that public bodies that wish to contribute financially to LSPs have the ability to do so;
- performance management instruments (Public Service Agreements, business plans, service level agreements, management statements and so on);
- line management systems to provide staff with incentives to achieve partnership objectives, and support for staff development and capacity building in relation to partnership working;
- organisational incentives (e.g. through the wider distribution of local PSA rewards); and
- organisational restructuring to provide greater freedom of action to local agencies.

2.43 Levers such as these can have a great effect. In relation to the public bodies accountable to Government, Departments are willing to use any and all of these in order to secure a suitable level of involvement in the work of LSPs as the best way of delivering shared outcomes. During 2002 we will explore in detail with the LGA and other stakeholders how we can best do so, with a view to implementing changes through guidance by April 2003.

Working with business to improve communities

2.44 The Government wants to see councils and businesses in their areas working together to improve local conditions. As part of this, we will legislate to allow Business Improvement Districts (BIDs) to be established in any area where they are backed by the majority of businesses. The BID will be funded by an addition to the business rate. The Government will introduce legislation dealing with such essential issues as the arrangements for the vote on whether to have a BID. Guidance will be provided on how BIDs should work, drawing on existing best practice in establishing and delivering BID-type schemes. We do not wish this to be prescriptive. The Government will encourage the local authority and business organisations to produce this guidance themselves.

PROMOTING EFFECTIVE COMMUNITY ENGAGEMENT AND EMPOWERMENT

2.45 Effective community engagement leads to better decisions and better implementation. Community involvement is a key component of best value, an increasingly important element in the improvements we are making to health services and is an important goal for LSPs in

taking forward community strategies and other initiatives. To help build social capital and the capacity of communities to engage in local decisions we have established schemes such as the Community Empowerment Fund, Community Chests and the Community Champions Fund. We shall review the support that Government provides to build community capacity in next year's spending review.

2.46 Councils themselves (both members and officers) need the capacity and skills to engage with and empower their communities. The proposals in Chapter 5 to build the capacity and skills base of officers and members will help here.

2.47 We believe that councils should allow more input from citizens, including giving them better access to council meetings. Area consultation and decision making arrangements have a valuable role to play in helping to involve citizens in decisions which affect them, particularly on neighbourhood issues. We want local authorities to make more use of area forums, public assemblies and citizen's user boards.

2.48 We want people with a stake in the quality of council services to make a more direct contribution to council decision-making. When legislative time is available we will provide greater flexibility for more voting non-councillor members to be co-opted onto overview and scrutiny committees, so that they can take part in activities such as best value reviews.

2.49 We will also develop a programme for promoting civic education and training. Our aim, with local authorities, will be to alert young people to the working of social and public life, their rights and responsibilities, the consequences of the choices they will be called on to make and the means at their disposal for influencing local policies.

2.50 Advisory referendums are a useful way of giving local people a direct say in important decisions affecting their lives. Following through the commitment in our 1998 Local Government White Paper⁵ we will legislate at the earliest opportunity to confirm the power of councils to hold referendums on important matters which relate directly to the services they provide and the finances associated with them. Whilst such referendums would be neither obligatory nor binding, they would clearly have considerable status in guiding local decision-making.

GIVING COUNCILS POWERS TO MAKE A REAL DIFFERENCE

2.51 For councils to lead successfully they need the powers to make a real difference to the quality of life of people in their areas. The Local Government Act 2000 provided councils with a new and wide-ranging enabling power to promote the economic, social and environmental well-being of their areas. There is scope to go further. We shall carry through our pledge to provide a wide-ranging power for all councils to charge for discretionary services. And we shall provide new powers for all councils to provide goods and services to other partners, building on our recent proposals⁶.

2.52 The quality of our public space has a direct impact on the quality of our lives. That is why we are working on a wide ranging study on improving the public space in preparation for next year's spending review. This includes an examination of the responsibilities, powers, freedoms and enforcement mechanisms currently available to local authorities. In particular, we want councils to have a fully

effective range of powers to deal with social and environmental nuisances. We are already consulting on proposals to enable councils to deal more effectively with abandoned vehicles. We will work with the LGA to extend awareness of current powers and good practice in applying them, and consider changes to the current framework where it is unclear, contradictory or ineffective.

2.53 We will also use deregulatory legislation (such as Regulatory Reform Orders) to simplify existing powers where this would help councils to use them more effectively. For instance, our proposals to replace closely prescribed private sector renewal legislation with a new general power will make it easier for councils to take a strategic approach to housing renewal, giving them more freedom to respond to local priorities.

CONTINUOUS IMPROVEMENT IN THE DELIVERY OF SERVICES

2.54 A council that does not secure real improvements in the services for which it is responsible will not inspire confidence as a community leader. So efforts through best value and the comprehensive performance framework set out in chapter 3 to raise the quality of council services will also help to validate councils' community leadership role.

ALLOWING COUNCILS ROOM TO RESPOND EFFECTIVELY TO LOCAL PRIORITIES

2.55 Chapter 4 sets out a range of proposals on ring-fenced grants and to free councils from other central controls (plans, strategies, consent

⁵ *Modern Local Government: In Touch with the People*, DETR, July 1998, Cm 4014, ISBN 0101401426. <http://www.local-regions.dtlr.gov.uk/lgwp/index.htm>

⁶ *Working with Others to Achieve Best Value*, DETR consultation paper, March 2001 <http://www.local-regions.dtlr.gov.uk/consult/bestvalue/index.htm>

regimes and so on). These will significantly increase councils' freedom to respond to locally-defined needs and priorities.

EXPLOITING NEW TECHNOLOGIES

2.56 New technologies have the potential to transform relations between local people and their councils. They open up possibilities to

- integrate a wide variety of council and other providers' services around the needs of their customers;
- increase participation in council activities such as overview and scrutiny;
- provide more and better information about council and other local services;
- conduct transactions more efficiently and conveniently; and
- improve and speed up access to services and help.

2.57 Exploiting that potential is essential if local government is to keep pace with changing public expectations. Some local authorities are already challenging their 'silos' of service delivery by enabling their citizens to have a single point of

access to services in ways which best suit them. There is much scope for extending such initiatives throughout the country. Local authorities were asked to demonstrate their commitment to meeting the Government's electronic service delivery targets by 2005 in their individual Implementing Electronic Government Statements. The task is a significant one and will require sustained commitment over the next few years.

2.58 Many local authorities are using the potential of communications technology to help support community engagement and leadership. To assist this we will redevelop the gateway to internet consultative forums on the UK government portal – www.ukonline.gov.uk. We will also commission research on how information and communications technologies can enhance new member and officer roles in councils.

2.59 To help build greater communications capacity, we will work closely with local government on a longer term communications strategy following the outcomes of the current pilot project and the results of our forthcoming research on public participation.

CHAPTER 3

Quality public services

A national framework of standards and accountability and removal of unnecessary burdens and bureaucracy are essential for ensuring that services improve across the board.

Building on the successes and potential of best value and local Public Service Agreements (PSA) the Government will put in place a comprehensive framework for continuous improvement in the quality of local government services to help councils make a real difference for their communities.

Specifically we will:

- clearly define service priorities for local government that have been agreed through the Central Local Partnership (CLP);
- introduce a framework for the overall assessment of performance which addresses

these priorities and includes the standards which councils will be expected to deliver;

- publish clear and concise information about councils' overall performance;
- in addition to freedoms for all councils (see chapter 4), grant extra freedoms according to councils' ability to use them to make a real difference, including wide-ranging freedoms for high-performing councils;
- move quickly to a proportionate and co-ordinated inspection regime;
- intervene decisively where councils are failing; and
- publish a national strategy for exploiting the potential of new technologies in local government.

A national framework

3.1 The first of our four principles of public service reform is a national framework of standards and accountability.

3.2 Best value and local PSAs both contribute significantly to improvements in the quality of council services and help councils to serve their communities better. Best value provides the foundation for a much more open and imaginative rethinking of the way services are provided and for councils to work in new and strategic ways with partners from all sectors. Local PSAs, with their focus on voluntary negotiation of stretching targets in return for freedoms and other incentives from Government, promise to accelerate improvements in priority services and are a new way for local and central government to work together. We want to build on the potential of both to realise our shared ambitions for excellence in the quality of services for local communities.

3.3 The Government will put in place a comprehensive and integrated performance framework to help councils deliver better services for their communities. This will include:

- clearly defined priorities and exacting performance standards;
- a framework for performance assessment and proportionate and co-ordinated inspection including regular comprehensive assessments of each council's overall performance;
- extra freedoms and flexibilities for councils which are able to use them to make a real difference for their communities, over and above the universal deregulation described in chapter 4;
- local PSAs to deliver accelerated improvements in priority services supported by additional freedoms; and

- a streamlined and reformed best value framework to help councils manage improvement across all services.

3.4 Information from comprehensive performance assessments combined with clear priorities and standards will lead to:

- targeting of support and inspection resources according to councils' strengths, weaknesses and needs;
- clear and concise public information about councils' performance;
- targeting of additional freedoms to councils with the capacity and track record to make best use of them for their communities;
- easier identification of poor performance and earlier action by councils and others to tackle it;
- better informed negotiations on local PSAs; and
- fewer and more targeted best value reviews.

Priorities for local government

3.5 Local government and those charged with auditing and inspecting councils' performance rightly complain that central government has not been clear enough about what it expects from councils. In future, priorities will be more clearly identified. But this will not be effective if the Government simply specifies targets from above.

3.6 Local government is a partner with central government which, through democratically accountable decision making,

identifies and responds to local needs and contributes towards national services through local delivery. Councils will make their most effective contribution if, alongside central government, they take responsibility for key national priorities and instigate corrective action when standards are not being met.

3.7 The Government agrees with the Local Government Association (LGA)¹ that there should be joint ownership of the priorities for local government. Through the Central Local Partnership, we will define a single list of priorities for local government. The list of agreed priorities will inform the national PSA for local government to be developed in next year's spending review.

3.8 The Government's top four public service priorities are education, health, crime and transport (see the box for those to which councils contribute most directly). Councils, often working in partnership with others, have a key role to play in the delivery of each of these. Their education, social care and transport responsibilities are clearly important here, and councils' activities on housing, environmental services, culture, sport, neighbourhood renewal and planning can also contribute. As democratically elected bodies they also have freedom and scope to determine their own priorities locally, based on the needs and aspirations of their communities.

3.9 The Government will expect to see councils' approaches to best value and their local PSAs give clear expression to the priorities in the national PSA as well as locally determined priorities. How priorities are delivered at local level will vary depending on local circumstances. All authorities will be expected to deliver rapid improvements on the priorities identified in the national PSA.

¹ *Partnership for Ambition: councils and government working together*, LGA Paper, November 2001. <http://www.lga.gov.uk/lga/clp/ambition.htm>

Government's priorities for public services

Education

- Transforming secondary education.
- Improving recruitment, retention and quality in the teaching profession.
- Improving access to higher education.
- Raising standards in primary education.

Health

- Improving older people's care and children's services.
- Narrowing the health gap.

Crime

- Reducing crime and the fear of crime.
- Tackling drug abuse.

