

*Evaluation of Freedoms and  
Flexibilities in Local Government:  
Baseline Study*

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September 2006

Department for Communities and Local Government: London

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# Executive summary

1. This is the final report of a baseline evaluation of the use, awareness, and emerging impact of freedoms and flexibilities in local government. The study was commissioned by the Office of the Deputy Prime Minister (ODPM), now the Department for Communities and Local Government (DCLG), and undertaken by PricewaterhouseCoopers LLP (PwC) and the Local Government Centre at Warwick Business School (Warwick).

## Terms of reference for the study

2. Upon its election in 1997, the Government set out an ambitious programme of change and reform of English local government. This programme, which became known as the Local Government Modernisation Agenda (LGMA), had at its core the aim of creating a 21st century local government, able to respond to the needs of 21st century communities and to deliver high quality services that match their needs and expectations.
3. As part of the programme, the 2001 White Paper, *Strong Local Leadership – Quality Public Services* signalled the introduction of a new strand to the LGMA, which has become known as ‘freedoms and flexibilities’. This strand was aimed at releasing authorities from some of the existing regulatory burdens that prevented them from being more innovative and at providing greater freedom for them to use their resources and powers in ways which better meet local needs and aspirations.
4. A comprehensive list of those freedoms and flexibilities that have been included in the scope of this study is set out in Chapter 2 of this report. For the purposes of this study, we have adopted the following definitions of freedoms and flexibilities measures, as proposed by ODPM:
  - a ‘freedom’ refers to a local authority being relieved, or partially relieved, of an obligation or imposition, such as producing plans, seeking consent or being inspected; and
  - a ‘flexibility’ refers to an authority being granted powers to do something not previously allowed, or to do something more than was previously allowed, such as borrowing, trading or charging.<sup>1</sup>

<sup>1</sup> *Specification for a Feasibility Study and Baseline Evaluation of Freedoms and Flexibilities Policies*, London: Office of the Deputy Prime Minister, 2004.

5. The ODPM's objectives in commissioning this study included a feasibility study into how best to evaluate the impact of these measures, and to set a baseline from which to measure progress over the longer term. The results of the feasibility study will be published separately alongside this report on the DCLG website.<sup>2</sup> The objectives of the baseline evaluation included:
- assessing levels of awareness and take-up of freedoms and flexibilities across local government;
  - identifying emerging practice in the application of freedoms and flexibilities; and where feasible
  - setting a baseline against which the emerging impact of freedoms and flexibilities on various aspects of local government performance might be measured over time.

## Methodology and evidence sources

6. Our approach to the baseline evaluation consisted of two overarching activities:
- the specification of a 'theory of change', which provided a framework to link up policy aims and expected outcomes, and a means to generate key research questions; and
  - empirical research to explore those key questions, drawing on a variety of primary and secondary data sources.
7. The theory of change and the key research questions are set out in more detail in Chapter 2. In summary, the theory of change developed for this study proposes that:
- a number of core normative assumptions by central policymakers underpinned the development of freedoms and flexibilities; perhaps most importantly that reducing central control and prescription coupled with strengthened local accountability, will contribute to service improvement and a greater sensitivity to local needs;
  - freedoms and flexibilities may create *opportunities* for local authorities to respond more effectively to local needs, but that take-up of these measures cannot achieve this in and of itself;
  - in this sense, freedoms and flexibilities have, at best, an indirect effect on the outputs and outcomes that policymakers seek to achieve; and

<sup>2</sup> *Evaluation of Freedoms and Flexibilities in Local Government: Feasibility Study* London: Department for Communities and Local Government, 2006.

- other measures, including those associated with other LGMA policies as well as ‘exogenous’ variables such as local demographic context, and political and managerial capacity, are likely to have a significant influence at local authority level on changes to processes, outputs and outcomes that are associated with take-up of specific freedoms and flexibilities.
8. This enabled the development of a number of key research questions, which were explored through a variety of methods, including:
- a representative sample survey of English local authorities, which generated responses from 37 authorities;
  - detailed qualitative research at a representative sample of 14 local authorities (case study research); and
  - evidence from parallel LGMA evaluations.

## Key findings

9. The study generated a rich volume of data in relation to freedoms and flexibilities in local government, which provides key findings to support a baseline understanding of:
- the overall pattern of awareness and take-up of freedoms and flexibilities;
  - emerging practice in the application of freedoms and flexibilities; and
  - potential explanations for the way in which freedoms and flexibilities are being implemented and experienced across local government

However, in view of the relatively small size of the samples, caution should be used in drawing inferences about English local authorities as a whole.

### **The overall pattern of awareness and take-up of freedoms and flexibilities**

10. Awareness of the individual measures that make up the ‘package’ of freedoms and flexibilities varies across local government, but is generally high:
- freedoms such as rationalisation of statutory planning requirements, inspection reduction, charging powers and Business Improvement Districts (BIDs) enjoy the highest levels of awareness, with more than 80% of respondents aware of these changes;
  - financial freedoms such as the Prudential Code, reductions in ring-fencing, trading powers, and council tax discounts and exemptions also enjoy a relatively high profile, with 70% to 80% of respondents aware of these changes; and

- The lowest levels of awareness, perhaps not surprisingly, relate to more recently introduced measures such as the Local Authority Business Growth Incentive Scheme (LABGI) and the deregulation/abolition of a variety of minor consents, with awareness of these measures between 45% and 65%.

11. The extent to which new flexibilities are being actively embraced by local authorities suggests a more mixed picture:

- the Prudential Code and freedoms to set council tax discounts and exemptions, enjoy the highest levels of take up, with between 50% and 60% of respondents reporting use of these powers;
- trading and charging powers are being less frequently used, with between 20% and 30% of respondents reporting that their authorities were taking up these opportunities; and
- Business Improvement Districts (BIDs) were being established by 34% of authorities.

12. Similarly, the extent to which new freedoms have taken hold, such as reduced inspection and rationalisation of Best Value Performance Indicators (BVPIs)/Best Value Performance Plan (BVPP) requirements, suggests there is more work to do if de-regulation is to be realised in these areas:

- 68% of authorities reported little or no perceptible reduction in the overall volume of inspection to which they were subject;
- Inspection activity in relation to Childrens' Services and Adult Social Care were perceived to be areas where inspection was increasing rather than decreasing – with 63% of authorities reporting increases in the former, and 34% in the latter;
- 69% of authorities reported little or no perceptible reduction in the compliance requirements associated with BVPP or BVPI returns; and
- 85% of authorities reported little or no perceptible change in the volume of area-based initiatives and similar programmes sponsored by central government; however, respondents welcomed the advent of Local Public Service Agreements (LPSAs) and more recently Local Area Agreements (LAAs) as a more focused way of agreeing negotiated targets in exchange for delivery resources between central and local government, and other local partners.

### **Emerging practice in the application of freedoms and flexibilities**

13. Chapter 4 of this report describes in detail how authorities are applying individual freedoms and flexibilities on the ground, as well as providing qualitative data on the experience of new freedoms, such as aspirations to reduce the burden of regulation, and controls over revenue and capital finance. Some of the key findings from the baseline study include that:

- *the Prudential Code* is perceived to be a very practical and useful reform to the local government finance system, is in widespread use by many authorities, and has been found to be particularly useful in providing ‘up front’ investment to capital schemes designed to deliver efficiency savings in the longer term;
- *trading and charging powers*, whilst welcomed ‘in principle’ by some authorities and deployed by others, are perceived by most authorities to be having a marginal impact in both financial and service development; this is an area where a small number of ‘innovating authorities’ are keen, and want to be seen, as ‘pushing the boundaries’ in bringing a more entrepreneurial edge to local government, but where most authorities are reluctant to explore the limits of the powers available to them; some authorities have claimed that the legal complexities and risks associated with the further development of trading make the risk-reward balance unattractive to them, whilst others point out that the types of commercial skills required to manage trading activity on a truly transformational scale are insufficiently developed within the sector at present;
- *BIDs and LABGI*, whilst at an early stage of development at the time this study was undertaken, have been enthusiastically embraced by a number of authorities, and are seen as having the potential to make a positive contribution to key aspects of the liveability and neighbourhoods agendas;
- *aspirations to reduce revenue and capital ring-fencing*, whilst welcomed by some authorities, are perceived to have had limited impact in practice; some authorities perceived the impact of these changes to be marginal, others questioned the extent to which real reductions in ring-fencing have been delivered in practice – the Single Capital Pot in particular is not perceived by many authorities to be granting genuine freedoms in practice;
- *aspirations to reduce audit and inspection activity*, whilst welcomed in principle, are not yet perceived to have been substantively delivered in practice; whilst minor decreases are reported by some authorities in some service areas, the volume of inspection activity in Children’s Services and Adult Social Care is perceived by most authorities to be increasing and is undoubtedly ‘colouring’ local perceptions of levels of regulation more generally; an increased reliance on self-assessment in some areas of corporate inspection within CPA 2005, for example ‘Use of Resources’ and ‘Direction of Travel’ assessments, is perceived to have transferred the input required from engaging with external inspectors to work by authorities to complete the self-assessments; however, the work of relationship managers appointed by the Audit Commission was praised by a number of authorities, in particular for their role in co-ordinating and managing the way in which external inspection agencies interact with individual authorities; and
- *the Innovation Forum*, although not a freedom or flexibility in itself, was included in the study as it has such close links with the freedoms and flexibilities agenda. The study found that the Forum was perceived by most of its members to have made a positive contribution to improved central-local relations and also to some key recent developments such as the principles underpinning Local Area Agreements. However, its effectiveness is questioned

by some, particularly since its expansion, whilst others question the extent to which it ‘adds value’ in a context where many other central-local networks and pan-public sector service development opportunities have also expanded in recent years.

### **Why are freedoms and flexibilities being implemented and experienced in this way?**

14. The study found little correlation between levels of take-up of particular freedoms and flexibilities, and factors such as authority type or political control. However, the survey and case study data collected during this study do suggest a relationship, albeit weak, between CPA performance category and take-up of some of the new flexibilities on offer. Take-up of new freedoms such as the Prudential Code, trading and charging powers, and BIDs appears to be higher amongst authorities rated ‘Fair’ and ‘Good’, rather than ‘Excellent’.<sup>3</sup> Several case study authorities reported that some of the new freedoms and flexibilities had made a positive contribution to the improvement agenda in their authorities, which may explain why those authorities seeking to move up the CPA ‘ladder’ are particularly keen to exploit particular freedoms and flexibilities.
15. The case study authorities provided an opportunity to explore in depth, the potential reasons for variations in the take-up of particular freedoms and flexibilities set out above. Whilst responses varied across authorities, a number of common themes emerged from the qualitative research. These are set out below.
16. *Different freedoms and flexibilities have been phased in at different periods over the past few years.* Flexibilities such as the Prudential Code that have been in place for a longer period of time therefore enjoy more widespread application than newer opportunities such as BIDs and LABGI. There is no evidence from this evaluation to suggest that the latter measures will not enjoy an increased take-up over time
17. Differences in the attitude of different government departments are an important driver of the extent to which freedoms and flexibilities are perceived as having been delivered. For example, the extent to which revenue and capital ring-fencing have been genuinely reduced in practice, is perceived to vary in different service areas, according to the appetite of relevant central departments for a relaxation of these controls.
18. *Inspection reduction appears to be driven in a similar way.* Whilst the overall perception across local government is of limited real change in this area, analysis by service area suggests that this overall perception is significantly driven by changes in key service areas such as Childrens’ Services and Adult Social Care, where significant increases in the volume of inspection is reported by many authorities.
19. A number of the new flexibilities, such as trading and charging powers, arguably require the development of more ‘commercial’ mind- and skill-sets than are currently the case across many local authorities, suggesting that capacity and capability needs to be developed in these areas if they are to take hold more fully in local government.

<sup>3</sup> These ratings represent pre-CPA 2005 results.

20. Finally, *the context of central-local relations into which freedoms and flexibilities have been introduced* is key to understanding how these measures are bedding down, with a shift in mind-sets still required by elements of both central and local government. Some central departments, used to a combination of financial controls and regulation as key instruments in securing policy objectives, do not appear to be embracing the freedoms and flexibilities agenda with the same commitment as other departments. Similarly, even where new freedoms and flexibilities are available, there are some local authorities reluctant to explore the opportunities offered by them, due to the perceived risks associated with the potential failure of locally-determined initiatives made possible by freedoms from central control.

## Key conclusions

21. One of the key objectives of this study has been to assess current levels of awareness, use and perceptions of freedoms and flexibilities, to provide a baseline from which any changes over time can be measured. In summary, it is clear that this is an agenda in which many authorities have a deep interest. Our case study authorities all spoke quite animatedly about this agenda. There are high levels of awareness of the majority of the measures, although at present there are not similarly high levels of use of many of the measures. The situation can probably be best summed up as 'early days'. Authorities, on the whole, do appear to see the potential that many of the measures can bring. However, some feel frustration that the measures have not materialised as expected, or as quickly as expected or that other actions by central government have reduced their impact.
22. A small number of authorities are already taking advantage of many of the opportunities provided by freedoms and flexibilities. These authorities in particular express frustration that the Government is not moving quickly enough and is not keeping up with the 'best of local government'. For some of these authorities the agenda is more of a continuation of what they had been doing before as many were already pushing the traditional boundaries of local government.
23. It is fair to say though that the majority of the authorities in this study are at this stage more cautious, or for some, agnostic about the measures. Whilst they can see some of the potential benefits of the freedoms and flexibilities, they have not yet put many of them into practice. They see some, for example local authority trading, as being untried and perhaps too risky or complex, whilst they see others, for example removal of revenue ring-fencing, as having only a marginal impact at best. Many of these authorities are actively considering some of the measures and it appears likely that in the coming months and years, will begin to take advantage of at least some of them. BIDs and LAGBIs appear to be a potential 'growth area' in the future, with case study and survey authorities reporting a lot of interest in these opportunities.
24. A small number of councils also remained largely sceptical about the freedoms and flexibilities package, and indeed the local government modernisation agenda more generally. Some of the new measures are seen as being overly bureaucratic or providing only a limited amount of freedom. They question the Government's commitment to providing what they see as 'real' freedoms and flexibilities, often

citing conflicting messages and behaviours from other Government departments. In many of these authorities there is a view that the real issue, and blockage to service improvement, is a lack of funding, and that this problem can not be solved by what they see as ‘tinkering around the edges’.