Transport

- Reducing congestion in large urban areas, increasing bus and light rail patronage, reducing accident rates and contributing to the improvement of local air quality as set out in *Transport 2010: The 10 Year Plan*.²

- poor-performing councils to receive IDeA support;
- a specified number of councils to pilot new ways of joint county-district working; and
- a continuing commitment for a specified number of councils to sign or review their local PSA.

LGA's six priorities for public service delivery

- Supporting children and their families.
- Assisting schools to match the excellence of the best.
- Helping the hardest to reach into work.
- Helping older people live independent lives.
- Delivering higher quality, more reliable bus services.
- Transforming the local environment.

PERFORMANCE MEASURES

3.10 Local government's commitment to improvement is demonstrated in the LGA's six priority areas for service delivery (see box), some of which reinforce the Government's priorities. The Government has welcomed these and is committed to supporting them. We also welcome the LGA's offer in their recent paper *Partnership for Ambition* of a further commitment to specific actions that support improvements in service delivery, including:

- a specified number of councils to have an Improvement and Development Agency (IDeA) Local Government Improvement Programme visit or re-visit each year;

3.11 All effective organisations need to know how well they are performing and what their strengths and weaknesses are. The Government must ensure that the priorities on which it was elected are being delivered and that standards are being met across the range of statutory public services.

3.12 Currently there are many overlapping performance measurement frameworks in use by central Government to monitor local government services. The cumulative effect of these can be an overload of confusing measures and a loss of focus on priorities.

3.13 We will move towards a more coherent and integrated system of performance measures

² *Transport 2010: The 10 Year Plan*, DETR, July 2001, ISBN 1851124136. <http://www.dtlr.gov.uk/trans2010/index.htm>

across the range of local government services. We will aim in the spending review, in consultation with the LGA, to:

- put in place a national PSA for local government informed by the priorities defined through the CLP, which draws together all the relevant outcome targets;
- devolve these targets to local services through best value and local PSAs;
- ensure that, as far as possible, these local targets are aligned across different public services; and
- update and integrate the Spending Review 2000 floor targets relating to deprived areas.

3.14 In partnership with local government and other stakeholders, we will aim, as part of the coherent and integrated system of performance measures, to put in place a framework in which there are:

- defined standards focused on priority areas identified in the national PSA for local government; and
- clear criteria against which performance can be assessed for each defined standard.

3.15 All authorities will be expected to deliver on these standards. They will be assessed against them through inspections and comprehensive performance assessments. Where councils fail to deliver they will be expected to put things right. Where necessary the Government will take decisive remedial action.

Performance assessment

3.16 High quality council services rely on strong corporate governance from their political and administrative leaders. Where individual services fail the reason often lies in political or administrative shortcomings at the heart of the

organisation. Service-based inspections and assessments do not in themselves provide sufficient means to address overall corporate performance. We will therefore introduce comprehensive performance assessments for all councils building on existing audit, inspections and assessments and including assessments of corporate capabilities.

3.17 These assessments will be a cornerstone of the Government's performance framework for local government. They will provide Government, councils and the public with a clear performance profile for each council. This information will:

- enable a proportionate action plan, linked to the Best Value Performance Plan, to be agreed with each authority to address areas of concern highlighted in the comprehensive performance assessment and to help better target resources for support;
- inform negotiation of targets and freedoms through local PSAs; and
- provide a robust basis for action to tackle poor performance and failure.

3.18 Evidence on councils' performance is currently gathered from a wide range of different assessments. The comprehensive performance assessments will draw these together. Each council's performance and capacity to improve will be assessed, taking into account local circumstances, bringing together:

- performance indicator data (on current performance and past trends);
- OfSTED, the Social Services Inspectorate, the Benefit Fraud Inspectorate and other service based inspections and assessments together with audit reports; and

- a corporate governance assessment of the authority as a whole, undertaken in dialogue with the authority and incorporating an element of peer review.

3.19 The result will be a ‘balanced scorecard’ compiled by the Audit Commission with assistance from other inspectorates and bodies with an assessment role, and working with councils themselves. This will identify each council as either:

- *high-performing* – near the top of the performance spectrum, with high performance in priority service areas, no poorly performing services and with proven capacity to improve;
- *striving* – not necessarily at the top of the performance spectrum but with proven capacity to improve;
- *coasting* – not at the top of the performance spectrum and with limited or no proven capacity to improve; or
- *poor-performing* – consistently near the bottom of the performance spectrum and with limited or no proven capacity to improve.

3.20 These assessments will be complemented by the new performance rating system for social services described in the box.

3.21 Over time we want all councils to progress up the performance spectrum. Successive comprehensive performance assessments will show which councils are making such progress. They will also show if any councils are standing still or sliding down the performance spectrum.

3.22 In addition, each authority’s performance on all the key services will be identified separately using the appropriate inspectorates’ assessment wherever these have been satisfactorily completed. The Audit Commission will aim to complete the first comprehensive performance assessments for all upper tier authorities by late 2002 and for district councils by late 2003.

3.23 The Audit Commission is developing, and will pilot, the methodology for the comprehensive performance assessments with other inspectorates and Departments. They will do this in consultation with local government and other parts of the public sector where there

The social services performance rating

Comprehensive performance assessment builds on the development of social services performance ratings, to be published for the first time in Spring 2002-03. The social services performance “stars” will provide judgements of performance for social services in a way that is understandable for the service users and the general public.

Social services performance assessment brings together evidence from indicators, inspections and in-year monitoring. Each year, the Social Services Inspectorate meets with each council to review performance and identify key improvements for the year ahead.

As well as the single star rating for overall social services performance, judgements on services for children and services for adults will be presented. Judgements will be made on the basis of current performance but will also include prospects for improvement.

A range of “freedoms” will be available for the best performers. Three-star councils will have access to their share of the social services performance fund by right, for example. This approach will be extended to other grants and the Government is considering how, for those performing well, planning requirements could be reduced and a lighter touch inspection regime introduced.

The social services performance ratings will feed into the comprehensive performance assessment for all local authority services.

is the potential for joint action, for example with the Commission for Health Improvement.

PUBLIC ACCOUNTABILITY

3.24 To enhance local accountability the Government will publish clear and concise performance information from these assessments for each class of authority. This will include a 'scorecard' available to the public so they can see how well their council is performing. It will also include the overall classifications and a summary of current performance levels for key services.

HIGH-PERFORMING COUNCILS

3.25 Chapter 4 sets out our proposals for deregulation to encourage innovation and creativity, to identify local solutions and to improve performance. In addition, in our manifesto we promised to provide "further flexibility to high-performance authorities, with reformed inspections and more local discretion to encourage civic renewal". This reflects our confidence that the best performing councils will be able to use this additional freedom for the benefit of their areas, and to improve performance still further.

3.26 The additional freedoms that we will provide include:

- a right to have existing ring-fenced grant replaced by targeted grant in any case where the council and Government judge it to be desirable except in respect of grants which have to be passed to schools;
- not being subject to the reserve powers to cap council tax increases;
- more freedom to use income from fines;
- further reductions in plan requirements to be agreed with Government; and

- a reduction in proportion of ring-fencing of Government support for capital investment.

3.27 Chapter 4 sets these additional freedoms in their wider context. As a result of our proposals for new trading powers (see chapter 4), streamlining best value reviews (see below) and a more proportionate and co-ordinated approach to inspections (see below), high-performing councils will also have:

- freedom to trade more widely across the range of their services;
- more discretion over the content and timetable of their best value review programmes; and
- a much lighter touch inspection regime.

3.28 In addition, high-performing councils will have access to further freedoms through their local PSA negotiations.

3.29 Complacency will not be a characteristic of high-performing councils. On the contrary the Government will look to them to lead the way to further service improvements and to share their expertise with other councils. They will also receive targeted support for capacity building and training to help them do this. Subsequent comprehensive performance assessments will look for evidence of this.

3.30 The Government's aim is to see all councils moving into the "high-performing" category by strengthening their capacity to deliver on priority services. This reflects our goal to see widespread excellence across local government. We will keep the package of freedoms for high-performing councils under review. We expect that, over time, further freedoms will be added to the package as they are identified (e.g. through local PSAs) and some of the freedoms in the package could be rolled out more widely if they are shown to be successful in delivering service improvements.

STRIVING COUNCILS

3.31 Further freedoms will be available to striving councils following their comprehensive performance assessment, including through local PSAs.

3.32 We would expect to agree more extensive freedoms for striving councils than for others including access to a package of freedoms approaching that available to high performers. They will also be free to trade in areas where their performance is strong (see chapter 4).

3.33 Striving councils will have a bespoke, lighter touch inspection regime, and more discretion over their best value review programmes. They will receive targeted support for capacity building.

COASTING COUNCILS

3.34 Coasting councils will have their performance monitored against the proportionate action plan they agree following their comprehensive performance assessment (including their best value review programme and audit and inspection programme). They will receive support for capacity building concentrating on areas of weakness. With that support, the Government will expect to see rapid improvement in their overall performance.

3.35 Like others, coasting councils will be able to secure further freedoms through negotiations on their local PSAs where the freedoms can assist in delivering stretching targets to help improve local services. They will also be able to trade in areas where their performance is strong (see chapter 4).

POOR-PERFORMING COUNCILS

3.36 For poor-performing councils it may also be appropriate to temporarily ease some

regulatory requirements as part of an overall plan for tackling their weaknesses.

3.37 Poor-performing councils will receive a directed approach to support and capacity building and Government intervention where this is necessary to tackle corporate or service weaknesses. As described later in this chapter, we will draw from a range of intervention options depending on the nature and seriousness of the weaknesses identified. Their performance will be monitored against the action plan they agree following their comprehensive performance assessment (including their best value review programme).

Proportionate and co-ordinated inspection

3.38 External scrutiny plays a key role in driving up performance. We remain committed to the principle of external inspection and there is a broad consensus amongst all concerned on its potential for delivering improved outcomes.

3.39 The Government recognises that increased inspection activity has led to additional costs for local authorities both directly through fees and indirectly (through the member and staff resources required for inspections). The recent Public Services Productivity Panel review concluded that inspections need to be better co-ordinated and re-focused to reflect and better support council performance.

3.40 We will therefore move quickly to establish a new model of inspection for local government based on the following principles:

- effective co-ordination of inspection across the full range of local authority functions;
- the amount and nature of inspection activity for an authority will reflect its performance profile identified through

the performance assessments and risk analysis, taking account of local priorities; and

- inspection must be an effective component of intervention measures where services are failing.

3.41 In the case of high-performing councils this will lead to a substantial reduction in inspection activity.

3.42 The Government believes that existing institutional arrangements need to be strengthened. In particular:

- the Audit Commission will have a leading role in helping to develop each council's inspection programme working with the other inspectorates. This will flow from the council's action plan following its comprehensive performance assessment;
- we will extend the remit of the Best Value Inspectorate Forum to encompass the full range of local government inspection activity. We will task this new Forum and the Audit Commission with delivering the new inspection regime;
- the Forum will be required to report on progress to a joint Ministerial Group supported by a new unit; and
- in 18 months time the Government will assess progress towards delivering the new inspection regime and consider more fundamental institutional change to drive the process further should this prove necessary.

Tackling poor performance

3.43 The Government will not tolerate poor performance or failing councils and services. They let down the people councils represent and serve. They damage the reputation of the rest of

local government. Local government is equally committed to tackling poor performance. Where a council or service is poor or failing we will expect councils to act to put things right and where necessary we will take decisive and tough action.

3.44 Comprehensive performance assessments will provide the basis for a common approach to intervention across Government. Information from those assessments will enable us to identify councils that are failing, on the verge of failing or consistently performing poorly. In discussion with the Audit Commission and other inspectorates, we will establish common criteria across Government which will determine how and when action is taken to tackle failing councils and poor service performance. This will be reflected in a revised intervention protocol with local government. In addition, Ministers will reserve the right to act swiftly to tackle service or corporate failure where a serious risk is identified either to local people or to the well-being of their community. All existing powers for Ministers to intervene where performance is inadequate will be preserved within the new framework.

3.45 Information from comprehensive performance assessments will enable earlier identification of potential corporate failure and poor service performance. Where this occurs we will identify with the authority a package of support provided either from within the local government community or by external bodies. The package will focus on areas of greatest weakness and be designed to remove barriers to greater efficiency and higher quality services. Where support is provided from within the local government community it will generally be under the guidance of the IDeA. If we cannot reach agreement with the authority we will prescribe the measures that are required.

Tackling serious corporate failure

In addition to early intervention through negotiated or imposed peer and external support, the actions described below could be taken where very serious failings are identified.

Transferring functions to other bodies

Where a council is failing, particularly where the authority is in serious financial or corporate difficulty, one option is to require certain functions to be transferred to another body. Options include:

- enforced contracting out of the function to another body such as another local authority, a not-for-profit company or trust or the private sector with the council retaining statutory responsibility for strategic decisions; and
- transferring responsibility in this way but with no residual statutory role for the council.

Administration

Where financial mismanagement is at the root of failure, the law at present requires the council's finance officer to issue a notice suspending all new commitments until the council has met to take decisions. These warning stages are designed to require councillors to rethink their spending decisions. We believe that a stronger process is required where councils are facing persistent financial difficulties with adverse consequences for local people. A further possibility is to appoint an administrator with widely drawn powers to restore solvency while ensuring the continuity of essential services. This would be triggered on public interest grounds and could be the precursor to a longer term negotiated or imposed support package once financial stability has been restored. Administration can also be an effective solution for more general corporate failure.

Franchising management

Incoming managers from a high-performing council or another public body would take on management of the authority under a franchise. Such arrangements could include success-related reward or bonus arrangements. This approach would allow for cross-fertilisation of good practice between authorities, across service boundaries and from other public bodies. It would also promote greater choice of providers for public services.

3.46 Poor-performing and failing councils can expect a comprehensive programme of inspections to monitor progress across the full range of services. We will adopt a more directive approach to best value review programmes and local PSA negotiations, with less discretion for the council about the targets to be met. We will also consider the temporary relaxation of national requirements for less critical services, so that the authority can concentrate on improvements in priority areas.

3.47 Where, following a comprehensive performance assessment, a council is identified as failing with little or no prospect of improvement we will apply early intervention measures. Which measures are used will depend

on the specific circumstances of the authority and the nature of the failure. They will include negotiated or imposed peer and external support (described above) and further, tougher actions such as:

- transfer of functions to other providers;
- placing the council into administration; and
- franchising management (where stronger councils are given a role in running weaker ones).

3.48 We will consult on the alternative forms of intervention (including those described in the box) and the way in which they might work in practice. In doing so we will draw on

experience of intervention across all services. Tackling poor corporate performance will open new opportunities to change the way in which services are provided and encourage real choice.

Local PSAs

3.49 Local PSAs concentrate on a limited number of important targets for improving performance. Their particular strength is that they are negotiated and agreed between individual councils and Government. Each council makes a commitment in its local PSA to achieving a dozen or so targets for stretching performance focussed on clearly specified outcomes. These targets relate to both the Government's priorities and locally identified priorities. For its part, the Government commits itself to supporting the delivery of national and local priorities by:

- promising performance reward grant for achieving the targets;
- providing a pump-priming grant to help the authority achieve these targets; and
- negotiating freedoms and flexibilities in statutory and administrative requirements that hamper delivery of the targets.

3.50 This year, local PSAs have been agreed with twenty councils in a pilot scheme. All other upper tier authorities have been invited to negotiate agreements over the next two years. Nearly all those authorities have now booked their negotiations and the first four have concluded their agreements. The box gives examples of commitments made by councils and of freedoms agreed by Government in the pilot scheme.

3.51 The Government and the LGA have worked together to develop local PSAs, which have been welcomed by both central and local government. Councils have found them useful in providing a focus for improvements in priority

service areas and have welcomed the opportunity for discussion with senior Government policy officials. Central government has found them useful both as a contribution to meeting national targets and as a forum for developing wide-ranging freedoms to make it easier for councils to deliver high quality services.

3.52 We intend to build on the success of the local PSA pilots to stimulate and reward improvements in performance in those aspects of a council's activities that are of the greatest importance locally and nationally. We will retain the main features of the present scheme described above.

3.53 To ensure greater focus on delivering improvements in priority service areas we will take a more proactive approach to local PSA negotiations. In particular we will:

- approach the council well before negotiations commence to identify a small number of areas in which we will expect their local PSA to include 'stretch' targets. These will focus on those areas within the Government's top four priorities where the council's performance is relatively weak (as identified by the comprehensive performance assessments);
- encourage councils to propose 'stretch' targets in other service areas included in the national PSA for local government, particularly in areas in which their performance is relatively weak; and
- retain a substantial minority of 'stretch' targets for locally identified priorities which matter to local people.

3.54 The Government will continue to assess proposals for freedoms and flexibilities according to their potential to help councils achieve better outcomes. We will recognise stronger performance by agreeing more ambitious freedoms.

Examples of commitments to better outcomes and freedoms and flexibilities agreed in pilot local PSAs

Better outcomes

Education: to increase the percentage of 14 year olds at or above the expected standards for their age in literacy (by 6%), numeracy (by 8%), science (by 7%) and information technology (by 5%). (Previous council target increases without a local PSA were: English 4%; Maths 4%; Science 4%; and IT 3%).

Crime: to reduce the number of domestic burglaries from 4,366 in 1999/2000 to 3,275 in 2003. (Previous council target for 2003 without a local PSA was 3,711.).

Transport: to increase bus use from 31.3m passenger journeys in 1999/2000 to 33.05m in 2003/2004. (Previous council target for 2003/04 without a local PSA was 32.55m.).

Social services: to increase the number of looked after children who are adopted by at least 66% between 1999/2000 and 2003/04. (The expected increase without a local PSA was 33%.)

Waste: to reduce the number of fly tips from 9589 to 8221 between 2000/01 and 2003/04. (The number without a local PSA was expected to rise to 11,986).

Rural areas: to improve access to services in rural areas, reducing poverty and connecting isolated communities, measured by a range of indicators.

Regeneration and neighbourhood renewal: to reduce dependency and increase employment and fulfilment of people in two deprived areas of the county, measured by a range of specific indicators.

Freedoms and flexibilities

- Participation in work on rationalising planning regimes for education and social services.
- Greater ability to transfer funding between education Standards Fund categories.
- Greater certainty of funding from education and crime prevention initiatives.
- Advance piloting of proposals in the Adoption White Paper.
- Return of income from litter fines, to use for street cleanliness projects.
- Agreement with the Driver and Vehicle Licensing Authority to act as agent in removing unlicensed vehicles.
- Permission for provision of joint arrangements in respect of services to address abuse of drugs.
- Experimental lane rental schemes to reduce traffic congestion.
- Better links between local authority closed circuit television monitoring and police radios, overcoming confidentiality problems.

3.55 We will also continue to expect to see evidence in local PSA negotiations that a council is working with other local partners (including other upper-tier councils, single-purpose authorities and district councils) where such collaboration is likely to lead to better outcomes. As local strategic partnerships are developed we will expect them to contribute to the council's shaping of their local PSA and to

the delivery of the targets it contains. This will open the way for local PSAs to evolve to cover wider aspects of public services than just those of the local authority. We will retain the flexibility for councils to strike deals with other partners on how to share their pump-priming and reward grants for shared targets, and to request freedoms and flexibilities for their partners to support the delivery of shared targets.

DISTRICT COUNCILS

3.56 District councils are an important feature of the local government landscape especially in rural areas. They deliver important services which affect every household or many households – environmental services, benefits, housing, planning, waste collection, local tax collection, electoral services and so on. This makes districts well placed to benefit from and promote e-technology. They also have an increasingly important role in delivering local environmental improvements (the “liveability” agenda).

3.57 Districts should not work in isolation. The Audit Commission’s recent annual best value statement⁴ highlights that while some district councils deliver very good services many have limited capacity to improve and innovate. There are particular issues facing small districts which have a limited council tax base and limited capacity to undertake significant discretionary activity, not least because they employ only a small number of officers.

3.58 District councils are best placed to respond and adapt to meet local challenges when working in partnership with others. We continue to believe that collaboration between districts and counties will result in better outcomes than would be achieved by those authorities acting alone, particularly in delivering access to services in rural areas.

3.59 We will continue to provide incentives for county-district co-operation in local PSAs through:

- strong encouragement for county councils’ local PSAs to include targets that require working with districts;

- a larger potential reward grant where there is substantial district involvement (reflecting the budgets of participating districts as well as counties); and
- a larger pump-priming grant in recognition of the extra administrative costs of negotiating the involvement of districts.

Streamlining best value reviews and plans

3.60 Best value replaced compulsory competitive tendering, and with it removed the constraints on local authorities which prevented them from working in new and strategic ways with other partners. It is designed to put high standards and the needs of people and communities above cost reduction.

3.61 Best value is already making a difference in delivering service improvements and in closing the gap between the authorities which were lagging well behind the best. Some authorities have shown that step changes in the quality and efficiency of services are possible.

3.62 All this is a promising beginning. Like the Audit Commission, we recognise that there are valuable lessons to be learned from the first year of best value on which we need to act. We also recognise the case for streamlining the best value regime, to enable authorities to use it as an opportunity for radical challenge rather than a bureaucratic process, and to engage citizens and staff in improving services.

3.63 Best value reviews are becoming more strategic and fewer in number. We will introduce further measures to reinforce a more challenging and strategic approach. We will also simplify and reform the best value performance plan.

⁴ *Changing gear: Best Value Annual Statement 2001*, Audit Commission, September 2001, ISBN 1 86240 307 4
<http://www.audit-commission.gov.uk/publications/nrchanginggear.shtml>

3.64 Our recently published consultation on performance indicators for 2002-03⁵ proposed a reduction in the total number of indicators from 123 to 95. This represents a reduction of 23% from 2001-2 and of almost 50% from the high point of 189 indicators in 2000-01. Further reforms will arise from the rationalisation and consolidation of performance measures in next year's spending review.

3.65 These proposals, together with further changes to come following the wider review of best value, will streamline and strengthen the best value framework so that it provides a better basis for developments in:

- performance assessment and inspection;
- local PSAs; and
- intervention where councils or services are failing.

BEST VALUE REVIEWS

3.66 Each council's review programme will be influenced directly by information from the comprehensive performance assessment. In particular:

- high-performing and striving councils will have greater flexibility to determine their review programmes in the light of our intention to remove the requirement to review all of their functions over a five year period; and
- coasting and poor-performing councils will be required to negotiate with the Audit Commission a programme of reviews focusing on particular areas of weakness identified by their

comprehensive performance assessment. For poor-performing councils there will be a greater degree of prescription.