25. As we set out in our theory of change, many of the freedoms and flexibilities measures are complex and are unlikely to deliver improved outcomes in the short term or in and of themselves, particularly in the form of tangible improvements in services to local communities. A fuller evaluation will need to be carried out over a longer period, perhaps three to five years, if a comprehensive picture of the overall impact of freedoms and flexibilities is to be developed. It is clear nonetheless, that a number of the measures subject to baseline evaluation are already being deployed to support practical local improvements, which have the potential to yield tangible benefits over time.
26. It also, of course, needs to be recognised that government as a whole (both national and local) operates in a dynamic world. These changes will impact on the success or otherwise of many of the freedoms and flexibilities. Therefore time needs to be given to build up a picture which allows for changes which at particular times may distort the outcomes of the measures.
27. Indeed the next few years are likely to see significant changes as the ideas and proposals of the Government’s *local:vision* document and forthcoming Local Government White Paper are discussed, refined and introduced, including the proposed introduction of a new performance framework for local government, and proposals based on the principle of greater devolution and the reduction of central control and reporting regimes. This study suggests that if these new reforms are to be successfully delivered in practice, significant changes in the culture of central-local relations, and mindsets on both sides, will be an important element of that success.

# CHAPTER 1

## Introduction

28. This report sets out the findings of a study into the awareness and use of a range of measures, referred to as 'freedoms and flexibilities'. The aim of this study was to develop a baseline position which could be used for a potential longer term evaluation of the impact of these freedoms and flexibilities on local government. The study was led by Andy Ford of PricewaterhouseCoopers LLP (PwC), and the project team and report authors included Damian Riley, Mark Stevenson, Jon-Paul Samuels and Jayne Erskine of PwC and Howard Davis and Katrina Ritters of the Local Government Centre at Warwick Business School (WBS).
29. This report constitutes the third output from a larger study to investigate the feasibility of conducting a long term evaluation study. The first output was a presentation of initial findings and proposals for more detailed analysis, which was delivered to ODPM (now DCLG) on 26 April 2005. The second output was a report presenting the findings of the initial feasibility study and a theory of change and associated model for the evaluation of the freedoms and flexibilities. This will be published alongside this report on the DCLG website.
30. Freedoms and flexibilities refer to a broad range of measures designed to 'free up' local government from a perceived burden of unnecessary controls and bureaucracy that have been imposed by various central government departments. Many of these measures were set out in the 2001 White Paper *Strong Local Leadership, Quality Public Services*.<sup>4</sup> Other measures preceded the White Paper, for example the Well Being Power included in the Local Government Act 2000, whilst other measures such as Local Area Agreements (LAAs), have been developed more recently.
31. For the purposes of this study, we have adopted the following definitions of freedoms and flexibilities measures, as proposed by ODPM:
  - a 'freedom' refers to a local authority being relieved, or partially relieved, of an obligation or imposition, such as producing plans, seeking consent or being inspected; and
  - a 'flexibility' refers to an authority being granted powers to do something not previously allowed, or to do something more than was previously allowed, such as borrowing, trading or charging.<sup>5</sup>

<sup>4</sup> *Local Leadership, Quality Public Services*, London: Department for Transport, Local Government and the Regions, 2001.

<sup>5</sup> *Specification for a Feasibility Study and Baseline Evaluation of Freedoms and Flexibilities Policies*, London: Office of the Deputy Prime Minister, 2004.

# Terms of Reference for the Study

## Policy context

32. Since its election in 1997 the Government has set out an ambitious programme of change and reform for local government. This programme, which has become known as the Local Government Modernisation Agenda (LGMA), has had at its core the aim to create a 21st century local government that is able to respond to the needs of 21st century communities and to deliver high quality services that match their needs and expectations.
33. The programme has included three new acts (1999, 2000, 2002) containing new powers and regulations, changes in emphasis from service delivery to community leader, from single provider to partnership working, and changes in focus from internal processes to external outcomes. It has also seen greater encouragement for authorities to innovate and to find new ways to deliver services.
34. As part of the programme, the 2001 White Paper, signalled the introduction of a new strand to the LGMA which has become known as ‘freedoms and flexibilities’. This strand was aimed at releasing authorities from some of the existing regulatory burdens that prevented them from being more innovative and at providing greater freedom for them to use their resources and powers in ways which better meet local needs and aspirations.
35. The ODPM ( now DCLG) wished to consider whether or not it would be possible to evaluate the impact of these measures, and if so, to set a baseline from which to measure progress over the longer term.

## Objectives of the research

36. In our study proposal to the ODPM (now DCLG) we set out our understanding of the objectives for the study. These were:
- to undertake a feasibility study in order to consider and recommend:
    - what would be feasible in terms of carrying out a long term evaluation of the implementation, outcomes and impacts of the Government measures referred to as ‘freedoms and flexibilities’?;
    - the potential scope of such an evaluation; and
    - a research framework for the evaluation.
  - to carry out a baseline study of the current situation in local government relating to freedoms and flexibilities, as a starting point for a potential long term evaluation.
37. During 2005 the team from PwC and WBS conducted an initial study to investigate the feasibility of conducting a long-term study into the impact of the freedoms and flexibilities package, and developed a theory of change to underpin such a study.

## The structure of this report

38. This report sets out the findings and conclusions from the baseline study:
- *Chapter 2* sets out the theory of change developed to underpin the evaluation framework and the scope of the baseline study;
  - *Chapter 3* sets out the key findings from the fieldwork undertaken during the baseline study;
  - *Chapter 4* sets out our detailed findings for each of the freedoms and flexibilities covered by the baseline research;
  - *Chapter 5* sets out our conclusions and proposals for a longer term evaluation study.
39. A number of Annexes have also been included, which provide details of the sample of local authorities that have participated in the feasibility study, copies of the research instruments used in the baseline study and a bibliography.

## CHAPTER 2

# The theory of change and scope of study

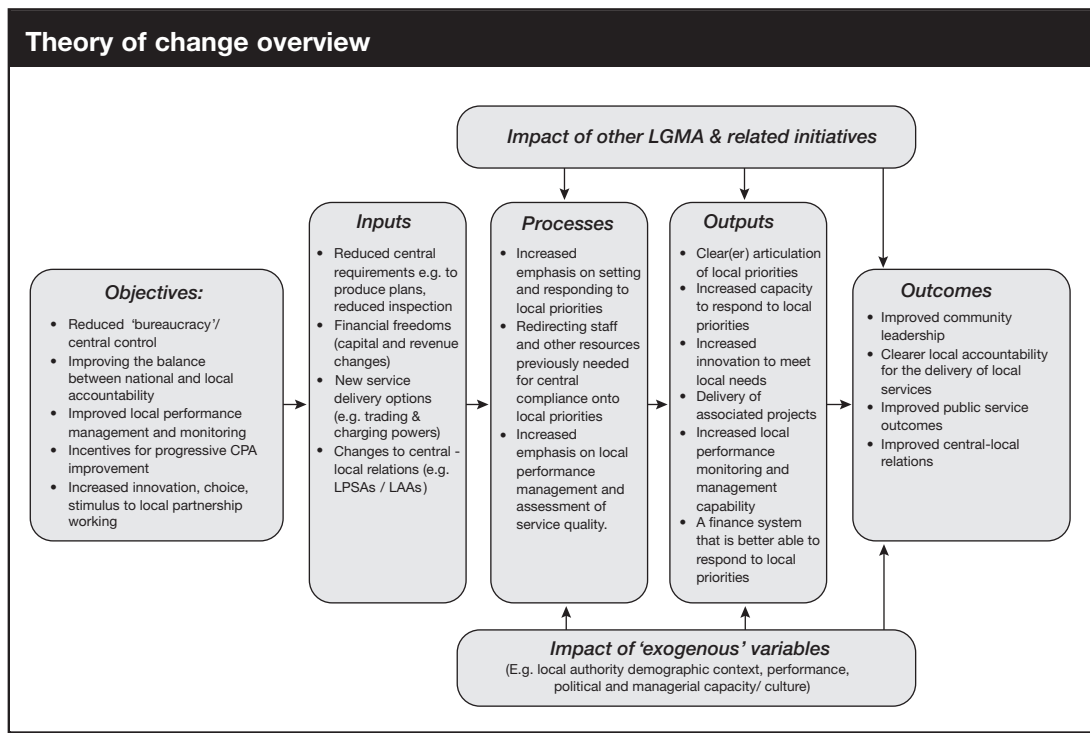
## Developing a theory of change

40. We developed a set of aims and objectives for the freedoms and flexibilities agenda as a whole, drawing on our initial assessment of the policy literature and discussions with ODPM (now DCLG) officials. These are shown in the box below. These reflect not only the aspirations set out in the 2001 White Paper and associated policy developments, but also more recent developments, such as the emphasis on increased joint working at local level implied both by the Efficiency Review and the Ten Year Strategy, as well as the increased emphasis on the importance of user choice set out in the Local Government Strategy.

### Overarching assumptions underpinning the freedoms and flexibilities agenda

- A reduction in central control and prescription together with a more devolved approach to setting priorities, allocating resources and selecting delivery options should result in real improvements to local services, greater sensitivity to local needs and a strengthening of local accountability for service delivery.
- National standards and accountability for performance remain important, but need to be balanced with a more devolved approach to setting priorities, allocating resources, and selecting delivery options if service improvement is to be more focused on local improvement priorities.
- A reduction in the level of bureaucracy associated with local authority compliance with central government controls will provide local authorities with more freedom to focus on local priorities as well as reducing local compliance costs.
- As national standards, targets, statutory planning requirements and regulation are reduced, demonstrable competence in local performance management and associated planning, consultation and reporting disciplines become increasingly important.
- Securing efficiency improvements in local services, through joint working between local authorities or between local authorities and other organisations, will be best achieved by providing local government with the flexibility to do so (for example through trading powers), rather than through central prescription.
- A shift to targeted regulation in local government linked to CPA achievement should result in both reducing the direct costs and the compliance costs associated with inspection as well as providing a more effective focus on dealing with poorer performers.
- Differential access to freedoms and flexibilities acts as a stimulus to performance improvement within local government. By linking a number of specific measures to the achievement of a 'threshold' performance category within the CPA, policymakers hope to encourage progressive CPA improvement.
- Increased user choice can be a powerful driver of more personalised, and better quality public services. This is in turn dependent upon providing local government with greater flexibility in balancing national and local priorities, with commensurate flexibility to allocate funding, and develop innovative delivery vehicles.

41. From these assumptions we developed a theory of change<sup>6</sup>. The following diagram describes the overall linkages between the aims and objectives associated with the freedoms and flexibilities agenda, the key ‘inputs’, or policy measures, and the processes, outputs and outcomes that are expected to result from their implementation in local government.



42. The model includes a number of key considerations, including:
- that freedoms and flexibilities measures may create *opportunities* for local authorities to respond more effectively to local needs, but that take-up of these measures cannot achieve this in and of themselves;
  - that in this sense, freedoms and flexibilities measures have, at best, an indirect effect on the outputs and outcomes that policymakers seek to achieve by granting freedoms and flexibilities to local government; and
  - that other measures, including those associated with other LGMA policies as well as 'exogenous' variables such as local demographic context, and political and managerial capacity, are likely to have a significant influence at local authority level on changes to processes, outputs and outcomes that are associated with take-up of specific freedoms and flexibilities.
43. There are a number of important considerations which lie behind our theory of change and evaluation framework:
- the framework should be capable of evaluating the impact of freedoms and flexibilities at both the strategic level as well as at the level of individual measures;

<sup>6</sup> Other LGMA evaluations have similarly adopted a theory of change. See, for example, Geddes, Mike (2006) *National Evaluation of Local Strategic Partnerships: theory of change issues paper* London: Department for Communities & Local Government.

- the framework should be flexible, given that freedoms and flexibilities sit within a wider policy framework that is evolving and dynamic; and
- it is important to take account of the perceptions of local authority stakeholders in assessing the impact of freedoms and flexibilities as a whole, and in relation to individual measures.

To underpin the proposed evaluation framework we also developed a set of overarching hypotheses. These are set out in the following table and are based on the set of aims and objectives outlined earlier. For the baseline study our aim was to identify what evidence existed to support or counter those hypotheses, and thus provide a state from which change could be assessed over the period of the evaluation.

<b>Overarching research questions and hypotheses</b>	
<b>Research Hypothesis: H1</b>	<b>High Level Research Question: R1</b>
<ul style="list-style-type: none"> <li>• <i>Local services are improving and becoming more accountable and responsive as a result of less central control and prescription.</i></li> </ul>	<ul style="list-style-type: none"> <li>• How far does a reduction in central control and prescription together with a more devolved approach to setting priorities, allocating resources and selecting delivery options result in real improvements to local services? Does this reduction in central control result in a greater sensitivity to local needs and a strengthening of local accountability for service delivery?</li> </ul>
<b>Research Hypothesis: H2</b>	<b>High Level Research Question: R2</b>
<ul style="list-style-type: none"> <li>• <i>As levels of national oversight are reduced local authorities are able to focus more on local priorities and improvement.</i></li> </ul>	<ul style="list-style-type: none"> <li>• What is the appropriate balance between national standards and accountability for performance and a more devolved approach to setting priorities, allocating resources, and selecting delivery options? What is the relationship between this balance and the ability of local authorities to be more focused on local improvement priorities?</li> </ul>
<b>Research Hypothesis: H3</b>	<b>High Level Research Question: R3</b>
<ul style="list-style-type: none"> <li>• <i>As compliance costs come down more resources are directed towards local priorities.</i></li> </ul>	<ul style="list-style-type: none"> <li>• How far will a reduction in levels of bureaucracy associated with local authority compliance with central government controls provide local authorities with more freedom to focus on local priorities as well as reducing local compliance costs?</li> </ul>
<b>Research Hypothesis: H4</b>	<b>High Level Research Question: R4</b>
<ul style="list-style-type: none"> <li>• <i>Compliance costs are reduced across the local government sector whilst poor performers are more effectively tackled as national regulation becomes more targeted.</i></li> </ul>	<ul style="list-style-type: none"> <li>• How far has a shift to targeted regulation in local government resulted in both reducing direct and compliance costs associated with regulation? Has targeted regulation provided a more effective focus on dealing with poorer performers?</li> </ul>
<b>Research Hypothesis: H5</b>	<b>High Level Research Question: R5</b>
<ul style="list-style-type: none"> <li>• <i>Performance management and associated planning, consultation and reporting disciplines are improving as national regulation and oversight is reduced.</i></li> </ul>	<ul style="list-style-type: none"> <li>• To what extent is local government developing demonstrable competence in local performance management and associated planning, consultation and reporting disciplines as national standards, targets, statutory planning requirements and regulation are reduced?</li> </ul>
<b>Research Hypothesis: H6</b>	<b>High Level Research Question: R6</b>
<ul style="list-style-type: none"> <li>• <i>Trading powers and other freedoms and flexibilities are being used by local authorities to facilitate more innovative and inclusive ways of working.</i></li> </ul>	<ul style="list-style-type: none"> <li>• How are specific freedoms and flexibilities, such as trading powers, being used to help secure efficiency improvements in local services? Are freedoms and flexibilities, rather than central prescription proving a more effective way of encouraging joint working between local authorities or between local authorities and other organisations?</li> </ul>
<b>Research Hypothesis: H7</b>	<b>High Level Research Question: R7</b>
<ul style="list-style-type: none"> <li>• <i>Differential access to freedoms and flexibilities works as an effective stimulus and incentive to performance improvement in local government.</i></li> </ul>	<ul style="list-style-type: none"> <li>• How far does differential access to freedoms and flexibilities act as a stimulus to performance improvement within local government? How will linkage of a number of specific measures to the achievement of 'threshold' performance categories work in future?</li> </ul>

## Scope and Methodology of the Baseline Study

44. The theory of change and accompanying evaluation framework have been developed to allow the DCLG and other government departments to identify the extent to which the implementation of freedoms and flexibilities has had the intended effect. The first stage of the evaluation framework is then the creation of a baseline from which change over time can be assessed.
45. As we set out in the feasibility report, we believe that an evaluation of the impact of freedoms and flexibilities should focus on evaluation and analysis at a number of levels, in order to identify the causal linkages between the impact of particular measures and the outcomes associated with freedoms and flexibilities policies. Building on the theory of change, the baseline study therefore focuses on awareness, take-up, process changes, and the outputs and outcomes associated with individual freedoms and flexibilities in local government.
46. The process for conducting this baseline study was designed to be:
  - *broad* – assessing the impact of freedoms and flexibilities as a package, and about the views of local government as a whole;
  - *deep* – considering more detailed evaluation of particular freedoms and flexibilities, or about particular service areas;
  - *summative* – a ‘post-implementation’ evaluation of the impact of freedoms and flexibilities policies; and
  - *formative* – evaluative activities that can inform the development of future policy in this area.
47. It was also considered to be essential that any data used to support the baseline study should be expected to be available on a longitudinal basis, to ensure consistency of approach year-on-year, given the proposal to undertake a long term evaluation of the impact of freedoms and flexibilities in local government.
48. Following discussions with DCLG officials and the study advisory group, it was agreed that the baseline study should focus primarily on a subset of key measures, based on a number of criteria:
  - those measures likely to have a significant impact on the achievement of freedoms and flexibilities policy objectives, drawing on findings from fieldwork undertaken during the feasibility study;
  - those measures suggested by DCLG officials and the study advisory group as being of particular interest for policy customers and other stakeholders; and
  - those measures that are not subject to detailed evaluation within other LGMA studies.

49. Applying these criteria, we then categorised the range of freedoms and flexibilities measures into the following categories:
- ***primary focus*** – those measures that should form a central focus for primary data collection in the evaluation; and
  - ***secondary focus*** – those measures that we did not propose to focus on in detail as part of the evaluation; because they were either not fully operational at the time of the study or are subject to other evaluations. However, we did draw upon the latter in informing our analysis and conclusions.
50. The following table sets out the results of that categorisation, alongside a suggested primary intended impact and outcome measure for each freedom or flexibility.

Freedom and flexibilities measure or cluster of measures	Perceived 'problem(s)' being addressed	Anticipated primary impact	Measure of F&F element success
<b>Primary Focus</b>			
<b>Financial Measures</b>			
<b>Prudential Borrowing</b>	<ul style="list-style-type: none"> <li>Lack of flexibility to respond to local needs within Credit Approvals system</li> <li>Lack of flexibility to manage capital spending commitments across the economic cycle</li> </ul>	<ul style="list-style-type: none"> <li>More flexibility in funding local capital schemes</li> <li>Improved local accountability for financial stewardship</li> </ul>	<ul style="list-style-type: none"> <li>More capital schemes carried out by local authorities</li> <li>More cost effective ways of financing capital expenditure</li> </ul>
<b>Revenue ring-fencing reduction</b>	<ul style="list-style-type: none"> <li>Constraints on local authorities' flexibility to 'vire' revenue finance to meet local needs</li> <li>Potential to drive up council tax to unsustainable levels</li> </ul>	<ul style="list-style-type: none"> <li>Increased discretion for local authorities to vary their spending priorities to meet local needs</li> <li>Reduced administrative costs associated with grants accounting</li> </ul>	<ul style="list-style-type: none"> <li>Increased spending on local priorities</li> <li>Reduction in administrative costs associated with grants accounting</li> <li>Reduction in audit fee</li> <li>Reduction in FTE days associated with grants accounting</li> </ul>
<b>Service Innovation &amp; Partnership</b>			
<b>Business Improvement Districts (BIDs)</b>	<ul style="list-style-type: none"> <li>Lack of incentives to encourage joint working by councils/ local businesses on local economic development</li> </ul>	<ul style="list-style-type: none"> <li>Stimulus to a collective focus on local economic development by local government and the business community</li> </ul>	<ul style="list-style-type: none"> <li>More Business Improvement Districts set up</li> <li>Increase in % of BID business plan objectives achieved</li> <li>Delivery of locally delivered service improvements</li> </ul>
<b>Rationalisation of Area Based Initiatives<sup>7</sup> (ABIs)</b>	<ul style="list-style-type: none"> <li>Lack of flexibility for councils in strategic management of cross-cutting priorities</li> </ul>	<ul style="list-style-type: none"> <li>More effective local partnerships and flexible responses to local problems.</li> <li>More flexible and cost-effective use of resources by local authorities and partners focused on local challenges.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in local partnerships</li> <li>ABIs more directly meeting local needs</li> </ul>
<b>Trading &amp; charging powers</b>	<ul style="list-style-type: none"> <li>Constraints on entrepreneurial capability and innovation within ambitious local authorities</li> <li>Lack of flexibility to focus commercial discipline on improved service delivery</li> <li>Lack of clarity within existing legislative framework surrounding local authority capacity to trade and charge</li> </ul>	<ul style="list-style-type: none"> <li>Encourage practice and capacity sharing between authorities, for example through franchising</li> <li>Income generation to support investment in local service improvement</li> <li>Greater legislative clarity about Councils' powers in these areas</li> </ul>	<ul style="list-style-type: none"> <li>Increase in Income generated</li> <li>Spending against locally determined objectives</li> <li>Improved understanding at the Local Authority level of what trading and charging powers are.</li> </ul>

Continued

<sup>7</sup> After discussions with the Steering Group it was agreed not to include this measure in the Primary Focus as it will be covered by the evaluation of other measures, particularly Local Area Agreements.

Freedom and flexibilities measure or cluster of measures	Perceived 'problem(s)' being addressed	Anticipated primary impact	Measure of F&F element success
<b>Local Authority Business Growth Incentive Schemes</b>	<ul style="list-style-type: none"> <li>Lack of incentives to encourage joint working by councils/ local businesses on local economic development</li> </ul>	<ul style="list-style-type: none"> <li>Stimulus to a collective focus on local economic development by local government and the business community</li> </ul>	<ul style="list-style-type: none"> <li>Annual accounting reports of BGIS show improvements in the local service delivery</li> </ul>
<b>Innovation Forum<sup>8</sup></b>	<ul style="list-style-type: none"> <li>Local government not being seen as sufficiently innovative</li> </ul>	<ul style="list-style-type: none"> <li>'Beyond excellence'</li> <li>Innovation and good practice sharing</li> </ul>	<ul style="list-style-type: none"> <li>Increased amount of innovative practice</li> </ul>
<b>Burden Reduction</b>			
<b>Inspection Reduction</b>	<ul style="list-style-type: none"> <li>Significant compliance costs for local authorities responding to 'blanket' regulation</li> <li>Overemphasis on accountability to Government/ Regulators at expense of local accountability</li> <li>Lack of focus of regulation activity on tackling underperformance</li> </ul>	<ul style="list-style-type: none"> <li>Much stronger culture of self-assessment and self-monitoring' within local government</li> <li>Inspection/regulation that is proportionate and targeted on local rather than just national priorities</li> <li>Reduced burden of officer time and other resources in preparing for and engaging with inspectors/regulators</li> </ul>	<ul style="list-style-type: none"> <li>Reduced FTE days of staff dealing with regulation</li> <li>Reduction in inspection fees</li> </ul>
<b>Secondary Focus</b>			
<b>More discretion re - council tax discounts &amp; exemptions</b>	<ul style="list-style-type: none"> <li>Constraint on councils' ability to apply discounts/ exemptions in line with local needs</li> </ul>	<ul style="list-style-type: none"> <li>Greater flexibility to use council tax variation to meet local needs</li> </ul>	<ul style="list-style-type: none"> <li>Differential levels of council tax depending on local priorities</li> </ul>
<b>Wider use of income from fines</b>	<ul style="list-style-type: none"> <li>Constraint on councils' ability to use income from parking and other fines on locally-determined environmental improvements</li> </ul>	<ul style="list-style-type: none"> <li>Increased flexibility and resources to make local environmental improvements</li> </ul>	<ul style="list-style-type: none"> <li>Enhancements to local environment caused by using income from fines</li> </ul>
<b>Subject to Other Reviews</b>			
<b>Capital ring-fencing reduction</b>	<ul style="list-style-type: none"> <li>Constraints on local authorities' capacity for flexible management of capital programme linked to local priorities</li> <li>Reduced capacity for 'joined-up' delivery of capital projects across local authority services and with partners</li> </ul>	<ul style="list-style-type: none"> <li>Greater local discretion in delivering capital projects and programmes</li> <li>Increased cost-effectiveness in the delivery of local capital projects</li> </ul>	<ul style="list-style-type: none"> <li>More imaginative capital schemes</li> <li>Capital projects are delivered more cost effectively</li> </ul>

Continued

<sup>8</sup> A section on the Innovation Forum has been included in this study since it is closely linked to the freedoms and flexibilities agenda. However, it is not a freedom or flexibility in itself.

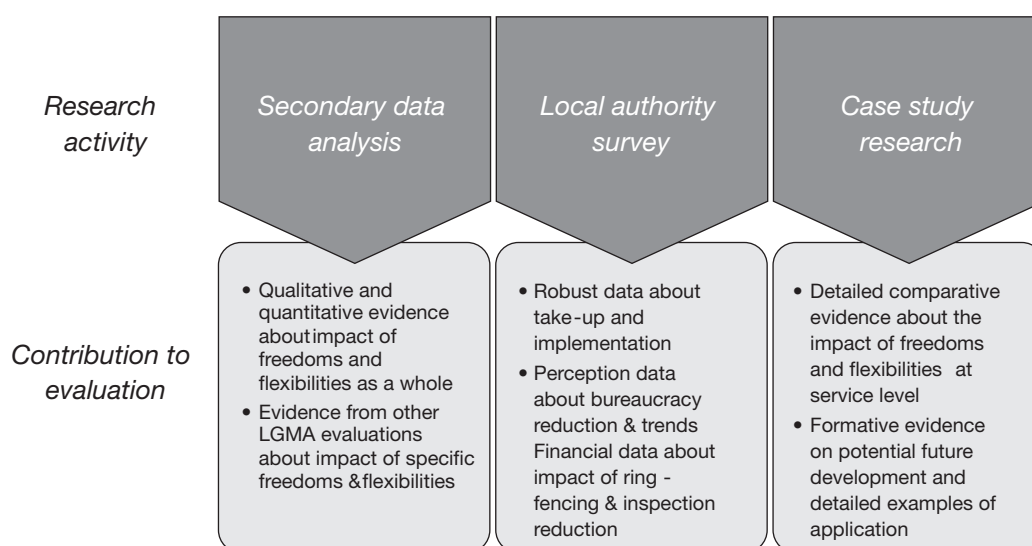
Freedom and flexibilities measure or cluster of measures	Perceived 'problem(s)' being addressed	Anticipated primary impact	Measure of F&F element success
<b>Well Being Power</b>	<ul style="list-style-type: none"> <li>• Absence of broad and general power to act innovatively to improve local environmental, social and economic conditions, to underpin community leadership role of councils</li> <li>• Lack of clarity within existing legislative framework surrounding local authority capacity to act to improve local area outside 'core' service delivery activities</li> </ul>	<ul style="list-style-type: none"> <li>• • Enabler of innovative 'ways of thinking and doing' at local level, particularly in relation to economic, social and environmental improvements.</li> </ul>	
<b>Local Area Agreements (LAAs)/ Local Public Service Agreements (LPSAs)</b>	<ul style="list-style-type: none"> <li>• Overemphasis in existing national performance management framework on national improvement priorities and mechanisms for delivering them</li> <li>• Lack of cross-Government engagement with local authorities on supporting the delivery of local improvement priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of stretch improvement targets focused on priority local needs</li> <li>• Emergence of new ways of working and new thinking on tackling tough problems through multi-agency interventions</li> </ul>	
<b>Local Strategic Partnerships (LSPs)</b>	<ul style="list-style-type: none"> <li>• Lack of incentives and structures for local authorities to lead crosscutting improvements/developments to local community alongside partner organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Culture change in and between local authorities and partner organisations in relation to local service delivery</li> <li>• Delivery of improved local governance and services.</li> </ul>	
<b>Statutory plan rationalisation (including BVPP and BVPI rationalisation)</b>	<ul style="list-style-type: none"> <li>• Failure to 'mainstream' key activities associated with statutory plans (e.g. sustainable development)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced burden of officer time and other resources in plan production.</li> </ul>	
<b>Deregulation of consent regimes</b>	<ul style="list-style-type: none"> <li>• Requirements to seek Government consent perceived to weaken local accountability and stifle innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in bureaucratic 'clutter' for local authorities in relation to minor consents.</li> </ul>	

## Methodology

51. As set out above, our approach to the baseline evaluation was based upon the operationalisation of the Theory of Change and the prioritisation of specific freedoms and flexibilities for more detailed research, and was designed to build on the lessons learnt from the feasibility study. The research itself consisted of:

- evidence from parallel LGMA evaluations (secondary data analysis);
- a representative sample survey of local authorities; and
- detailed qualitative research at a representative sample of local authorities (case study research).