3.67 In each case, review programmes will be negotiated alongside audit and inspection arrangements.

3.68 Challenge remains an essential element of best value reviews. It has often been neglected by local authorities. We will promote a stronger challenge element in best value reviews by:

- encouraging early involvement of auditors and inspectors to ensure that hard questions are tackled at the scoping stage;
- requiring the involvement of 'third parties' (service users, other stakeholders and 'independent' participants) in all reviews, including elements derived from the IDeA's "peer challenge". Chapter 2 describes some measures for strengthening third party involvement in the work of overview and scrutiny committees; and
- issuing clear guidance on the respective roles of executive members and overview and scrutiny committee members in reviews, emphasising the importance of strong corporate leadership within the authority.

3.69 We will also encourage greater use of cross-cutting and joint reviews by:

- building on the findings of councils' comprehensive performance assessments to deliver the priorities set out in the national PSA for local government;
- providing incentives for joint action by tying them more closely to sources of funding such as that for e-government;

⁵ *Best Value Performance Indicators 2002/2003: A Consultation Paper* DTLR, November 2001 <http://www.local-regions.dtlr.gov.uk/consult/best02-03/index.htm>

- building capacity to manage joint reviews involving third parties; and
- requiring joint reviews as part of a package of remedial measures for poor-performing councils.

BEST VALUE PERFORMANCE PLAN

3.70 The best value performance plan will remain central to our performance framework and provide a focus around which plan rationalisation can take place. It draws together future and past information on councils' performance, plans and finance, and it will feature prominently in the comprehensive performance assessment of each council. Together with the assessment results, it will provide the basis for dialogue with auditors and inspectors on a more integrated and proportionate audit and inspection regime.

3.71 These plans need to be better focused on service delivery priorities, councils' capacity to deliver and financial performance. To achieve this we and councils need to be clearer about the intended audiences for the plan. It is unrealistic to seek to meet the needs of Government, local people and stakeholders, inspectors and auditors in one document.

3.72 The content of the plan will be kept under review to ensure that it is fit for purpose and does not pose excessive burdens. In doing so we will remove the requirement for it to include explicit policy statements on different issues. Instead we will rely on the development of performance indicators such as those on cost-effectiveness. We will move towards a broader annual assessment of the plan and integrate this with traditional audit processes such as the opinion on accounts and the management letter. This judgement will be communicated to

stakeholders and the public in the form of a 'report card' on the council's performance and capacity.

3.73 From 2002 we will change the annual date for publication of the full plan to 30 June so that it is based on actual rather than estimated performance information. This will bring it into line with the planned date for publication of councils' annual financial statements. We will require publication of summary information targeted at local taxpayers and service users by 31 March. The summary publication will be integrated with the council tax leaflet sent out with council tax bills from 2002. We are also consulting on medium term proposals for streamlining council tax information⁶. Local authorities will be able to provide this information in a form which helps people to understand it and secures a better fit with other corporate information. The council's monitoring officer and chief executive will be responsible for ensuring the objectivity and political impartiality of the summary.

BEST VALUE PARISHES

3.74 We will issue separate guidance to best value parishes tailored specifically to their needs. That guidance will include all the streamlining measures described above. When legislation permits, we will pay a grant of £30,000 each year to best value parishes to cover the costs of audit and best value related work such as the preparation of performance plans and the management of reviews.

3.75 Best value should, wherever possible, provide opportunities for principal authorities to delegate functions to parish and town councils and encourage partnership working between the different tiers of local government. We will issue further guidance to principal authorities

⁶ *Improving Communication with Council Tax Payers: A Consultation Paper*, DTLR, September 2001
<http://www.local.dtlr.gov.uk/finance/ctax/consult/index.htm>

advising them to include in their Best Value Performance Plans their arrangements for working in partnership with parishes on neighbourhood service delivery.

THE REVIEW OF BEST VALUE

3.76 The review of best value will build on these simplifications and reforms and:

- explore ways in which best value can be more focused on higher standards of service;
- ensure best value is neutral as to whether services are provided by the public, private or voluntary sectors, having regard to the need for alternative providers to challenge existing providers and tackle failing services;
- ensure that terms and conditions of staff are fair, both in terms of the work being done and incentives for better performance and, where there is evidence of a two-tier workforce, to propose effective remedies;
- consider how staff can be fully involved in best value; and
- review the scope for providing incentives to managers and employees in the public sector.

DIVERSITY AND CHOICE

3.77 One of our key principles of public service reform is more choice for the consumer including the ability, particularly where quality falls below acceptable standards, to have an alternative provider. We believe that rising expectations amongst the public, together with significant advances in the way in which services can be delivered, make it essential that

there is real variety in the way in which services are delivered, genuine choice of service providers and genuine choice for service users.

3.78 In most cases the highest standards of service provision are more likely to be achieved where there is competition and choice rather than any one supplier dominating the provision of services. We believe it is essential that where services are failing there should be a wide range of alternative options available. Where possible we want to see real choice for the consumer. So we will ensure that the plans drawn up with coasting and poor-performing authorities following their comprehensive performance assessments address the extent to which greater diversity of service provision would improve performance. Where councils do not follow these plans the Government expects the Audit Commission and other inspectorates to recommend the remedial action to be taken by Government.

3.79 Consumer choice comes in various ways. For some services it can come directly so that the public can choose who to go to for a particular service. Where this is possible we want to see it happen: for example in parental choice of school or offering a range of support and care packages for older people. For other services, such as waste collection, choice is less practicable although success in meeting shared objectives, such as on waste recycling, will still depend on meeting householders' preferences. Consumer choice can also come from active participation in council decisions on choice of provider and ultimately through the ballot box.

3.80 No sector – whether public, private or voluntary – is indisputably the right choice in every circumstance. We want to establish the conditions under which all sectors have an opportunity to make a contribution to improving local services, either separately or in partnership. There is no reason why, in

principle, these conditions should not apply to all areas of local government responsibility. And we want to give all those delivering high quality and efficient public services, from whichever sector, every incentive to make good use of their experience and expertise to help authorities that are struggling.

3.81 The responsibility for creating the conditions for real choice of this sort rests on all those with an interest in local services. Local authorities, service deliverers, frontline staff and their trades unions all have roles to play. Fair competition and fair employment go hand in hand.

3.82 We will consider urgently the recommendations of the review of best value on ways in which a level playing field can be established for local government services. In the light of the review's recommendations we will consider:

- amending statutory guidance to place greater emphasis on:
 - the use of fair and open competition wherever practicable,
 - diversity in service provision,
 - wider choice of service providers, and
 - analysing, developing and creating markets to encourage diversity, innovation and competitiveness;
- developing better indicators of diversity and choice against which performance can be assessed;
- how best to build capacity so that councils can exploit the opportunities provided by the new powers to trade set out in chapter 4; and
- encouraging better use of best value reviews to identify and tackle delivery options that require partnership with others, including public-public partnerships.

3.83 The Strategic Service Delivery Partnership Task Force has been asked to help evaluate and develop alternative models for service delivery. This development work will make an important contribution to genuine choice for councils and in particular for users of council services.

Exploiting new technologies for better services

3.84 Chapter 2 describes the potential for new technologies to transform the relationship between local people and councils, and to help local government adapt and respond to changing public expectations. New technologies are also critical to improving service quality and cost. These technologies open the way for the public to go to a single website or call centre to find information or transact business. They also reduce information, handling and process costs. These technologies can enable dramatic efficiency gains alongside transformation of the effectiveness of services. They can also open up greater demands on services as access becomes easier.

3.85 This makes it crucial to develop electronic strategies alongside best value reviews and local strategic partnerships. Effective grasp of the transforming potential of e-government will be a key factor in the council's capacity to improve.

3.86 The 100% response rate to the call for councils to prepare Implementing Electronic Government statements is an encouraging sign of local government's readiness to move forward. It is also important for local and national e-strategies to be coherent, so that functional and service plans are thought through from the point of view of local delivery and allow room for local imagination and innovation.

3.87 Early in the new year a national strategy for local e-government will be published. This will provide a platform for central-local co-operation. It will map the building blocks that need to be in place and clarify responsibilities for building national capacity and infrastructure and developing skills and support. It will provide comprehensive information about who is doing what and to what timetable. It will show the way to meeting our target for electronic delivery of all services which can be delivered in this way by 2005. The national strategy will set out an ambitious vision for transformation, integration and change built on exploiting the potential of new technologies to the full.

CHAPTER 4

Freedom to deliver

To realise our common aim of improving people's quality of life councils need greater freedom and wider powers to deliver.

We will:

- provide greater freedom to borrow, invest, trade, charge and set spending priorities;
- abolish Council Tax Benefit Subsidy Limitation;
- cut back on planning requirements, area-based initiatives, consent regimes and other red-tape; and
- take steps to prevent the future imposition of unnecessary new burdens.

Introduction

4.1 The second principle of the Government's programme for public service reform is that effective delivery of national standards requires the devolution of real power and responsibility to local leaders and frontline staff. We have to increase councils' room for action, giving them the powers and freedom they need to innovate and shape services in ways that respond to and meet local needs. We will do this for all councils wherever that will deliver better services. Where councils have the track record and capacity to use substantial extra freedoms for the benefit of their area, we will go further.

4.2 The importance of local government's contribution to improving people's quality of life in areas such as health, education, transport and community safety gives central Government a significant and legitimate interest in the efficiency and effectiveness with which councils deliver services. As a result, Government has sought to influence councils' behaviour, by introducing controls over inputs (e.g. by controlling borrowing, and ring-fencing resources or channelling them through special programmes), processes (by requiring the production of plans or establishment of partnerships) and decisions (e.g. through the introduction of consent regimes).

4.3 There are problems with this approach. Over the years, the cumulative effect has become significant:

- the level of ring-fenced grant is in danger of rising to levels that seriously restrict councils' financial room for manoeuvre;
- councils are now required to produce some 66 separate plans and strategies, with top tier councils alone required to produce more than 40;
- the Regional Co-ordination Unit has identified some 30 key initiatives targeted at deprived areas and neighbourhoods.

4.4 This accumulation of central requirements and initiatives can become counter-productive, especially if – as has often been the case – measures are not focused on the clear delivery of outputs and outcomes, and are introduced without considering their potential to increase bureaucracy and inefficiency.

4.5 That is not to say that these mechanisms are of no value. They can be an effective and appropriate response in certain circumstances, notably to kick start action on a national priority that is not yet being effectively addressed at local level. But Government needs to use them in a more measured and considered way. Too often they are seen as a first resort, rather than as one of a range of policy responses. Once introduced, Government is often slow to remove or wind them up, even when they have served their purpose. Too little account is taken of the cumulative effect that such measures can have – including the attendant dangers of fragmentation, duplication and rigidity in the

efforts of councils and their partners to tackle local problems.

4.6 The new arrangements described in chapter 3 will allow Government to shift its focus to the assured delivery of outcomes through a national framework of standards and accountability, and away from controls over inputs, processes and local decisions. In chapter 6 of part II of this publication we set out proposals to promote sound financial management and responsibility. With these initiatives in place, many of the existing controls over processes and finances will become unnecessary. So over the course of this Parliament we will give councils more space to innovate, to respond in ways that are appropriate to local circumstances, and to provide more effective leadership.