As indicated in the chart below



## Secondary data analysis

52. A comprehensive review of secondary data was carried out as part of the baseline study. The benefits of using existing sources of data to contribute to the development of the baseline are that:

- collection of these data places no additional burden on local authorities; and
- it does not require primary data collection activity on the part of the research team.

53. A full list of the documents reviewed is included in Annex A.

### **Qualitative Fieldwork**

54. We undertook qualitative research at our existing cohort of 14 local authorities, with whom we had engaged as part of the initial feasibility study, in order to test our hypotheses, develop case studies and best practice, and identify areas for further policy development. Two new authorities were substituted for existing ones who no longer felt able to contribute to the study. A full list of the case study authorities included in the baseline study and the topic guide for our interviews is included at Annex B.
55. Our qualitative baseline research involved a small number of structured interviews and discussions with officers in our case study authorities to collect baseline data on the use and impact of specific freedoms and flexibilities.
56. The purpose of these visits was to baseline and track awareness, use and attitudes towards the measures. During the baseline research visits we aimed to build on findings from the feasibility stage, and being mindful of the focus of a number of other research projects in this area, it was agreed that we should focus our attention on the following measures:

#### *Prudential Borrowing:*

57. Exploring in detail the extent to which Local Authorities have taken up prudential borrowing, and its application to infrastructural and other improvements in the local authority area.

#### *Reduction in capital and revenue ring-fencing:*

58. Exploring the impact so far of any reductions in ring-fencing of funding across core services.

#### *Trading and Charging for discretionary services:*

59. Policies, in place or planned, in relation to trading activities and/or charging for discretionary services.

#### *Reductions in external audit/inspection activity:*

60. The extent of reductions in this area and the benefits and costs associated with these changes.

#### *Business Improvement Districts and Local Authority Business Growth Incentive Schemes:*

61. For those authorities where these opportunities are being considered, details of their establishment, scope and planned benefits.

### **Baseline Local Authority Survey**

62. To supplement our qualitative research we sent out a baseline survey to 100 local authorities. The survey was focused on collecting data in a number of areas including:

- awareness of freedoms and flexibilities as a ‘whole’, together with awareness of particular measures;
- levels of use of particular measures, including quantitative process and output data associated with financial measures such as prudential borrowing and ring-fencing reduction; and
- changes in the levels and costs of regulation, measured for example by audit fee changes and estimates of time required for the preparation and engagement with external inspection teams.

63. A copy of the full survey, (including the results) is presented in Annex C.

64. The survey achieved a response rate of 37% following reminders to participants. The table below sets out the profile of respondents by type of authority and CPA classification (as at 2004)

	Counties	Mets	Unitaries	London	District	TOTAL
<b>Excellent</b>	3	0	2	1	2	8
<b>Good</b>	4	2	4	0	5	15
<b>Fair</b>	0	0	0	3	7	10
<b>Weak</b>	1	1	0	0	2	4
<b>Poor</b>	0	0	0	0	0	0
<b>TOTAL</b>	8	3	6	4	16	37

# CHAPTER 3

## Key findings from the baseline study

### Introduction

65. This chapter provides an overview of the findings from the baseline study and highlights the key messages from the local authority survey, case study interviews and secondary data review. More detailed findings on each of the freedoms and flexibilities are included in Chapter 4, and a full copy of the survey responses is contained in Annex C.
66. The table below provides a summary of the key messages from our feasibility report for ease of reference.

Key Findings from Feasibility Study	
<b>General</b>	
<b>Overall Awareness</b>	<ul style="list-style-type: none"> <li>• Varied levels of awareness between and within authorities.</li> <li>• Offices showed greater levels of awareness than members.</li> <li>• Greater levels of awareness generally in Good and Excellent authorities and in London Boroughs.</li> <li>• Greater awareness of planned elements of bureaucracy reduction, such as BVPP/ BVPI rationalisation and inspection reduction.</li> <li>• Recognition of a 'package' of measures really only apparent at a senior level.</li> </ul>
<b>Use of Freedoms &amp; Flexibilities</b>	<ul style="list-style-type: none"> <li>• Varied levels of use.</li> <li>• LSPs and LPSAs most widely used.</li> <li>• BIDs and LABGI least used.</li> </ul>
<b>Experience of bureaucracy reduction and deregulation</b>	<ul style="list-style-type: none"> <li>• Generally positive responses about experience of reductions, especially around BVPIs /BVPPs, Inspection and statutory planning requirements.</li> <li>• However, this contrasted with views on the levels of bureaucracy perceived in specific service areas where many felt there had been increases, especially for children's services and adult social care.</li> </ul>
<b>Financial Measures</b>	
<b>Prudential Borrowing</b>	<ul style="list-style-type: none"> <li>• Most commonly used measure.</li> <li>• High profile with elected members.</li> <li>• Seen as having potential to make a significant difference to the way local authorities work.</li> <li>• Most common usage for 'invest to save' schemes, moving from leasing to purchase (especially of vehicle fleet), supporting major capital (especially building) programmes.</li> </ul>

Continued

<b>Financial Measures Continued</b>	
<b>Revenue ring-fencing reduction</b>	<ul style="list-style-type: none"> <li>• Commitment to revenue ring-fencing welcomed.</li> <li>• Frustrations remain around the complexity and number of funding streams in some areas.</li> <li>• However, some felt reductions in ring-fencing had enabled greater flexibility in the allocation of resources to local priorities.</li> </ul>
<b>Service Innovation &amp; Partnership</b>	
<b>BIDs</b>	<ul style="list-style-type: none"> <li>• Welcomed as support for local regeneration/economic development strategies, but impact perceived as marginal.</li> <li>• Some perceived process around implementation of BIDs as being so onerous it was unlikely to be implemented.</li> <li>• Others would like to go further with BIDs.</li> <li>• Use dependent on size and strength of local business community – where larger business more likely to be ‘bottom-up’ pressure, but authorities comprising many smaller businesses suggested there was a lack of a coherent business voice.</li> </ul>
<b>Rationalisation of ABIs</b>	<ul style="list-style-type: none"> <li>• Welcomed but impact seen as marginal.</li> </ul>
<b>Trading powers</b>	<ul style="list-style-type: none"> <li>• Trading power welcomed by most authorities but take-up limited, although interest is increasing.</li> <li>• Cautious approach being taken – barriers to trading include lack of appropriate skills, difficulty developing a robust business case and the tension between ‘entrepreneurial activity’ and good financial stewardship and service provision.</li> </ul>
<b>Charging powers</b>	<ul style="list-style-type: none"> <li>• Limited use, but some interest.</li> <li>• Considered as marginal in terms of increasing income.</li> <li>• Concerns about ‘appropriateness’ of charging in local government and acceptability to Members and citizens.</li> </ul>
<b>LABGI</b>	<ul style="list-style-type: none"> <li>• In very early stages of implementation at the time of the Feasibility Study.</li> </ul>
<b>Burden Reduction</b>	
<b>Inspection Reduction</b>	<ul style="list-style-type: none"> <li>• Authorities had noticed a reduction in the number of inspections they were subject to, although many still felt over inspected.</li> <li>• Degree of reduction in audit fee has been ‘disappointing’</li> <li>• Concern that inspection has been replaced by ‘self-assessment’.</li> </ul>
<b>SUBJECT TO OTHER REVIEWS</b>	
<b>Capital ring-fencing reduction</b>	<ul style="list-style-type: none"> <li>• Commitment to capital ring-fencing welcomed.</li> <li>• However, frustrations expressed about how the Single Capital Pot was operating. Perception that some Departments were exerting pressure to ensure their allocations were spent only on their priorities.</li> </ul>
<b>Well Being Power</b>	<ul style="list-style-type: none"> <li>• Seen as ‘helpful’ rather than radical.</li> <li>• Partnership working seen as one area where power may have greatest potential</li> </ul>
<b>LAAs</b>	<ul style="list-style-type: none"> <li>• LAAs were only in the early stages of the pilot at the time of the Feasibility Study</li> </ul>
<b>LSPs</b>	<ul style="list-style-type: none"> <li>• Some concerns expressed about the potential of the LSP to undermine the Council’s autonomy.</li> <li>• Frustrations expressed about partners’ attitudes to the democratic element of local government.</li> <li>• Some feelings that partners were receiving mixed messages from Government Departments making effective partnership working difficult.</li> </ul>

Continued

<b>SUBJECT TO OTHER REVIEWS</b> Continued	
<b>Statutory plan rationalisation (including BVPP and BVPI rationalisation)</b>	<ul style="list-style-type: none"> <li>• Welcomed in principle but some feeling that impact was reduced by attitude either of Council service staff or by other Government Departments.</li> <li>• For example, although the Local Transport Plan and Annual Performance Reviews are no longer required for excellent authorities, release of a proportion of capital funds has been tied to their production, making them a requirement in practice, if not in principle.</li> <li>• Some officers in authorities also reluctant to let go of formal plans.</li> </ul>
<b>LPSAs</b>	<ul style="list-style-type: none"> <li>• Welcomed by most authorities.</li> <li>• Seen as genuinely enabling Councils to balance local and national priorities.</li> <li>• Support for financial incentives in return for stretching performance targets.</li> <li>• Some scepticism about commitment of other government departments and frustration at perceived lack of freedoms successfully negotiated.</li> </ul>
<b>Deregulation of consent regimes</b>	Not subject to review during Feasibility Study.

## Baseline Study Findings

### The Package of Freedoms and Flexibilities in Context

67. Our Feasibility Study suggested that the package of freedoms and flexibilities had impacted on local government on two levels. At one level, individual measures had had an impact at the instrumental level in that they had helped authorities take forward parts of the modernisation agenda. However, it was also felt that the package had had a symbolic impact in that they were a tangible demonstration of the Government’s commitment to changing the nature of central-local relations.
68. Our baseline study found a similar view. It also found generally good levels of awareness of the measures that form the package of freedoms and flexibilities. However, levels of use or experience of the measures at this stage is generally not high. Two common, and interlinked, reasons were given for this. First, many authorities felt that the impact of the measures was marginal and that few, if any, really represented mechanisms to radically reform service provision and performance.
69. Secondly, and often cited as the reason for the former, they also felt that the package of measures could not be disconnected from the wider relationship (and controls and reporting mechanisms) that exists between local authorities and government departments. In their view, whilst they acknowledged that there had been some changes, by way of reductions in burdens or removal of regimes, these had often been countered by the introduction of new or revised burdens in other areas, which had meant that overall levels had remained at best unchanged, or at worst increased.
70. For example, whilst prudential borrowing was widely used, the sums being borrowed generally represented only a small proportion of borrowing or capital expenditure. Many Councils cited potential capping of Council Tax levels as a barrier to increasing borrowing significantly.

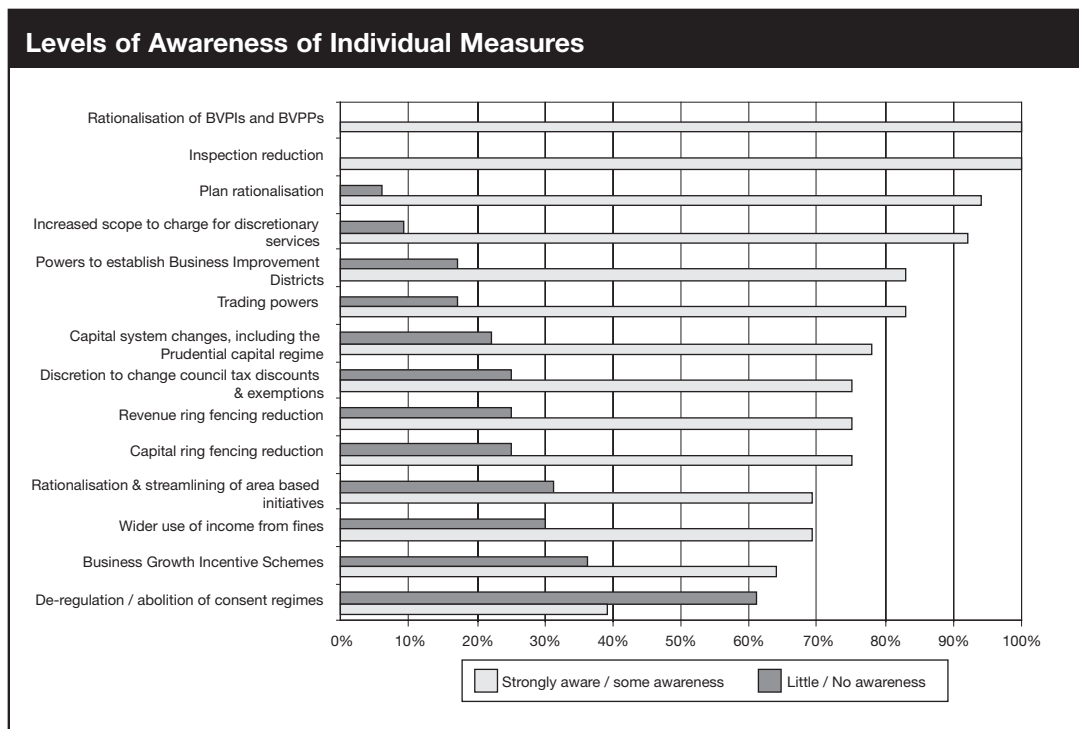
71. On the reduction of inspections and audit, again whilst many said they had felt a reduction in inspections (especially from the Audit Commission) many complained of the increased burden of self-assessment placed on them through new mechanisms such as the CPA Value for Money self-assessment, or of new inspection regimes which they felt were not proportionate to risk, for example the Joint Area Review and the Use of Resources Assessment.
72. The table below sets out some of the factors that authorities cited were inhibiting their use or experience of the freedoms and flexibilities.