4.7 We will provide greater freedom for councils to borrow, invest, trade, charge and set spending priorities. We will reduce the number of plans councils are required to produce at Government's behest, rationalise area-based initiatives, abolish a large number of consent regimes, and tackle a number of other items of regulation or red tape. And we will put in place effective mechanisms to prevent the imposition of new and unnecessary burdens.

Freedom to borrow and invest

4.8 We will abolish the existing system of credit approvals. It will be replaced by a local prudential regime under which individual authorities will be responsible for deciding how much they can afford to borrow, in accordance with the code which CIPFA is developing. There will be reserve powers to set a national borrowing limit in circumstances where the total

local authority borrowing seems likely to result in a level of expenditure which the economy could not afford. There will also be reserve powers to re-impose Government control on authorities which abuse the new freedom. Instead of controlling the borrowings of all councils, the Government will intervene only where an authority proves unable to discharge the responsibility itself.

4.9 The amount of borrowing that an authority can afford will normally depend on the revenue income available to service debt after meeting other spending commitments. It would not be prudent for authorities to borrow against the security of their capital assets and we shall retain the present prohibition on the mortgaging of local authority property.

4.10 This new approach to capital investment will also cover housing, giving authorities freedom to borrow to the extent that they can afford to service the additional debt from their existing resources. We believe that housing finance must remain separate from other funding. It would be wrong for council housing either to subsidise or be subsidised by the general council taxpayer. But we will simplify housing finance and eliminate unnecessary divergence between housing and the rest of the finance system.

4.11 When the new prudential regime comes in, we will end the unnecessarily complex 'receipts taken into account' mechanism, and not replace it with an alternative system¹. This will mean that authorities will no longer have part of their capital receipts taken into account in the allocation of Government capital support. The current housing 'set aside' arrangement will be replaced by a simpler housing capital receipts pooling system that will apply to all housing receipts, including those received by debt free authorities.

¹ See paragraph 4.32 of part II.

4.12 We will create new options to allow authorities to get best value when they invest the funds they hold. We are consulting on giving authorities access to commercial 'money market funds' and to a similar public sector fund operated by the Public Works Loan Board. We propose to make the latter available in advance of the new legislation.

Greater freedom to trade and charge

4.13 The Government wants to see a dynamic and entrepreneurial public sector which will increase diversity and choice in the delivery of public services. In March, we published a consultation paper with proposals to allow best value authorities to supply and charge for goods and services to others in the public, private and voluntary sectors.² The proposals were intended largely to replace reliance on the Local Authorities (Goods and Services) Act 1970, which restricts local authorities' trading powers to dealings with other authorities and designated public bodies.

4.14 We will go further than the proposals in the consultation paper and provide wider powers to trade for all authorities, where this helps achieve best value in the delivery of public services. Councils should be able to trade in any service in which they have a strong performance on delivery. High performers will therefore be able to trade across a wide range of their services. Trading will not be subject to any centrally imposed financial limit or be limited to the exploitation of existing assets. We will provide incentives to good service providers to take on new work and build their capacity to provide services to others. We will publish statutory

guidance on the use of these powers, which will provide the necessary safeguards for taxpayers, local service users and businesses. This guidance will ensure that councils do not distort markets through cross-subsidation and other forms of unfair competition. It will also be tailored to the effectiveness of each council, giving the best performers the widest freedom and flexibility to use the new powers.

4.15 In addition, we will give authorities the power to charge an appropriate fee for providing discretionary services.

Greater freedom to set spending priorities

4.16 We have undertaken a review of ring-fenced grant. We conclude that ring-fencing remains an important means of bringing about change, for example ensuring that councils and schools devote sufficient attention to areas that have been neglected in the past. However, the growth in ring-fencing is excessive – from 5% of all grant in 1997 to 12% this year and on present trends to 15% in 2003-04. This growth threatens to erode local decision-making responsibility, limit authorities' ability to tackle important local environmental priorities (such as litter, graffiti and public spaces) and to increase council tax levels.

4.17 We will therefore restrict ring-fencing to cases which are genuine high priorities for Government, and where we cannot achieve our policy goal by specifying output or outcome targets. Any new ring-fenced grant schemes will be time-limited and have no match-funding requirements, other than for very small pilot schemes. All authorities will benefit from these reforms, which demonstrate that the

² *Working with Others to Achieve Best Value*, DETR consultation paper, March 2001 <http://www.local-regions.dtlr.gov.uk/consult/bestvalue/index.htm>

Government is committed to reducing the level of ring-fenced funding. High-performing councils will have a right to have existing ring-fenced grant replaced by targeted grant in any case where they and Government judge it to be desirable except in respect of grants which have to be passed to schools. We will also restrict the proportions of ring-fenced capital support.

4.18 We have already announced that we will allow local authorities to use the money from fines for dog fouling and littering to provide additional spending to enhance the local environment. We also intend to make surplus revenue from parking fines available for additional spending on local environmental improvement rather than just transport projects. We will give high-performing authorities complete freedom to decide how to spend the income from dog fouling, littering and parking fines. In addition, we will review other new and existing powers to levy civil penalties with a presumption that further freedoms can be offered to high-performing authorities. The powers under which councils levy fines are contained in various legislation. Suitable amendments to these will be made in order to provide the flexibilities we propose.

Other finance freedoms

4.19 We will abolish council tax benefit subsidy limitation. We are consulting on giving councils greater freedom to decide council tax discounts and exemptions. We will also not use the reserve power to cap high-performing authorities.

4.20 Details of our plans to modernise capital funding arrangements are set out in chapter 6 and in part II of this publication.

Cutting back on plan and strategy requirements

4.21 A recent study by the Department of Transport, Local Government and the Regions (DTLR) has identified some 66 plans which councils are required to produce at Government's behest. Three Departments – DTLR, the Department of Health and the Department for Education and Skills (DfES) – are responsible for 48 of these.

4.22 The Government wants to see sustainable development become a mainstream issue for local authorities, their partners, and local communities. We believe that the most effective way to achieve this is to subsume Local Agenda 21 strategies within statutory community strategies (which are required, by law, to promote sustainable development³). Many councils have already done this, and we encourage others to follow suit.

4.23 Our guidance on local strategic partnerships (LSPs) published in March⁴ recognised the link between community strategies and neighbourhood renewal strategies. Both strategies will be prepared by LSPs, and there are clearly important links between efforts to renew the most deprived neighbourhoods and wider initiatives to improve quality of life in an area. LSPs will therefore be free to decide whether to combine these strategies in a single document. If they decide to do this, the specific measures for tackling neighbourhood renewal should not be lost in doing so.

4.24 The requirements to produce corporate capital strategies and asset management plans (AMPs) are relatively new. They were introduced as part of the efforts within the single

³ Section 4 of the *Local Government Act 2000*

⁴ *Local Strategic Partnerships: Government Guidance*, DETR, March 2001, Product code: 01LG9011. <http://www.local-regions.dtlr.gov.uk/lsp/guidance/index.htm>

capital pot to improve the way in which authorities develop their capital investment strategies and promote better use and management of assets. Corporate capital strategies and AMPs will be needed for councils' own purposes. As soon as councils are producing corporate plans to a sufficiently robust standard, the requirement for these plans to be submitted to Government will be dropped.

4.25 Education AMPs were developed and introduced in advance of the corporate AMPs and serve significantly wider purposes. They inform directly allocations of capital support to councils as well as providing a basis for local improvement through the benchmarking of data and performance. They are still in the process of development, for instance to support better management of capacity and more robust options appraisal. These and other differences mean that the requirement to submit Education AMPs, including information on priorities and processes will continue. DfES will look to reduce the information needed for high performing councils, and will publish guidance on improving the joining up of Education AMPs with councils' wider, corporate document.

4.26 The recent Housing Investment Programme (HIP) Review has already removed the requirement on local authorities to make a separate HIP submission. HIP performance assessments are now based on annual Housing Business Plans and Strategies which councils need to prepare in order to discharge their responsibilities. Legislation currently before Parliament introduces homelessness strategies. The DTLR will publish guidance to bring these plans together under the umbrella of the housing strategy. The intention is to move to a single strategy that is current for 3-5 years once the documents have reached a 'fit for purpose' standard.

4.27 The green paper on development planning proposes a radical restructuring of and reduction in the number of development plans.

4.28 The Department of Health has recently carried out a major review of the plans it requires in relation to social services. The review concluded that there is scope for a significant reduction in the numbers of plans. Ministers have accepted those conclusions. As a result, a significant proportion of the Department's plans will be abolished, merged, or otherwise streamlined.

4.29 DfES guidance on the new Accessibility Strategies⁵ will allow these to be subsumed within an existing plan of Local Education Authorities' choice. The rolling together of a number of other plans into a single Local Education Strategy, currently being piloted by five councils through local Public Service Agreements (PSAs), will be extended to other authorities if the pilots are shown to be successful. And the DfES will look favourably at further suggestions for plan rationalisation which come forward in local PSA negotiations.

4.30 We will no longer require the production of a separate Air Quality Management Action Plan where an air quality problem arises because of transport pollution. Instead, councils will be free to address this through their Local Transport Plan. And the Department of the Environment, Food and Rural Affairs will remove the requirement to produce the Waste Recycling Plan once the statutory requirement to produce a Municipal Waste Management Strategy is in place.

4.31 With the introduction of the new performance management framework, the Department for Culture, Media and Sport will review the amount of information required of councils in the Annual Library Plan with a view to streamlining those requirements and the

⁵ Introduced by sections 28D and 28E of the Disability Discrimination Act 1995 and amended by the Special Educational Needs and Disability Act 2001.

process. This will be done in conjunction with expert library bodies.

4.32 The White Paper on Police Reform⁶ sets out proposals for Crime and Disorder Reduction Partnerships and Drug Action Teams to work together in developing and implementing local crime and disorder reduction strategies and the drugs strategies. Proposed mergers of these two groups will help improve efficiency and delivery.

Streamlining the requirements that remain

4.33 The remaining requirements should work, as far as possible, with the grain of councils' own activities. We will work with the Local Government Association (LGA) to review the remaining plans in order to:

- identify further scope for rationalisation with the aim of a reduction of at least 50% from current levels; and
- identify the minimum requirements which Government needs councils to fulfil and seek to amend those requirements that remain so they fit as effectively as possible with councils own planning requirements.

4.34 This review will be informed by the work undertaken by the Children and Young Peoples Unit on rationalising planning for childrens' and young people's services⁷, and the inter-departmental component of the Department of Health's review of health and social care plans. Our review of emergency planning will look at the scope for rationalising the Civil Defence Plan, Pipeline Safety Plan and the Control of Major Accident Hazards Plan.

4.35 For high performing authorities there will be opportunities to negotiate and agree additional freedoms from requirements to produce plans.

Rationalising area-based initiatives

4.36 Local joined-up action designed to tackle specific area-based challenges has an important role to play in improving services for local people. However, there is a need to rationalise and streamline these area-based initiatives (ABIs), in order to maximise local flexibility and minimise bureaucracy.

4.37 Government is currently reviewing ABIs with a view to amalgamation, integration or mainstreaming. Government Offices for the Regions and local government are engaged in this process. We have already announced steps to bring Education Action Zones together with the Excellence in Cities programmes. An action plan to rationalise the Government's small grants programme for community groups will be published in shortly.

4.38 The Government will extend opportunities for the pooling of ABI budgets at local level to deliver initiatives more effectively. A pilot study currently taking place in one council is considering the pooling of budgets for a range of initiatives including the Single Regeneration Budget, Education Action Zones, the Neighbourhood Renewal Fund and the Children's Fund.

⁶ *Policing a new century: a blueprint for reform*, Home Office, December 2001, Cm 5326, ISBN: 0-10-153262-8, www.policereform.gov.uk

⁷ The Government's new Strategy for Children and Young People was published for consultation in November. *Building a Strategy for Children and Young People* includes proposals for simplified and rationalised planning arrangements for children and young people's services, in line with the proposals in this white paper. To obtain a copy of the strategy, visit the website at www.cypu.gov.uk or call the Unit's dedicated phone line on 020 7273 1120.

4.39 The Government has also encouraged local government both directly and through their membership of LSPs to play a key role in the rationalisation and streamlining of ABIs. We are also considering how LSPs can be given greater discretion to widen targeted programmes to meet local circumstances.

Abolishing consent regimes

4.40 Requirements on local authorities to seek Government consent before taking action weaken local accountability and stifle innovation. With the introduction of the Regulatory Reform Act 2000 Government now has the means to repeal unnecessary consent regimes without resort to primary legislation. Decisions have already been taken to repeal 52 consent regime powers. Decisions on a further 30 powers outstanding from the 1997 Efficiency Scrutiny's recommendations will be taken shortly.

Removing other “red tape”

4.41 In a joint exercise with the LGA the Cabinet Office Regulatory Impact Unit has identified some 61 items of potential red-tape that would benefit from closer examination with a view to their removal. Several of these are dealt with by the proposals elsewhere in this white paper, in the Planning Green Paper, or in the current review of road traffic legislation. On the others, the Government will work jointly with the LGA to review each item, and take the necessary steps to remove unwarranted burdens. We will publish the joint study report with the LGA and Cabinet Office early next year. This report will contain a timetable for completing and implementing the review.

Controlling new red tape

4.42 Government's efforts to reduce red tape will be of little benefit to local government unless effective means are in place to minimise the imposition of new requirements. The measures described above will be accompanied by the piloting of a new policy evaluation tool – the *Policy Effects Framework* – which will seek to prevent the imposition of unnecessary burdens. We need to ensure that we establish a consistent gateway process on the introduction of new plans, performance indicators, ring-fenced grants and other regulatory controls.

4.43 As noted earlier, planning requirements can serve a useful purpose in certain circumstances. But the need to introduce a further plan needs to be considered alongside alternative ways of achieving the policy goal in question. Where the conclusion is that a new plan is needed, we will:

- consider how the proposed requirement fits in with council processes as well as Government's needs; and
- seek to agree any new requirement with local government, rather than simply imposing it.

4.44 Ring-fenced grants can also have a useful role to play in certain circumstances, particularly to kick-start action on a priority area which is not being addressed. Before introducing any new ring-fenced grant we will have regard to the criteria described in paragraph 4.17 above.

CHAPTER 5

Support for councils

Support for capacity building for councils and training for members and officers is an important part of our proposals to see excellent local government services and leadership.

We will:

- conduct a wide-ranging review of support for capacity building and training to develop proposals for more effective use of resources;
- develop and pilot a gateway review process to support complex, high risk or novel procurement projects; and
- develop the Beacon Councils Scheme, integrate it with our performance framework and maintain its focus on peer support and best practice guidance for frontline service delivery.

Building capacity and supporting councils

5.1 The ambitious agenda for local government set out in this white paper presents significant challenges to local authorities, their members and staff. They need to access a range of new skills and build their management capacity to meet these challenges and to take full advantage of the greater freedom, new powers and increased responsibility we are proposing. The Government is determined to ensure that councils, members and officers all have the support they need to build their capacity to deliver strong and confident community leadership and high quality public services. In particular there is a need to build up capacity and skills in:

- strategic leadership;
- effective overview and scrutiny; and
- partnership working, performance management, project management, new technologies and commissioning and procurement.

5.2 The Improvement and Development Agency (IDeA), Employers' Organisation, Public Private Partnership Programme (4Ps), Social Care Institute for Excellence, Strategic

Partnering Taskforce and our Local Government Modernisation Team all make significant and valuable contributions. Their work will continue to evolve to meet new needs. But more needs to be done.

5.3 In the context of next year's spending review we will undertake a wide-ranging review of support for councils and training for councillors and council staff. Our proposals for more effective and co-ordinated support will focus on:

- rationalisation of the current wide range of funding streams available to councils;
- more effective targeting to address each council's strengths, weaknesses and needs as revealed by the comprehensive performance assessments;
- making the best use of scarce skills; and
- facilitating effective exchange of skills and ideas between local authorities and between local authorities, central government and other public, private and voluntary sector organisations.

5.4 This chapter describes some actions we will be taking now and some of the options we will be considering during the spending review. We would welcome views on the issues and proposals put forward in this chapter¹.

¹ Responses should be sent by 28 February 2002 to Ben Turner, DTLR, 5/B6 Eland House, Bressenden Place, London, SW1E 5DU, e-mail Ben.Turner@dtlr.gsi.gov.uk. In line with normal practice, Ministers may wish to publish responses and make them available to Parliament. Should respondents wish their comments to be treated in confidence they should make this clear in their response. All responses may nevertheless be included in statistical summaries of the comments received and views expressed.

Resources and delivery

5.5 The Government will consider the effectiveness of current support and funding. All Government Departments will examine, with the Local Government Association (LGA) and others, the roles, capabilities and potential of the bodies currently providing support for capacity building in local government, and consider:

- whether a different institutional structure is needed, and if so if there is a need for a new joint central-local body to plug gaps and remove overlaps in provision and co-ordinate support more effectively;
- how existing funds can be consolidated and rationalised to provide more effective and co-ordinated support to councils, including the option of a single fund;
- how funding should be distributed and targeted, including the possibility of a new targeted grant to provide councils with resources to build capacity; and
- whether the current balance between revenue and capital support for capacity building and training is right.

Training and development

5.6 Better targeted and co-ordinated resources will improve the effectiveness of investment in training and development for members and officers. The steps which councils and Government can take to improve the quality of member and officer training include:

- joint member and officer training;
- capacity building for senior management teams as well as individuals;

- self-managed learning supported by experienced mentors;
- joint training across sectors;
- joint training for central and local government officials, and across the public sector;
- wider use of secondments and job shadowing between central and local government and between local government and other public, private and voluntary sector organisations;
- a 'directory' for member and officer training; and
- effective use of new technologies such as e-briefings, e-learning and telephone and video conferencing.

5.7 The Government will look at how support can best be provided for these activities and what more the Government can do to facilitate and encourage them.

Making the best use of scarce skills

5.8 For the scarcest skills it may not be cost-effective or realistic to build up sufficient in-house resources for all councils to be self-reliant. For example, local authorities may only be involved in one 'big ticket' procurement every few years and may need to import the necessary expertise. This was recognised by the Taskforce led by Sir Ian Byatt and reflected in their report on procurement in local government².

5.9 The Government agrees with the Taskforce that the use of gateway review processes by local authorities will help improve the quality of delivery for complex, high-risk or

² *Delivering Better Services for Citizens – A review of local government procurement in England*, DTLR, August 2001, ISBN 1851124853 <http://www.local-regions.dtlr.gov.uk/consult/betterservices/report/index.htm>

novel procurement in local government. We will support the implementation of this approach as part of the wider initiatives on capacity building. We will do so in co-ordination, as appropriate, with the Office of Government Commerce, Partnerships UK, the 4Ps and the IDeA. We will work with these agencies on a number of other initiatives to help improve local government procurement, including:

- brokerage (helping local authorities and other public bodies come together to work in partnership and to gather market intelligence);
- mentoring;
- training;
- an advisory service;
- good practice guidance; and
- standard core contract documentation.

5.10 We will also work with the private and voluntary sectors to maximise their contribution to building capacity and diversity.

Peer support and best practice

5.11 The dissemination and sharing of best practice has an important part to play in developing and improving councils' capacity and capability to deliver quality local services and leadership. There is a great deal of good practice within local government and we need to maximise the opportunities for councils to learn from one another.

5.12 The Government recognises and welcomes the significant contributions made by the IDeA's Local Government Improvement Programme

and other initiatives such as IDeA *Knowledge and Learning*. We need to build on these.

5.13 The Government will encourage district councils to make more use of the Local Government Improvement Programme, particularly in the run up to their comprehensive performance assessments. District councils will be able to focus their resources for capacity building on weaknesses identified in their peer review report.

5.14 Our review of support will also look at proposals to:

- include in all pathfinder and similar schemes an explicit requirement, as a condition of award, that councils work with one or more authorities whose performance is weak in the service in question;
- encourage high-performing authorities to work with poor-performing councils, perhaps by twinning high-performing authorities with poor-performing authorities; and
- establish a pool of accredited members and senior officers who will be available to support and advise other authorities.

BEACON COUNCILS

5.15 Independent research has identified the considerable progress achieved by the Beacon Councils Scheme and its contribution to improving services³. Attaining Beacon status provides national recognition for front-line staff delivering public services and helps all councils to learn and to improve their own performance. The research and feedback from councils and the Beacon Councils' Advisory Panel have identified a need to clarify the future of the

³ *Leading and Learning: perceptions and attitudes toward the Beacon Council Scheme and motivations for attending events* (Rashman, L. Hartley, J. and Gulati, A., August 2000) and *Monitoring and Evaluation of the Beacon Council Scheme: report of the process outcomes evaluation* (Hartley, J. Rashman, L. Downe, J. and Storbeck, J., to be published shortly)

scheme, examine the resources available to it and streamline the application process. We will retain the scheme, including the principle of voluntary participation, and we will:

- integrate it with the comprehensive performance assessments set out in chapter 3, for example by using those assessments to inform the Panel's consideration of applications for beacon status;
- provide greater certainty about the future of the programme and strengthen links with best value reviews by moving to a longer-term rolling programme of Beacon themes;
- open up the scheme to applications from all best value authorities, including national parks authorities, police authorities and best value parish and town councils;
- develop with the IDeA a more effective approach to disseminating best practice; and
- consider the adequacy and effectiveness of the financial support for Beacon Councils, as part of our wider review of support.

Recruitment and retention

5.16 Terms and conditions of local government employment are rightly a matter for local authorities themselves to determine. We are aware of concerns from councils that recruitment and retention of some high calibre staff is becoming increasingly difficult. So we will work with the LGA and the Employers' Organisation on a strategy to help local government recruit and retain the right staff. In doing so we will examine:

- the option of a 'Graduate Management Programme' for local government, similar to the Civil Service Fast Stream;

- the feasibility of central recruiting in relation to specialist skills, to build up a cadre of specialists that could be trained and deployed flexibly, possibly through regional centres of excellence; and
- how councils can be encouraged to provide incentives to front-line staff to deliver performance improvements, including more imaginative pay frameworks.