<b>Freedoms and flexibilities</b>	<b>Factors inhibiting greater take-up / experience of measures</b>
<b>Prudential Borrowing</b>	<ul style="list-style-type: none"> <li>• Cost of borrowing and impact on future revenue requirements – and therefore Council Tax levels and the threat of capping.</li> </ul>
<b>Capital ring-fencing reduction</b>	<ul style="list-style-type: none"> <li>• Perceived pressure from Government Departments to spend on their priorities.</li> </ul>
<b>Revenue ring-fencing reduction</b>	<ul style="list-style-type: none"> <li>• Already heavily pressured budgets mean there is little real scope to move money.</li> <li>• Difficulty of making hard decisions introduces an ‘informal’ ring-fencing.</li> </ul>
<b>Trading powers</b>	<ul style="list-style-type: none"> <li>• Model seen as unnecessarily complicated.</li> <li>• Belief that powers exist already for many trading activities.</li> </ul>
<b>Charging powers</b>	<ul style="list-style-type: none"> <li>• Concern about being seen to ‘profit’ from citizens/communities</li> </ul>
<b>BIDs</b>	<ul style="list-style-type: none"> <li>• Some minor issues were raised about the time it can take to bring on board local business, especially where there are a large number of smaller businesses</li> </ul>
<b>LABGI</b>	<ul style="list-style-type: none"> <li>• Still in the early stages of consideration.</li> </ul>
<b>Innovation Forum</b>	<ul style="list-style-type: none"> <li>• Not seen as having established a unique enough function for senior level involvement.</li> </ul>
<b>Inspection Reduction</b>	<ul style="list-style-type: none"> <li>• Increase in self-assessment.</li> <li>• Increasing burdens for Children’s Service and Corporate assessment.</li> </ul>
<b>Statutory plan rationalisation and BVPP and BVPI rationalisation)</b>	<ul style="list-style-type: none"> <li>• ‘Professions’ reluctance to stop producing ‘their’ plans.</li> <li>• Requirement to produce plans re-introduced through ‘the back door’ by some Government Departments.</li> <li>• Excessive reporting regimes for some services (esp. Children’s and Adult Social Care).</li> </ul>

## **Awareness of Freedoms and Flexibilities**

73. One key area where we are keen to build a baseline is levels of awareness of specific freedoms and flexibilities. The figure below provides a summary of the levels of awareness reported by respondents to the local authority questionnaire.

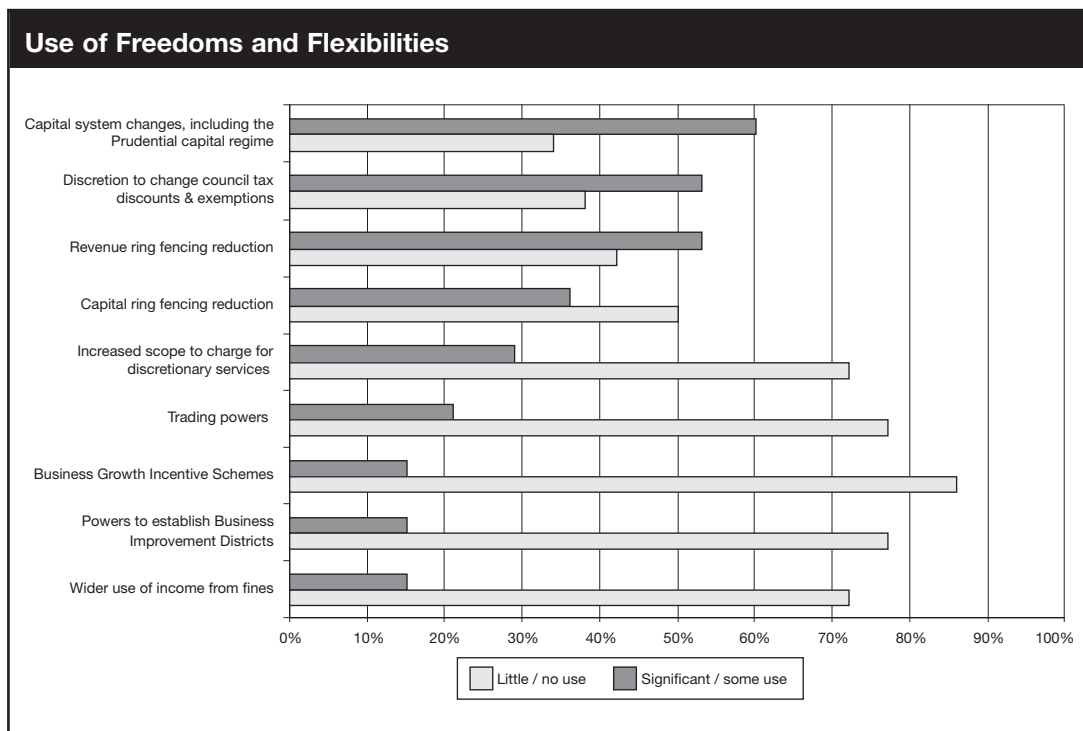
74. The responses support our findings from the pilot survey of case study authorities in the Feasibility Study. All respondents were strongly or somewhat aware of plan rationalisation, inspection reduction and rationalisation of BVPP/PIs, and almost all were aware of the increased scope to charge for discretionary services and powers to establish BIDs. Deregulation/abolition of consent regimes was, as in the previous study, the initiative with the lowest level of awareness.



Base: 37

### Use and Experience of Freedoms and Flexibilities

75. With regard to which of the available freedoms and flexibilities authorities are making use of, one measure in particular, prudential borrowing, stands out from both the local authority survey and the case study visits (see figure below). Most of our case study authorities were already using unsupported borrowing under the prudential borrowing regime to support a wide range of programmes and initiatives. Responses to our survey suggest that they are not alone in doing so.
76. To date, few authorities appear to be taking advantage of the new arrangements to establish BIDs or LABGIS. However, our case studies found that some authorities were still considering these measures and that there was likely to be some level of activity in the future around these initiatives.

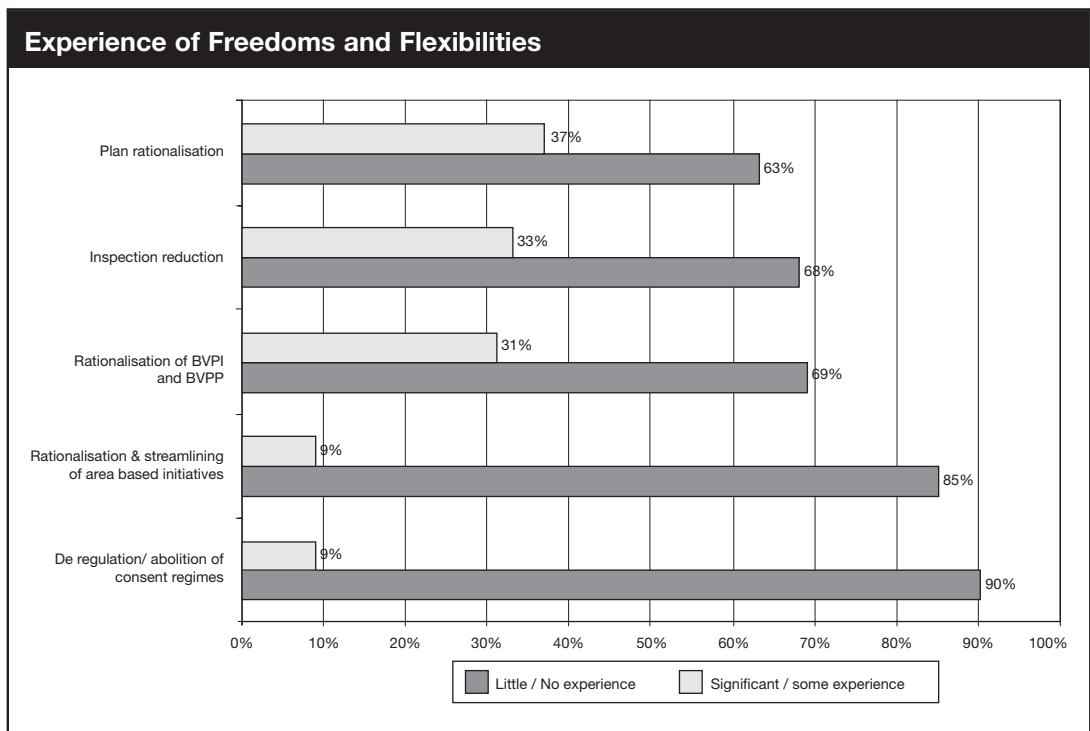


77. The table below shows the relative use of each of these measures by different CPA categories of local authority. Compared to other categories of authority, 'Excellent' authorities demonstrate relatively low levels of use of most of the measures. This finding does support a view that was expressed by a number of councils during our research that freedoms and flexibilities might actually be more appropriate to lower performing councils as it was in these authorities that improvement needs were the greatest.

Freedoms and Flexibilities	Excellent	Good	Fair	Weak
Capital ring-fencing reduction	25%	40%	40%	33%
Revenue ring-fencing reduction	50%	67%	30%	33%
Increased scope to charge for discretionary services	0%	33%	50%	0%
Wider use of income from fines	0%	33%	20%	0%
Capital system changes, including the Prudential capital regime	38%	60%	70%	33%
Discretion to change council tax discounts & exemptions	50%	40%	60%	67%
Trading powers	13%	20%	30%	0%
Powers to establish BIDs	13%	13%	20%	67%
Business Growth Incentive Schemes	0%	27%	10%	0%

78. As with our feasibility study, there is still a perception amongst some authorities that the promised freedoms and flexibilities have not materialised as anticipated or have not had the significant impact hoped for. Of the measures listed below, there were none where a majority felt they had experienced a significant or some level of reduction. (see figure overleaf)

### To what extent have the following freedoms been experienced?



## Our Overarching Research Questions

79. We set out the overarching questions underpinning this research in Chapter 1. This study was intended to establish a baseline position in relation to each question against which future changes in the use and impact of the various freedoms and flexibilities can be measured.
80. The table on the following pages sets out each research question and hypothesis, along with a summary of the evidence we have gathered to support the hypothesis to date, any evidence which appears to counter it, and a summary of the baseline position.
81. Whilst there are some contra indicators at this stage, there is not significant evidence to suggest that our hypotheses would be proved incorrect by a longer term study. However, what may be an issue is the extent or the magnitude of change which is facilitated by the measures, as for many of them, authorities perceive that there are barriers/blockages to the measures being implemented as effectively as they could possibly be.
82. In the following chapter we go on to provide more detail about each of the individual measures which set out the evidence for our summary assessments.

High Level Research Question: R1	Associated Research Hypothesis: H1	Supporting Evidence	Contra Indicators	Summary Assessment
<ul style="list-style-type: none"> <li>How far does a reduction in central control and prescription together with a more devolved approach to setting priorities, allocating resources and selecting delivery options result in real improvements to local services? Does this reduction in central control result in a greater sensitivity to local needs and a strengthening of local accountability for service delivery?</li> </ul>	<ul style="list-style-type: none"> <li>Local services are improving and becoming more accountable and responsive as a result of less central control and prescription.</li> </ul>	<ul style="list-style-type: none"> <li>Participants in case studies often stated that they believed that some of the measures had the potential to free local authorities up to focus on local priorities and improve service delivery.</li> <li>Use of prudential borrowing by authorities has allowed them to provide for additional investment in priority areas</li> </ul>	<ul style="list-style-type: none"> <li>Evidence from case study interviews, local authority survey and secondary data suggests that many feel that the freedoms and flexibilities have either not been delivered or have been outweighed by other central controls or regimes.</li> </ul>	<ul style="list-style-type: none"> <li>Authorities believe that the measures provide the potential for this but do not currently feel that the freedoms and flexibilities have materialised as promised, or they feel that other policies and controls outweigh those that have.</li> <li>Improvements in service performance and accountability at present are seen by authorities as only marginal at this stage.</li> </ul>
High Level Research Question: R2	Associated Research Hypothesis: H2	Supporting Evidence	Contra Indicators	Summary Assessment
<ul style="list-style-type: none"> <li>What is the appropriate balance between national standards and accountability for performance and a more devolved approach to setting priorities, allocating resources, and selecting delivery options? What is the relationship between this balance and the ability of local authorities to be more focused on local improvement priorities?</li> </ul>	<ul style="list-style-type: none"> <li>As levels of national oversight are reduced local authorities are able to focus more on local priorities and improvement.</li> </ul>	<ul style="list-style-type: none"> <li>Prudential borrowings has enabled some investment in priority areas,</li> <li>Reduction in some plan requirements has provided greater freedoms for authorities to decide on content of plans.</li> <li>LAAs are enabling authorities and partners to be more focused on some key local priorities.</li> </ul>	<ul style="list-style-type: none"> <li>In some service areas authorities do not feel oversight has been reduced.</li> <li>Many authorities feel that tight budget pressures mean in reality there is little scope to move revenue across services.</li> </ul>	<ul style="list-style-type: none"> <li>Evidence suggests there is the potential to achieve the desired outcome, but at present many authorities do not feel that levels of national oversight have been reduced.</li> </ul>