Working with others

5.17 An important method of increasing capacity is through working with others, whether that is other local authorities, the wider public sector or the voluntary and private sectors. This encourages cross-fertilisation of ideas and skills and provides access to the resources, technology and scarce skills that many councils urgently need.

5.18 Through initiatives such as the Strategic Partnering Taskforce we will ensure that advice is available to authorities on new ways of working and new models of service delivery. This will include encouraging authorities to provide services to others using the new trading powers described in chapter 4.

5.19 If there is to be genuine support for the principle of working with others to deliver high quality services, then employees and their trades unions need to be confident that improvements do not come at the expense of their terms and conditions. The Government recognises that high quality services depend on highly motivated staff and employers who recognise their staff as a valuable resource. The review of best value (see chapter 3) will make recommendations on how this can be achieved as part of the best value process. Both trades unions and employers share a common interest in making sure that best value achieves high standards of service.

CHAPTER 6

Investing for improvement

A sound local government finance system needs to promote local financial freedom and responsibility, address and minimise unfairnesses and be readily understood by those it serves.

We will implement freedoms proposed in last year's green paper *Modernising Local Government Finance* and we will go further by:

- introducing a number of additional reforms which give all local authorities greater

control over how they raise, spend and invest their money, and which reduce bureaucracy; and

- giving extra freedoms to high-performing and striving authorities.

Alongside these new freedoms, we will introduce measures to promote good financial management at the local level.

We will ensure that changes to the local government finance system are managed sensibly.

Where we start from

6.1 The local government finance system should help authorities deliver on national and local priorities. It should also reinforce local decision making.

6.2 The local government finance system which we inherited in 1997 did not meet these criteria. In particular:

- Government grant was declining in real terms. Services were suffering. There was serious neglect of capital investment and maintenance;
- public expenditure totals and grant formulae were revised annually. There was no certainty about future funding. So, authorities could not plan ahead;
- too much power was vested in Whitehall. Local authorities had little control over their own income. They required Government permission to borrow;
- the distribution of Government grant was unfair. Resource was not always allocated where it was most needed and would do most good; and
- the system was too complicated. Councillors could not understand how

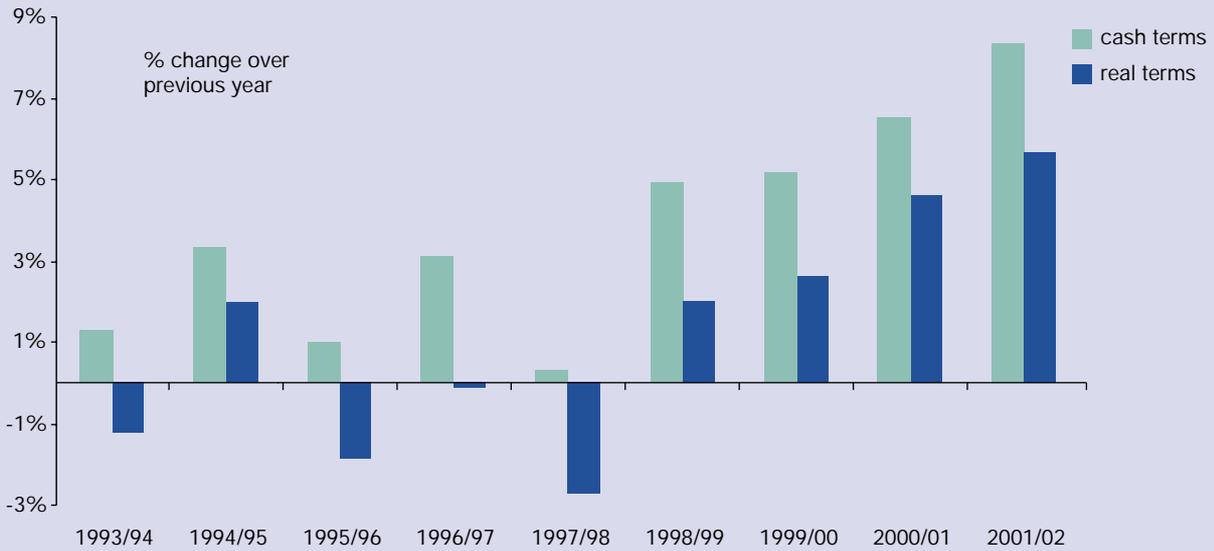
grants were allocated. Head-teachers could not understand how their budgets were set. Council taxpayers could not understand their bills.

6.3 In the last Parliament, we concentrated on tackling the first two problems. We have provided substantial real increases in revenue grant and support for capital investment (see charts). We have delivered greater predictability and stability – by setting three-year expenditure totals in the spending reviews, by freezing the standard spending assessment (SSA) formulae, by introducing floors and ceilings on the grant increases for individual authorities, and by making earlier announcements on ring-fenced grants and credit approvals. Local authorities are better funded than they were, and can plan ahead with greater confidence.

6.4 It is now time to tackle the outstanding issues. We need to:

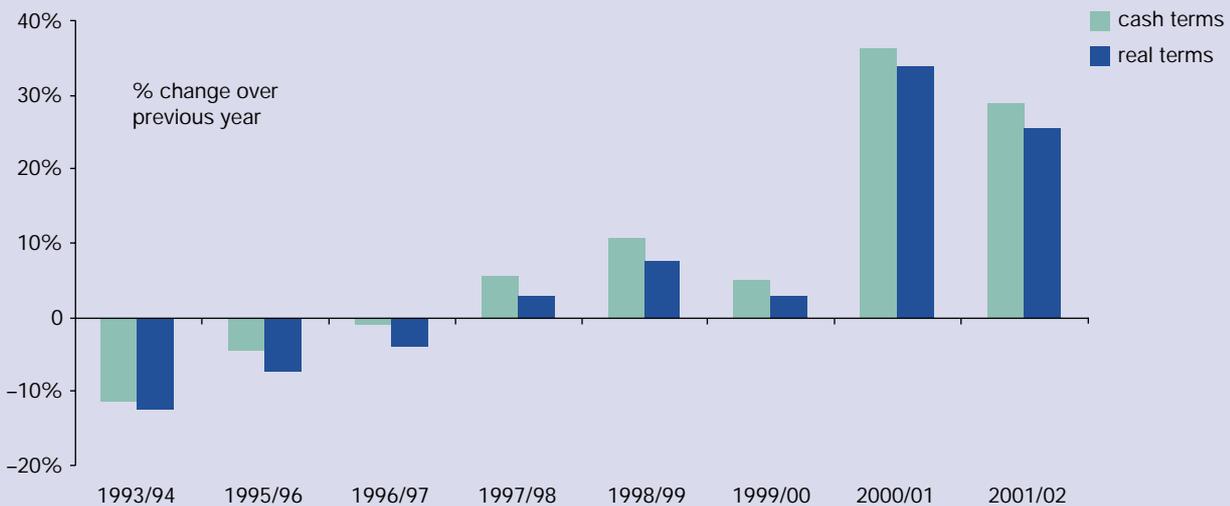
- promote local freedom and responsibility, and strip out unnecessary bureaucracy;
- address the unfairnesses in revenue grant distribution; and
- try to make the finance system more intelligible to those it serves.

Central government support for local authority revenue expenditure



Central government support includes revenue support grant, specific grants within AEF and business rates. No adjustments have been made to take account of changes in local government responsibilities.

Central government support for local authority capital expenditure



Central government support includes credit approvals, capital grants and PFI credits. Figures include capital grants to grant maintained and voluntary aided schools. Figures for 2001/02 include major repairs allowance (MRA)

6.5 Chapter 4 sets out our proposals for substantial freedoms and flexibilities for all councils and additional freedoms for councils depending on their performance. It includes proposals for greater financial freedom and responsibility such as:

- abolishing council tax benefit subsidy limitation for all authorities;
- greater freedom for all authorities to decide council tax discounts and exemptions;
- the power for all authorities to charge an appropriate fee for providing discretionary services;
- more freedom for all authorities on borrowing and investments;
- the right for high-performing councils to have ring-fenced grant replaced by targeted grant in any case where they and Government judge it to be desirable except in respect of grants which have to be passed to schools;
- not using the reserve power to cap the council tax increases of high-performing councils; and
- greater freedom for high-performing councils to decide how to spend the income from certain civil penalties.

6.6 The remainder of this section summarises the other key elements of our local government finance reforms all of which are set out in detail in part II of this publication.

Local authorities' income

6.7 Local authorities raise about one quarter of their income from council tax and about 11% from fees and charges. Most of the remaining two-thirds of their income comes from Government grants, which are funded from national taxes including the business rate. It is often argued that this balance between national

and local taxes has an adverse impact on local authorities' autonomy, but there is little hard evidence for or against this view, and there is no consensus on how the balance might be shifted. Once we have done some further analysis of this, we shall establish a high-level working group, involving Ministers and senior figures from local government, to look at all aspects of the question – reviewing the evidence and looking at reform options.

6.8 We do not consider there are any quick or easy ways of securing a major shift in the balance of funding, particularly given the need to respect the views of taxpayers and to ensure that financial reform does not become a distraction from the delivery agenda. However, we need to be clear what the longer-term reform options are. We also need to consider whether there are more modest reform options that could be pursued more quickly.

6.9 As part of our deregulatory agenda, we are abolishing council tax benefit subsidy limitation, and we will not use the reserve capping powers against high-performing authorities. We are consulting on giving councils greater freedom to decide council tax discounts and exemptions. And we will make council tax bills more transparent, so that taxpayers can see by how much different authorities are increasing their council tax.

6.10 We will also bring the council tax up-to-date. Bills based on new property values will issue in 2007. We will legislate to require ten-yearly revaluations in the future. A revaluation should have no impact on the total amount of council tax raised. Ahead of revaluation, we will listen to the views of taxpayers and local government about council tax bands and related matters. We shall introduce legislation to make it clear that additional council tax valuation bands can be created without new primary legislation.

Financial support from Government

6.11 Government support for revenue spending takes the form of ring-fenced grant (which has restrictions on how it is spent) or general grant (which has no such restrictions). As described in chapter 4 any new ring-fenced grants will be time-limited and have no match-funding requirements other than for very small pilot schemes. We will also give high performing councils the right to have ring-fenced grant replaced by targeted grant in any case where they and the Government judge it to be desirable except in respect of grants which have to be passed to schools.

6.12 Most general grant will be allocated by new formulae. We will not base grant decisions on the Government's assessment of authorities' own forward spending plans.

6.13 We will introduce new grant formulae for 2003-04 which will replace SSAs. We aim to make the new formulae more intelligible than existing SSA. We want to move away from the use of regression analysis which replicates past patterns of spend and to focus on up-to-date evidence on why the cost of providing services varies. We will take more account of the fixed costs that authorities face. Floors and ceilings will set limits on the annual change in grant. They will ensure that all authorities receive a reasonable increase in grant.

6.14 Once the new formulae are in place, there will be a further 'freeze' on formula changes for 2004-05 and 2005-06, except where there are changes in the functions of councils, or the financing of particular services. We will work with local government with the aim of introducing a safety-valve grant in 2004-05. The grant will be available to authorities which have high levels of council tax and low unit

costs, but which do not benefit from the new grant formulae.

6.15 We will consult local government about the best way of providing Government support for capital investment under the new regime. We will also:

- reform the single capital pot, to reduce the amount of ring-fencing of capital support available to high performing and striving authorities;
- abolish the unnecessarily complex 'receipts taken into account' mechanism when the prudential borrowing system comes in (the current housing 'set aside' arrangement will be replaced by a simpler housing capital receipts pooling system that will apply to all housing receipts, including those received by debt free authorities); and
- phase out the requirement for local authorities to send their corporate capital strategies and asset management plans to Government. Requirements for service specific AMPs, such as that for Education, although reduced for high performing authorities, will continue in order to fulfil their specific purposes such as enabling needs related resource allocation.

6.16 We will maintain the Bellwin scheme of support for authorities faced with floods or other emergencies. We will reform the scheme along the lines recommended by the joint DTLR/local government review group, by setting its funding on a sounder footing and issuing clearer guidance on what costs are eligible for support.

Parish and town councils

6.17 We will make the financial arrangements for parish and town councils more responsive to the current needs and future aspirations of those

councils – particularly the larger ones – and of the people who use and pay for the services which they provide.

6.18 Chapter 9 of part II describes a package of finance measures for parishes. Some of them will benefit all parishes, whereas a few are intended specifically to meet the needs of the larger ones. The key measures include:

- paying a grant of £30,000 per year to each best value parish, when legislation permits (see chapter 3);
- improving the borrowing approval system by removing the annual fixed limit, streamlining the application process and by clarifying and advertising the criteria more widely;
- increasing the ceiling on 'section 137' expenditure (expenditure of general benefit to the area, on activities for which specific powers do not exist) to £5 per elector and then raising it annually in line with inflation; and
- encouraging good practice in establishing funding arrangements when parishes work in partnership with principal authorities (for example by taking on responsibility for providing some local services). We are working to produce a set of guidelines with the National Association of Local Councils and the Local Government Association (LGA).

The challenge for councils

6.19 This white paper sets out what the Government will do to promote better services and community leadership by enhancing local freedom and responsibility. Success will require a matching effort from councils. Good financial management will be one of the keys to success.

6.20 The best authorities plan ahead. They have clear long-term objectives, which drive their spending plans. Their capital investment strategies are based on a sound assessment of the condition of their assets. Their council tax, charging and revenue spending plans are based on proper consultation with local people about their willingness to pay for better services. They have good internal systems for monitoring spend and delivery. They are serious about increasing their spending power by improving efficiency. They set prudent levels of reserves. They share the benefits of the greater predictability and stability on funding: schools have indicative budgets for future years; voluntary sector bodies don't have to bid for funds annually; council tax decisions do not take local people by surprise. Members are actively involved at every stage. The executive takes full responsibility for setting objectives and budgets, including the tough decisions on priorities that are an inevitable part of the budget-setting process in any organisation. Overview and scrutiny committees challenge budgets and monitor spending, delivery and efficiency.

6.21 We want to see all local authorities bring their financial management arrangements in line with this best practice. We will introduce legislation to reinforce the role of members in setting and monitoring budgets. We shall work with the LGA on guidance for public consultation. We will ensure that the Audit Commission's comprehensive performance assessments take account of whether authorities are following best practice in all aspects of planning and managing their finances (see chapter 3).

6.22 We believe that the greater financial freedom and responsibility we are offering local government, backed up by good local financial management, will reinforce local democracy and improve service delivery.

CHAPTER 7

Working together for better outcomes

The proposals in this white paper will transform relations between central and local government.

Old-fashioned, top-down approaches will be replaced by clear standards, jointly agreed priorities, and effective systems to secure their delivery.

The clutter of current controls and regulations will be replaced by streamlined, better targeted

and more effective approaches which:

- recognise and reward good performance;
- encourage improvement; and
- trigger tough action on failure.

Effective and practical arrangements at national level will support this partnership between central and local government.

Transforming the relationship between central and local government

7.1 Central and local government have a common interest: improving people's quality of life. The ability of local government to play its part in this joint endeavour is affected, in part, by the way in which central government seeks to influence its actions. In the past, too little importance has been attached to this relationship, and how well it works. We have successfully addressed this shortcoming at national level, with the establishment of the Central Local Partnership.

7.2 The challenge for the future is to transform Government's relationship with individual councils. In some instances this works well. In others it does not. Across all Departments, Government needs to move away from a fragmented and uncoordinated approach to a partnership based on clear standards, common priorities, greater freedoms for councils to deliver, and effective action where they do not.

7.3 The proposals set out in this white paper signal a major shift in this direction. A start has already been made, with the introduction of innovative schemes such as local Public Service Agreements (PSA). Further steps will follow. Progress will depend on effective joint working between central and local government – a genuine central local partnership. The prize for success will be faster progress towards our joint goal – providing a better quality of life for everyone.

7.4 The Government recognises the distinctive roles to be played by different types of local authority: upper-tier councils, district councils and parish and town councils. The vast majority of proposals in this white paper apply equally to all principal authorities: county councils, unitaries, metropolitan and London boroughs and shire districts. The exceptions are in our approach to local PSAs and the timing of comprehensive performance assessments. The box summarises our approach for district councils in these two areas and describes our approach for parish and town councils.

Our approach for district, parish and town councils

Shire district councils

The large majority of proposals in this white paper apply to both upper tier and shire district councils. The exceptions are the approach to local PSAs and the timing of comprehensive performance assessments.

Local PSAs are being extended to all upper tier councils (on a voluntary basis). The Government recognises the importance of district councils and believes that the way forward is for districts to work in collaboration with upper tier councils on local PSAs. Chapter 3 underlines this by providing for:

- strong encouragement for county councils' local PSAs to include targets that require collaboration with districts;
- a larger potential reward grant where there is substantial district involvement (reflecting the budgets of participating districts as well as counties); and
- a larger pump priming grant in recognition of the extra administrative costs of negotiating the involvement of districts.

In chapter 5 we encourage district councils to make use of the Improvement and Development Agency Local Government Improvement Programme before they have their comprehensive performance assessments. This will help them make more effective use of their resources for support by identifying and targeting weaknesses.

We will also make council tax bills more transparent, so that taxpayers can see by how much different authorities (e.g. county, district and parish) are increasing their council tax.

Parish and town councils

Town and parish councils have an important contribution to make to local well-being. That is why the recent Rural White Paper¹ and subsequent consultation document² does much to augment the position of town and parish councils, through initiatives such as:

- a Town and Parish Council Charter;
- the Quality Parish scheme which will allow qualifying town and parish councils to take on new and wider responsibilities; and
- new funding to assist town and parish councils to play a fuller role in their communities.

In addition to these measures, this white paper proposes:

- separate guidance for town and parish councils which will include the streamlining measures set out elsewhere in this white paper;
- guidance to principal authorities advising them to include in their Best Value Performance Plans their arrangements for working in partnership with parishes on neighbourhood service delivery;
- when legislation permits, a grant of £30,000 each year to best value parishes to cover the costs of audit and carrying out best value related work such as the preparation of performance plans and the management of reviews; and
- a package of finance measures for parishes, some aimed at all parishes and a few intended specifically to meet the needs of the larger ones. The key measures include:
 - improving the borrowing approval system by removing the annual fixed limit, streamlining the application process and by clarifying and advertising the criteria more widely;
 - increasing the ceiling on 'section 137' expenditure (expenditure of general benefit to the area, on activities for which specific powers do not exist) to £5 per elector and then raising it annually in line with inflation; and
 - encouraging good practice in establishing funding arrangements when parishes work in partnership with principal authorities (for example by taking on responsibility for providing some local services). We are working to produce a set of guidelines with the National Association of Local Councils and the Local Government Association.

¹ *Our Countryside: The Future A Fair Deal for Rural England* – DETR, MAFF, November 2000, Cm 4909, ISBN 0101490925. <http://www.defra.gov.uk/erdp/erdprfm.htm>

² *Quality Parish and Town Councils: A Consultation Paper*, DEFRA, DTLR, NALC, LGA, Countryside Agency, November 2001 <http://www.defra.gov.uk/wildlife-countryside/consult/qtpc/index.htm>

7.5 As we said in our manifesto, we also believe that there can be an important role for directly elected assemblies for the English regions. Regional assemblies would be strategic, help join-up strategies and policies at regional level and give the regions a new political voice and a stronger identity. They would work closely with local authorities and complement their roles. The Government's proposals for regional government will be set out in a white paper to be published next year.

The future of the Central Local Partnership

7.6 In November 1997 the Government and the newly-formed Local Government Association (LGA) signed a Framework for Partnership. This was a significant step forward from the ad hoc and unsatisfactory arrangements that had existed previously. The Framework provided the basis for an effective and practical Central Local Partnership (CLP).

7.7 Through the CLP, central and local government have been able to develop a sound understanding of each other's position across the whole range of domestic policy issues. More importantly, the CLP has been the platform on which real joint work has taken place – to help to tackle social exclusion, address the challenges of rural areas and help the country to prepare better for incidents of severe weather, to name only a few activities.

7.8 The CLP will continue to be the centrepiece of national relations between central and local government. The Framework Agreement signed in 1997 by the Deputy Prime Minister and the Chairman of the LGA provides the basis for the overall conduct of central local

relations. It will be revised and updated to reflect developments since 1997, including the principles set out in this white paper.

Setting priorities

7.9 Chapter 3 describes our proposal to identify priorities for local government through the CLP framework. As the LGA has suggested³, these priorities will draw on the Government's top priorities and incorporate wider priorities identified by local government such as the LGA's six priorities for public service delivery. The priorities will be endorsed at a meeting of the CLP. They will inform the national PSA for local government and be used by each council in the development of their local PSA to marry nationally-agreed priorities with locally identified ones.

7.10 The Secretary of State for Transport, Local Government and the Regions will make the priorities for local government available to Parliament as soon as possible. It will, of course, be a matter for Parliament itself to decide what further scrutiny should be given to them. Select Committees of the House of Commons may wish to look at elements of the priorities relating to policy areas within their own remit, or to work together in scrutinising cross-cutting commitments.

Delivering and evaluating progress

7.11 Implementing the proposals in this white paper requires a corporate approach by Government in support of the new performance framework. We need to ensure that there is the necessary co-ordination and capacity within and

³ *Partnership for Ambition: councils and government working together* LGA Paper, November 2001. <http://www.lga.gov.uk/lga/clp/ambition.htm>

between Departments, the inspectorates, and the agencies which support the modernisation of local government. Reporting to the Secretary of State, the Department for Transport, Local Government and the Regions (DTLR) and the Office of Public Services Reform will work together to develop an implementation plan and suitable monitoring arrangements to deliver this new approach.

7.12 We will monitor and evaluate the effectiveness and impact of the policies and programmes set out in this white paper as part of our commitment to evaluation of the overall local government modernisation agenda. Information about policy evaluations, along with other local government research commissioned by the DTLR, can be found on the website at:
<http://www.local.dtlr.gov.uk/research/index.htm>.

A practical partnership for change

7.13 A new, more mature partnership between central and local government must have at its heart a single aim – to give people everywhere the opportunities they need to make their lives better. This white paper sets out a radical agenda for doing this. People will benefit from the assurance that all services will improve and be delivered to acceptable standards. They will benefit from a focus on what really matters to them. And they will benefit from having their council listen to, and stand up for, their needs and aspirations. Together, local and central government can help achieve better outcomes for everyone. The people we serve expect and deserve no less.