High Level Research Question: R3	Associated Research Hypothesis: H3	Supporting Evidence	Contra Indicators	Summary Assessment
<ul style="list-style-type: none"> <li>How far will a reduction in levels of bureaucracy associated with local authority compliance with central government controls provide local authorities with more freedom to focus on local priorities as well as reducing local compliance costs?</li> </ul>	<ul style="list-style-type: none"> <li>As compliance costs come down more resources are directed towards local priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Many of the measures aimed at reducing bureaucracy were welcomed and authorities felt that they could free them up to focus on local priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Some suggested that other Departments were not as supportive of the reduction in levels of bureaucracy as the ODPM (now DCLG) and that this meant that reductions were not as significant as expected.</li> </ul>	<ul style="list-style-type: none"> <li>Evidence suggests there is the potential to achieve the desired outcome, but at present many authorities do not feel that levels of national oversight have been reduced.</li> </ul>
High Level Research Question: R4	Associated Research Hypothesis: H4	Supporting Evidence	Contra Indicators	Overall conclusion
<ul style="list-style-type: none"> <li>How far has a shift to targeted regulation in local government resulted in both reducing direct and compliance costs associated with regulation? Has targeted regulation provided a more effective focus on dealing with poorer performers?</li> </ul>	<ul style="list-style-type: none"> <li>Compliance costs are reduced across the local government sector whilst poor performers are more effectively tackled as national regulation becomes more targeted.</li> </ul>	<ul style="list-style-type: none"> <li>Some authorities have reported a small decrease in level of external audit fees.</li> <li>Some authorities have seen a reduction in levels of external inspection for some service areas.</li> <li>The report of the Meta Evaluation of the LGMA published in March 2005<sup>9</sup> found evidence of rapid improvement in poorer performing local authorities.</li> </ul>	<ul style="list-style-type: none"> <li>Most authorities responding to the survey felt that there had been increases in audit and inspection burdens for Children's Services, Social Care and Other (most likely Corporate) Services.</li> <li>Many case study authorities have suggested that self-assessment has replaced inspection as a burden.</li> <li>The Meta evaluation survey of 2004 found that few authorities felt freedoms and flexibilities had been major drivers of service improvements.</li> </ul>	<ul style="list-style-type: none"> <li>Authorities do see the potential for this, but many feel that self-assessment has replaced inspection and is equally as onerous as external regulation.</li> <li>New service based inspections have also been introduced which have added to the costs.</li> </ul>

<sup>9</sup> Meta evaluation of the Local Government Modernisation Agenda: Progress Report on Service Improvement in Local Government, London: Office of the Deputy Prime Minister, 2005.

High Level Research Question: R5	Associated Research Hypothesis: H5	Supporting Evidence	Contra Indicators	Overall conclusion
<ul style="list-style-type: none"> <li>To what extent is local government developing demonstrable competence in local performance management and associated planning, consultation and reporting disciplines as national standards, targets, statutory planning requirements and regulation are reduced?</li> </ul>	<ul style="list-style-type: none"> <li>Performance management and associated planning, consultation and reporting disciplines are improving as national regulation and oversight is reduced.</li> </ul>	<ul style="list-style-type: none"> <li>The Meta evaluation survey in 2004 found that 92% of respondents believed there had been improvements in the use of performance management systems.</li> </ul>	<ul style="list-style-type: none"> <li>Findings suggest that authorities so far do not generally perceive that national regulation and oversight is reducing.</li> </ul>	<ul style="list-style-type: none"> <li>There has been unarguably a greater focus in local authorities on performance management, but it is difficult at this stage to ascribe this focus to reductions in national oversight and regulation.</li> </ul>
High Level Research Question: R6	Associated Research Hypothesis: H6	Supporting Evidence	Contra Indicators	Overall conclusion
<ul style="list-style-type: none"> <li>How are specific freedoms and flexibilities, such as trading powers, being used to help secure efficiency improvements in local services? Are freedoms and flexibilities, rather than central prescription proving a more effective way of encouraging joint working between local authorities or between local authorities and other organisations?</li> </ul>	<ul style="list-style-type: none"> <li>Trading powers and other freedoms and flexibilities are being used by local authorities to facilitate more innovative and inclusive ways of working.</li> </ul>	<ul style="list-style-type: none"> <li>Prudential borrowing is being used by a number of authorities to buy rather than lease vehicle fleet as this is seen as more efficient.</li> <li>It is also being used to fund improvements now (for example in IT infrastructure or road maintenance) which would cost more to repair/maintain in the future.</li> <li>LAAs/LPSAs have been effective for some authorities for increasing the amount and effectiveness of joint working.</li> </ul>	<ul style="list-style-type: none"> <li>Some authorities feel that the measures are only really providing marginal benefits and will therefore have little significant impact on overall budgets.</li> <li>Trading and charging activities currently have low levels of take-up amongst authorities.</li> <li>Few measures other than LAAs/LPSAs are seen as having encouraged / facilitated joint working.</li> </ul>	<ul style="list-style-type: none"> <li>Little evidence as yet to suggest significant efficiency gains are being achieved by authorities through using freedoms and flexibilities.</li> <li>LAAs/LPSAs seen as having the potential to increase and improve partnership working – but there are concerns that they may be too complex or get bogged down in central bureaucracy.</li> </ul>

High Level Research Question: R7	Associated Research Hypothesis: H7	Supporting Evidence	Contra Indicators	Overall conclusion
<ul style="list-style-type: none"> <li>How far does differential access to freedoms and flexibilities act as a stimulus to performance improvement within local government? How will linkage of a number of specific measures to the achievement of 'threshold' performance categories work in future?</li> </ul>	<ul style="list-style-type: none"> <li>Differential access to freedoms and flexibilities works as an effective stimulus and incentive to performance improvement in local government.</li> </ul>	<ul style="list-style-type: none"> <li>Little evidence at this stage.</li> </ul>	<ul style="list-style-type: none"> <li>Some questioned whether differential access was appropriate. If the freedoms and flexibilities were designed to deliver improvement then poorer performing councils were more likely to need access to them.</li> </ul>	<ul style="list-style-type: none"> <li>Little evidence to assess this. Anecdotal evidence suggests that reputation has been a greater driver for performance improvement than access to additional freedoms and flexibilities.</li> <li>Also levels of use of many of the measures by excellent authorities appear to be lower than other categories of authorities.</li> </ul>

# CHAPTER 4

## Detailed findings on individual freedoms and flexibilities

### Introduction

83. In this chapter we provide a more detailed explanation of our findings for each of the individual freedoms and flexibilities covered by the baseline study. The information presented is drawn from our case studies, the local authority survey and our review of secondary data.

### Prudential borrowing

84. Prudential borrowing was the most widely used and most warmly welcomed of all the freedoms and flexibilities considered in our review. Over 80% of our case study local authorities were using prudential borrowing and 60% of our survey respondents said they had made significant use or some use of capital system changes. This was the highest level of use amongst all the freedoms and flexibilities. It was also one of the measures of which survey respondents were most aware, with 56% saying they were strongly aware of changes to the capital system, including prudential borrowing.

#### **How aware are you personally of the existence of each of the following measures? – Capital system changes, including the prudential borrowing regime**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
56%	22%	19%	3%

Base: 37 authorities

#### **To what extent has your authority taken advantage of the following measures over the last year? – Capital system changes, including the prudential borrowing regime**

Significant use	Some use	Little use	No use	N/A
23%	37%	14%	20%	6%

Base: 36 authorities

85. Amounts borrowed varied quite significantly amongst authorities. In our case studies the amount borrowed ranged from £1m to £30m over a three year period and as a proportion of capital programme from 1% to 10% with most authorities around the 5-10% mark as a share of capital programme.
86. Our survey results provided a similar spread of borrowing levels, with an average of around £6.5m.

Service Area	Estimated Level of Borrowing FY 05/06 £000's
All services	£7,953
Children's services	£2,325
Adult social care	£1,334
Housing services	£926
Transport services	£32,792
Environmental services	£1,415
Regulatory services	£1,193
Libraries and leisure services	£920
Other services*	£7,859**

Base: 9 authorities

*\*'Other services' refers to any services not included in the previous categories.*

*\*\* One authority reported that it was borrowing £215m to re-finance existing off balance sheet borrowing. The ability to be able to do this was considered to be very useful by the authority. This figure though has not been included in the calculation of the average as it would significantly distort it.*

87. Research for the LGA in November 2004<sup>10</sup> supports our findings, with more than a third of all local authorities and three-quarters of county councils said to be using prudential borrowing. Around £900m of investment was said to be supported by the power in 2004/5 with £742m planned for 2005/6. Take up varied by type of authority: 74% for county councils; 65% for unitaries and metropolitan districts and 14% for district councils.
88. The most common use of prudential borrowing was reported to be for transport schemes, with a third of money going on new-build projects, but as the powers bed in, investment is shifting, with education, leisure services and housing becoming the largest recipients in future years.
89. In both our case study interviews and the local authority questionnaire we asked authorities for the reasons why they were not using prudential borrowing, or why they were not borrowing more. The two most often cited reasons were:
- the revenue cost implications of borrowing and the impact on levels of Council Tax this might have and the threat of capping; and

<sup>10</sup> *Loosening the Reins: A survey of local authority approaches to prudential borrowing, charging and trading* Local Government Association, 2004.

- the ability to raise funds from elsewhere, for example through capital receipts, investments, or from single capital pot allocations.

### Uses of prudential borrowing

90. Uses of prudential borrowing in case study authorities vary, but tend to fall into a number of discrete categories –
- ‘invest to save’ – e.g. investment in new technology to support more efficient working practices;
  - to support a move from leasing to outright purchase – in the case of council vehicles; IT equipment etc.
  - to smooth the path of capital projects supported by other forms of capital funding; and/ or
  - to invest in infrastructure, such as repair of property or road maintenance, that might otherwise deteriorate more quickly and require a more expensive ‘fix’ further into the future.
91. Our survey also found that prudential borrowing was being used to support programmes across Council services, but the most commonly supported areas were Children’s Services and Adult Social Care where levels of use were significantly higher than for other services.

### Invest to save

#### ICT for Admin support systems

One case study authority was just about to replace its mainframe computer with stand alone systems; to install new financial, HR, procurement and payroll systems and was planning to put in place a customer relationship management (CRM) system the following year. In the view of the finance manager these investments would just not be possible without prudential borrowing. It gave the authority the opportunity to take a broader view of efficiencies in the round.

#### Office Accommodation

Another authority was using prudential borrowing to support a major office re-organisation – moving from 50 office bases to just three. The moves would generate some capital receipts but these would take time to come through. Funding for the installation of new IT infrastructure was found through prudential borrowing. In the longer term – having made the investment to network three premises rather than 50, the authority estimates it will save £17-18m a year in ongoing maintenance.

### From leasing to purchase

92. Several case study authorities said they were considering using prudential borrowing to support a move from leasing to purchase of capital equipment, usually computers and vehicles:

*‘We always said we’d use prudential borrowing as an alternative to leasing where it made sense to do so. Last year we made provision for £3-4million for this purpose. This is a real benefit and we’ll continue to do that.’* (Finance Manager)

**Vehicle purchase**

One authority was phasing out leasing of its waste disposal/collection vehicles, using prudential borrowing to fund purchase instead. Previously annual leasing costs had been in the region of £2-3m a year. Financing costs were currently running at £1m a year or less.

Another estimated it would use £3m of prudential borrowing to move from lease to purchase of vehicles over a three year period. Managers were open-minded as to how this would work. On the one hand, there was the potential for cost savings. There was also the hope that if the vehicles were owned by the council, staff might 'take more care of them'. On the other, there was the issue of having to arrange disposal at the end of the vehicle's life. On a practical level, from the point of view of the purchasing department, debt charges from prudential borrowing find their way onto the budget sheet the year after the purchase has been made. Central finance managers thought this offered the potential for confusion. The authority was viewing the change as something of an experiment and did not rule out the possibility of moving back to leasing should circumstances change.

**ICT**

Another authority is considering using the potential of prudential borrowing to support a reduction in the annual budget for IT equipment – from £3m to £2m a year. The rationale for this is that if a new system is introduced it will no longer need to be funded from revenue but can be financed through prudential borrowing.

*'We haven't done it yet, but it is in our thinking and planning. It was quite difficult to do this before prudential borrowing came in. Now the only issue is revenue affordability'.*

**'Smoothing the Path' for major capital projects**

**Residential Care Homes**

One case study authority was using prudential borrowing to support a minor re-organisation of residential care for elderly people. A new 'state of the art' facility was being built. Places in several existing homes would be rationalised as people were moved into the new facility. However, capital receipts would take time to come through and prudential borrowing was seen as a suitable vehicle to bridge the gap.

Another authority was undergoing a fundamental review of its strategy for residential homes for elderly people. It was looking to halve the number of homes available and refurbishing the rest to meet statutory standards. It was planning to use prudential borrowing as an 'overdraft' for a two-three year period whilst refurbishment was carried out and some of the existing homes were sold. Payback had been set at around 5% plus capital spread over the life of the loan.

93. In education, there were a number of examples of prudential borrowing being used to support the building of new schools as part of an overall package involving the sale of existing property.

**Infrastructure Investment**

**Building Maintenance**

One case study authority was using prudential borrowing to support what it described as 'a more sensible approach to building maintenance'. In the past no risk assessment had been done on council property because it was known that funding would not be available to support any improvements. Now, prudential borrowing is being used to support a rolling programme of improvements, based on proper evaluation of need and risk

94. Another case study authority was considering using prudential borrowing to support a major review of fire cover; re-locating fire stations to meet changing fire cover standards.

**Council policies on prudential borrowing**

95. Not all case study authorities had a policy on prudential borrowing, but most said that they would look favourably on ideas for investment which would generate a saving in the longer term.

96. Some authorities had set out to encourage staff to make proposals for invest to save schemes, but had set out a corporate framework within which these would be considered. These frameworks commonly included:

- the need for a sound business case;
- the need for whole life costing;
- guaranteed payback; and
- schemes with match funding score highly.

*'We have some fairly simple rules on our capital investment – something like – 7% return; cash positive in three years; and payback over life of 7%. If it doesn't meet these rules there is a second level if we still think it's a good idea. If there isn't a robust business case we won't borrow on the strength of the return. And even then we'll look at generating receipts from sale of capital assets to finance it.'* (Chief Executive)

97. One authority had set up two funds: a prudential borrowing fund (£5m) and an invest to save fund (£5m) to support plans for investment in services and infrastructure. Another authority had a policy of fully funding the capital costs in the first year.

#### **Attitudes towards Prudential Borrowing**

98. Overall, the freedom to borrow prudentially was warmly welcomed by case study authorities but opinions varied as to how important it was in terms of overall capital spending and as to how far it was possible to go without building up problems for the future.

99. Most authorities were using prudential borrowing to some degree. Where its use was limited or non-existent the reasons were largely around the authority being able to generate sufficient cash receipts from the sale of assets or to access external funding, such as SRB.

100. For example, one case study authority, awaiting the result of a housing transfer was anticipating gaining access to £165m of borrowing requirement. The authority will be contributing around £100m from a mixture of other resources, mainly relating to housing, including some land sales, in order to provide decent neighbourhoods as well as decent housing. It estimates that it will be spending around £330m to create decent homes and decent neighbourhoods by 2010/2011. To put this in context, this authority is raising £7.5m over the next three years through prudential borrowing.

101. A number of case study authorities said that before borrowing, they would also consider the sale of council assets to finance capital expenditure. For example, one authority had a property portfolio currently generating £11m a year in income. There is a rolling programme of asset disposal, looking first at those assets that are generating less income. The programme is designed to yield around £17m a year over the next three years.

102. Most authorities mentioned the impact of prudential borrowing on council tax in the future. One chief executive commented:

*‘It’s palliative. A short term fix to a long term solution. Builds a wave of debt. We’re using it as a short term financing method till we can generate a capital receipt to pay it off. Used wrongly in some authorities it could lead to a massive debt burden rolling forward and end up with a bigger problem than they have now.’*

103. Case study authorities generally agreed that prudential borrowing had one additional positive side effect – that of making elected members and managers more aware of the cost of borrowing. Whereas in the past there had been pressure to borrow the maximum amount, now that the loan had to be repaid with interest from revenue budgets there was perhaps a more considered approach.
104. Authorities varied as to the degree of impact prudential borrowing had on their ability to fund capital projects. On the one hand, in the scheme of things, the sums raised through prudential borrowing were relatively low. However, when viewed in the context of the amount of the capital programme over which authorities felt they had discretion; prudential borrowing becomes much more significant. For example, in one case study authority, capital expenditure roughly broke down as follows:

Total Capital programme	£m
Capital programme 2005/6	174.0
Specific grants for children	49.0
Transport	37.0
Adult care (social services)	1.4
Left for ‘discretionary’ spend	c£87.0
Of which prudential borrowing is £29m – around one third.	

105. Looking outside the capital programme, some case study authorities were anticipating, or already in receipt of, significant amounts of capital investment. For example, one authority investing £7.5m through prudential borrowing, on a capital programme of £285m (2% of capital programme), was also anticipating around £165m for council housing refurbishments through the establishment of an ALMO; around £150m through Building Schools for the Future and up to £400m on transport improvements. This amounts to capital investment of around £1billion. In the words of the finance manager, when set against this, £7.5million of prudential borrowing, whilst welcome, appears to be at the margins.
106. In other areas, investment from the private sector is similarly dwarfing the local authority contribution in terms of impact on the local community. Another case study authority, planning to use prudential borrowing to fund £10m of a £100m capital programme, was expecting around £500m investment in the local area through various market re-development and town hall re-location projects, funded by the private sector and through sale of assets.

## Reductions in capital and revenue ring-fencing

107. Views on the removal of ring-fencing from capital and revenue funding were mixed. The results from our survey suggested that some local authorities were taking advantage of the reduction in ring-fencing, particularly with regards to revenue funding. For capital funding however, only 36% of respondents said they were taking advantage of the measure, with almost 3 out of 10 saying they were not making any use of it at all.

### To what extent has your authority taken advantage of the following measures over the last year? – Reductions in ring-fencing.

Reduction in ring-fencing	Significant use	Some use	Little use	No use	Not Applicable
Capital	7%	29%	22%	28%	14%
Revenue	12%	41%	21%	21%	6%

Base: 36 authorities

108. From our case studies we found a much stronger message, with all but two authorities saying that the benefits of a reduction in capital and revenue ring-fencing were either not being taken advantage of or did not seem 'real' to those in charge of council finances. None of our case study councils were currently moving significant resources from one major service block to another. Most said that tight budgets, inflationary pressures, the Gershon agenda and the need to keep council tax increases low were major factors in limiting flexibility. Ring-fencing of resources for schools and pressure on social care budgets were also seen as major inhibiting factors.

### The extent to which local authorities have experienced changes in revenue ring-fencing in each service area.

Service Area	Significant reductions	Some reductions	Little reduction	No change	N/A
Children's services	4%	29%	21%	14%	32%
Adult social care services	4%	39%	11%	14%	32%
Housing services	0%	7%	14%	48%	31%
Transport services	0%	7%	4%	39%	25%
Environmental services	0%	14%	28%	52%	7%
Regulatory services	0%	10%	29%	61%	0%
Libraries and leisure services	0%	4%	21%	61%	14%
Other services	0%	13%	25%	50%	13%

Base: 28 authorities

109. However, whilst our survey suggested that people were making more use of the flexibilities available with reduced revenue ring-fencing, respondents felt that they had actually experienced little change in the level of ring-fencing in most service areas, other than Children's services and Adult Social Care.

### **Capital**

110. As with prudential borrowing, councils feel that their ability to move capital spending away from major service blocks is limited in practice, if not in theory. One authority commented that it had followed guidance to include all capital in a single capital pot, but then found it received a low rating on their transport services inspection for not earmarking the money for transport. As a result it has reverted to its former practice of identifying areas not to be part of the central pot. Another said that real flexibility was hampered by a perception that subsequent years' allocations will be affected by a decision to change the balance of relative service provisions significantly.
111. Another authority gave a detailed breakdown of its capital programme in terms of discretionary and non-discretionary spend, from a total capital spend of £285m:
- £126m is supported borrowing;
  - £96m is grants and contributions (often scheme specific); and of the total
  - £222m, or 78% of overall capital expenditure, is committed expenditure, over which there is very little year-to-year discretion.
112. This authority had chosen to keep block spending where it is, particularly on the main blocks of housing, education and transport. On discretionary capital spending the major levers were felt to be through the sale of council assets, £17m a year; s106 money (planning gain) around £5m a year and prudential borrowing, £7.4 million over three years.
113. A number of authorities commented on the potential for s106 funding to make a contribution to the capital programme. One authority had commissioned a report from consultants that suggested s106 receipts could be used more flexibly than had been supposed. At the moment they are mainly used to support the private sector development and surrounding area from which it is funded. Another commented that it would like to see s106, prudential borrowing and match funding schemes being used more holistically to support the council's capital programme.

### **Revenue**

114. Whilst our survey suggested that more authorities were making use of the reduction in ring-fencing for revenue grants our case study authorities suggested they found exercising any flexibility with revenue funding even more difficult than with capital funding.

*'The amount not ring-fenced is peanuts. Outside the block grants there's only around £2-3m over which there is any discretion' (on a budget of 330m). (Finance Manager)*

*'Revenue feels more tightly controlled to me! Average budget round is around £420m. You can move perhaps £10m if you're lucky.'* (Finance Manager)

115. One finance manager described the process of trying to set a local budget (£386m revenue budget):

*'About half the budget goes to education. There's very little discretion and even less next year when it's passported directly to schools. With other services, although the government would say that we do have flexibility, because of statutory duties the actual amount of flexibility, at least in the short term, is very small. We're looking at circa £4m savings year on year to balance the books. Not necessarily to do with Gershon, more about just balancing the books ... If you take that as a proxy for flexibility you can see it's very little. Also this is £4m on the budget other than education. It's even smaller. Taking it out of social services is not a politically acceptable option. So the reality is that you end up taking that £4m out of something like £100 – £120m. So you tend to take the savings out of other areas, support services, leisure and development areas....'*

116. Passporting funding directly to schools was a key factor in limiting flexibility and is discussed in more detail below. However, several case study authorities also mentioned pressures on the social care budget. Some commented that because this service was 'hugely under-funded' it created its own ring-fence in the sense that the idea of taking money from it was not a realistic political option. Others said that in some senses they wish it were ring-fenced as this might act as something of a brake on it taking money from other services:

*'I'd like to be able to ring-fence around social services because it has the potential to soak up everything else. Hugely under-funded. Pressure then starts to build on the discretionary services like our successful 'cleaner, safer, greener' campaign. These are the political priorities for local members and the things that are seen to 'make a difference'.* (Finance Manager)

117. Some officers in the case study authorities did acknowledge that one of the barriers to taking advantage of reduced revenue funding ring-fencing was self-imposed, with members and officers sometimes being reluctant to make tough decisions. They felt that whilst technically a reasonable proportion of funding was not technically ring-fenced, their budgets were so tight that it left very little flexibility if they were to meet statutory requirements and/or maintain satisfactory levels of performance.
118. With Education and Social Care taking the largest share of funding and being ring-fenced (either technically through schools funding passporting or in the case of social care because of heavy funding pressures) it was environmental services that were most often under pressure. However, these services tend to include many top priorities for local residents, meaning that across the piece, Councils feel very little scope to move significant sums of money.

### **Impact of Gershon/Efficiency Savings**

119. Most case study authorities commented that their main pressures were to do with inflation and a drive to keep council tax low, rather than the efficiency agenda:

*'Gershon targets are £1.6million cash and £1.6million non-cash. But the budget is likely to be £4m short in any case.'* (Finance Manager)

### **Impact of Passporting Education Funding**

120. All relevant case study authorities mentioned this as a major factor in setting the budget and limiting flexibility. However, as education budgets have been relatively protected in recent years it was seen as a formalisation of a process that had been in train for some time.

*'Given the level of lead-in you're restricted in what you can shift – and when extra money comes along earmarked for schools or whatever sometimes we think we might not have put it there. But we don't think about it for long. There's no point.'* (Finance Manager)

121. There were also areas where authorities felt that passporting would continue to leave them with responsibilities for financial commitments outside their control.

122. For example, in one area a local school was about to be split into two academies. It currently had a £2million deficit. The authority was concerned because it was going to be liable to pick up the deficit and felt it would not receive any compensation from the DfES for so doing. In its view, the school had no incentive to do anything to reduce the deficit prior to the move to academy status.

123. Another authority tried to challenge the notion of passporting to schools soon after it was awarded its CPA excellent status:

*'We had had a particularly difficult year' .... because of factors outside our control affecting charging .... and didn't passport in full the amount that should have gone to schools. We almost had intervention about a month after we had our CPA excellent because of this – despite all the freedom we'd been promised. We put our case together ... that as a top performing authority we should have been allowed some discretion. So that soured it very early on for all of us. Passporting is still a huge issue for local authorities. If you look at our spending – education is around 35% of total net budget. If I'm forced to passport a 5% increase it leaves me around 1.5% for all my other services. A lot of my services are contracted, as a good, efficiency, Gershon-type activity, so I'm restricted to RPI increases because that's the inflator in the contracts – and the savings have been taken years ago. All of my services now are being affected because of this focus on schools and the limit on the rest of the council's budget. I've got rising demographics in social care – they need more money – but I can't do it because of the schools agenda without hitting the localism agenda, which is about streets and so on. So it crystallises for me the argument about freedom within what rules. Localism and nationalism and national targets and local targets are confused and the policies are confused. As a result of that freedoms and flexibilities aren't really freedoms.'* (Chief Executive)

124. Some authorities were beginning to question what their role should be in relation to education now that they had lost what they saw as so much discretion:

*'What I would like to see is localism; local authority roles re-defined. I want to know what we are going to be accountable for and if that means we're going to have no real influence over education then OK, take it out of my budget. Make somebody else accountable for it ... We should really focus on what local users need for localism and we should have structures which re-engage ward councillors with governance, but through to policy making. They should be the voicepiece and the conscience of the community. (Chief Executive)*

#### **Modernising Schools Grant**

A unitary authority bid for funding to refurbish two local schools. The process was very competitive and it was delighted when it won it. The value was £12m. Only later did the authority discover that half of this - £6m - was borrowing approval only. Interest on this was £600,000 a year - the equivalent of 1% of council tax. Had the money been given through the dedicated schools grant, the council would have got two-thirds of it back. Had the council known what it was committing itself to it may not have been so enthusiastic to bid.

#### **A contrary view**

125. Two of our case study authorities had a slightly different view of freedoms and flexibilities in relation to ring-fencing. They did feel that the authority had the power to move money around from one service block to another, should it choose to do so.
126. One commented that decisions were difficult but 'that was the point' of the political process. The other felt that this was potentially the most important part of the package of measures we were exploring in detail. However, it would like the government to go further and allow it to have pooled resources with other bodies as part of the Local Area Agreements process.

## Audit and inspection activity

127. We were able to canvass a broad range of opinion from case study authorities around how the claimed reduction in audit and inspection activity was being perceived on the ground and how this was affecting work in the organisation. Although things have moved on to some extent many of the points made in the paper *The Changing Role of Audit Commission Inspection of Local Government*<sup>11</sup> remain true, in particular issues around:
- proportionate inspection activity;
  - co-ordinated inspection activity;
  - cost-effectiveness of regulatory activity; and
  - alternatives to the current paradigm.

<sup>11</sup> Davis, H, J. Downe and S. Martin (2004) *The Changing Role of Audit Commission Inspection of Local Government* Joseph Rowntree Foundation

128. More than half of our case study authorities said that the reduction in inspection did not yet ‘feel real’ and this was supported by no significant reduction in audit fees. Some said they felt inspection levels had peaked in 2004/5 and they were expecting a reduction in future. However, all were concerned about the impact of the new CPA, both in terms of reputation of the authority and of the officer time needed to develop responses to direction of travel statements and value for money assessments.
129. Our survey results supported this finding, with 35% of respondents saying they had not experienced any reduction in inspection levels and a further 33% saying they had only experienced reduction to a limited extent.

**How aware are you personally of the existence of the following measures? – Inspection Reduction**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
72%	28%	0%	0%

Base: 36 authorities

**To what extent have the following freedoms and flexibilities been experienced in your authority over the last 12 months? – Inspection Reduction**

Significant experience	Some experience	Little experience	No experience	Not Applicable
9%	23%	33%	35%	0%

Base: 36 authorities

130. Excellent authorities were more positive in their response to this question with 75% responding that they had experienced a significant or some reduction in levels of inspection.
131. The table in Annex D summarises the responses of case study authorities to the reduction in audit and inspection activity.

**Is the reduction ‘real’?**

132. Opinions varied as to whether the overall burden of inspection was beginning to ease. A typical comment from an excellent authority currently enjoying a three-year inspection ‘holiday’ was that there was ‘still a lot of activity’ at service level. In this particular case, the recent audit and inspection picture looked thus:
- an OFSTED inspection within the last twelve months;
  - a CPA framework inspection on social services this year for which very detailed self-assessment required;
  - self-assessment for Adult Social Care;

- Youth offending team – an intervention had taken place in the past year;
- a ‘Supporting People’ inspection due in the coming year (largely about supported housing);
- the LSP has had an audit of its performance management framework, which was linked to its Neighbourhood Renewal Fund money; and
- a government regional office ‘traffic light’ assessment on outcomes is still required on an annual basis.

133. Another authority had at the time of research three separate inspections going on in social services: the ‘Use of Resources’ inspection had just finished, and area review information was being drawn together on children’s services; and a CPA was due in the following year. Their finance manager commented that it *‘doesn’t feel like a reduction at the moment’*.
134. This statement was supported by our survey responses, where authorities were asked to what extent they felt they felt external audit and inspection activities had changed over the preceding 12 months. As the table below shows, the most common response was that levels of external audit and inspection had remained the same.

#### Perceptions of levels of external inspection and audit

Service Area	Significant decrease	Slight decrease	Stayed the same	Slight increase	Significant increase
Children’s services	0%	8%	29%	25%	38%
Adult social care services	4%	13%	49%	17%	17%
Housing services	0%	17%	67%	8%	8%
Transport services	9%	23%	55%	5%	5%
Environmental services	8%	16%	52%	12%	8%
Regulatory services	3%	21%	52%	7%	14%
Libraries and leisure services	8%	20%	52%	8%	12%
Other services	0%	5%	28%	17%	50%

Base: 37 authorities

135. More respondents felt that there had been a significant or slight decrease in inspection activities for Transport Services than felt there had been a slight or significant increase – 32% as opposed 10%. For Children’s Services, Adult Social Care and Other Services more respondents felt that audit and inspection activities had increased than decreased. ‘Other services’ indicated by respondents were primarily Corporate Assessments and Use of Resources assessments, although one authority cited an inspection of a Health Partnership and another an IDeA review of Procurement.

136. One authority had estimated the amount of time currently going into servicing external inspection and audit. It came out at around 56 months worth of officer time on annual inspections, plus an additional seven months a year on three-yearly inspections. It was keen to stress that this time is not solely that of junior staff. Because the authority wanted to be seen to ‘get it right’ a lot of senior officer time is put into oversight and editing of the final submissions.
137. Another authority took part in work for the County Councils Network estimating the amount of time taken up with inspections. Based on data from six counties, it estimated that each council would spend, on average, 2,555 days engaged in inspection activity each year. Of this total 84% related to statutory inspections and 16% to voluntary inspections. This equates to 49 days every working week (based on the normal estimate of 200 working days a year). It had been calculated that twelve whole time equivalent people days would be engaged in inspection activity across the organisation every working day.
138. Survey respondents were asked to estimate the amount of FTE officer time (in days) spent on inspection activities in the preceding 12 months. In estimating the total figure, respondents were asked to consider the following key inspection related activities:
- pre-inspection activity such as preparation of self-assessments, position statements or similar;
  - engagement with inspection teams whilst they are ‘on site’ at your authority;
  - follow-up activities such as review and validation of inspection findings or similar; and
  - any other inspection-related activities.

**Estimate of the amount of days of Full Time Equivalent officer time that has been spent over the last 12 months in responding to inspection activities.**

<b>Service Area Inspection</b>	<b>Average estimate of number of FTE days spent on inspection activity</b>
Children’s services	186
Adult social care services	322
Housing services	128
Transport services	126
Environment services	94
Regulatory services	52
Libraries and leisure services	134
Other services	126

Base: 11 authorities

139. Whilst these figures should be treated with some caution as they are estimates and we cannot be sure how each estimate provide may have been calculated, they do provide an indication of the scale of activity authorities perceive they require to deal with inspection activities. There is also no information contained within these figures about the grade of officer involved in these activities, and no account is taken of any member time involved.
140. However, if compared to the CCN study above the figures are in a similar range. We would expect that the size of a County Council would increase the total number of days involved. If we take a total from the estimates provided this gives an estimate of 1168 FTE days per year, which based on a 200 day working year equates to 5.84 persons per day or 29 working days per week. This figure is not intended to provide an accurate measure of time taken, but to give some idea of the scale of time.

### **Self-assessment**

141. Most authorities felt that the move to self-assessments had merely transferred work from the Audit Commission to the local authority. The feeling was that the bulk of inspection work had transferred to the authority and that the Audit Commission was just commenting on it. The timing of the case studies, coinciding with the preparation of the Direction of Travel Self-Assessment and coming just after the Value for Money Assessment for the Use of Resources Judgement, may have meant that this point was more to the fore, but there were genuine concerns that levels of activity associated with inspection had not reduced, just transferred from the Audit Commission to the authority themselves
142. One authority was in the process of preparing a nine page document in preparation for its Direction of Travel Statement:
- ‘The value for money assessment is onerous – the time and energy being put in – against a deadline – was phenomenal’.*
143. Another authority commented that it was sometimes more difficult to produce a summary document than a less structured version:
- ‘You can argue that through self-assessment, the burden of inspection has shifted to local authorities. Self-assessment imposes a heavy burden. In some cases it’s more difficult to produce a ten page document than a 100 page one – because you still have to do the 100 page analysis – and it imposes a heavier burden on the document ‘editor’. The editorial role is tougher for a prescribed framework’.*
144. Other authorities did anticipate a reduction in workload, particularly once the changes in the system had ‘bedded down’ and they had been able to devise a methodology for meeting Value for Money and Direction of Travel Statements:
- ‘Yes, there is self-assessment – more thermometers going into the patient – but it’s a fraction of the work’.*

145. Another felt that self-assessment was going to be less onerous:

*'because it's something you have to do for a full inspection anyway'.*

### **Other inspectorates**

146. As we mentioned earlier in this report, the views expressed by our case study authorities on specific freedoms and flexibilities are heavily influenced by the wider context in which they see those measures. We have already mentioned that reductions in Audit Commission inspections have, in the eyes of some authorities been countered by increases in self-assessment (e.g. for the Direction of Travel and Value for Money assessments).
147. However, inspection activities by other bodies, also significantly affected views on the perceived reduction in inspection activities. In particular the new Joint Area Review for Children's Services and the Delivery Improvement Statement for Adult Social Care, are seen by some as being particularly onerous.
148. *In its study on the Local Government Performance Landscape, PwC, found dissatisfaction amongst its case study authorities on these particular reviews.*
149. *'The JAR is felt to have take a disproportionate level of resources compared to the overall importance placed on it (within CPA scoring) or the use the Council can make of the findings... There was felt to be unhelpful overlap between the JAR and Delivery Improvement Statement and Area Performance Assessment reporting mechanisms. The potential for duplication in these areas was thought to be substantial, given the disproportionate time spent on the JAR'.*

### **Impact of CPA 2005**

150. In general, authorities welcomed the improvement in their relationships with the Audit Commission since the appointment of local relationship managers. These managers now work with the authority, meet bi-monthly, carrying out risk assessments and work with them on improvement plans. Work includes agreeing an annual work plan and signposting to other sources of help such as the IDeA. Authorities feel that the relationship is now much more positive and collaborative.
151. However, every case study authority was concerned about the impact the new CPA regime was having on the way they managed external inspections. Concerns ranged from the amount of time it was going to take to produce Value for Money and Direction of Travel Statements, to the impact of the new categories on reputation and its consequences for staff morale.
152. Authorities were uncertain how to deal with the new CPA regime. One commented about the amount of senior management time it was taking to devise an appropriate response:

*'Constant changing of the process is a disaster. It's de-stabilising for the organisation.'*

153. Several commented that the Use of Resources and Value for Money statements were going to be very difficult to prepare because they challenged the way local authority planning had traditionally been done. New methodologies and measurements needed to be developed in order to demonstrate value for money for local priorities.
154. One authority felt that the new CPA was ‘the right thing to be doing’, but also commented that *‘some of the detail around key lines of enquiry was quite burdensome’*.

### **Where to next?**

155. We had a wide range of responses to the question of what case study authorities were planning to do in response to changes in the regulatory framework. For a number, it was business as usual, working on putting in place internal infrastructure, planning and process improvements to support demonstrable progress. Others, perhaps those in the upper CPA categories, were more relaxed about their improvement journey and ready to move on to more substantial improvements in the way the authority as a whole operated.
156. For instance, one policy officer commented that, whilst there was still room for improvement in some areas, he felt they had largely ‘cracked inspection’. They were established as ‘excellent’, had a relaxed relationship with the Audit Commission and knew what they needed to do. They were now keen to move on to re-shape their services around a more integrated framework to enable them to respond to the children agenda, establish customer access points and put in shared support services. However, there was a note of caution:
- ‘There is a problem with CPA and taking on of risk. There’s a period when you start to change things when things don’t go that well. You need to have some recognition that this will be the case. But if you run the risk of losing your CPA status, it can be difficult politically.’*
157. Another said it was now ready to move on from work on building block, process type improvement work. Its next step is to start to measure key drivers in the organisation, such as use of resources, information and performance management, and to have an increased focus on partnership working and community leadership.
158. On the other hand, many authorities were keen to continue with process type improvement work and were actively looking for ways to keep the momentum going if and when external scrutiny lessened. A range of ideas and initiatives were planned by case study authorities:

- performance clinics – having a performance team reviewing lower quartile services, reporting to a group of elected members and officers but with a focus on things that would be seen to make a difference to the public;
- using the IDeA to carry out service as well as peer reviews – to ‘keep the external challenge going’;
- balanced scorecard implementation(s);

- improving service priorities against budget – moving away from a culture that says high performance = success. Looking more closely at use of resources across the piece on the basis that putting more money into an already successful service can lead to diminishing returns. Working with the Audit Commission’s strategic compass model;
  - ‘mainstreaming’ performance management in the organisation – getting middle managers more involved;
  - improving work on consultation, partnership and so forth to meet the needs of hard to reach groups, looking at equality, diversity issues;
  - plan rationalisation – structured approach – plans are colour coded. Those that are required for financial and statutory reasons are allowed, but others have to produce a business case before they are approved;
  - benchmarking internationally and with the private sector – ‘we will know we have made it when the private sector come to us for benchmarking’; and
  - applying business process re-engineering to improve processes that are important to the public, such as the speed of dealing with planning applications.
159. Some of our case study authorities were beginning to question whether they were going to continue to have such a strong focus on CPA. *‘Is that the game we want to play?’* One authority (CPA ‘excellent’) had included a question in its residents MORI poll – ‘do you think your council is excellent, good, fair etc?’ The response from residents had been ‘good’. The council leader felt this was appropriate:
- ‘We don’t think we are excellent yet in absolute terms although we do feel we are excellent in relation to other councils’.*
160. The report on the Meta Evaluation of the LGMA (cited earlier) found that whilst authorities were improving in terms of their CPA scores, this was not matched by improvements in public perceptions. Indeed, between 2001 and 2003 there was a decline in the net satisfaction with “the way in which the local authority runs things” of 13%. However, there were some signs of an improvement between 2003 and 2004 but this is based on only a relative small number of surveys. This will be an area to watch in the future.
161. Given the amount of officer time going into producing self-assessments and the amount of senior officer time going into oversight (56 months on annual inspections according to one case study authority), more than one authority said to us that they were now looking to focus more on substantive rather than process improvement type work. Discussions were beginning to happen at senior elected member and officer levels about what it would mean if they were to lose ‘excellent’ status. One policy officer commented:
- ‘It’s useful as a recruitment and retention tool. But otherwise we’re not seeing a huge amount of benefits coming our way.’*

162. Overall, the picture from case study authorities was mixed with no strong correlation between CPA score and the authority's ambitions in relation to future improvements. Those which had been excellent for some time were developing the confidence to move on to other areas of improvement work, whilst others were continuing to focus on building block, process improvements. The relationship with the Audit Commission had improved as a result of the appointment of relationship managers and inspection was now seen as more collaborative than in the past. However, all authorities acknowledged the heavy burden that inspection and self-assessment continues to carry. In this context, freedoms and flexibilities as a reward for good performance was not seen as a sufficient motivator.

## Business Improvement Districts (BIDs)

163. The government announced its intention to introduce BIDs on 24 April 2001, with further details provided in the White Paper *Strong Local Leadership-Quality Public Services* in December 2001. The Local Government Act 2003 set out the statutory framework for BIDs, with the regulations coming into force on 17 September 2004. BIDs are a new form of partnership working between local authorities and businesses to deliver improvements to town centres and other business districts. The schemes are intended to give local businesses the power to effect changes that will benefit them in their local community, providing a better environment in which people are proud to live and work.
164. Businesses have the opportunity to agree on the projects for which they are contributing and to vote in a ballot on the amount of money they are prepared to raise, enabling them to become involved in the administration of the schemes themselves. All businesses in the respective BID area have the opportunity to vote on whether or not the BID proposal for their area goes ahead. A BID only comes into being if a majority of business ratepayers vote in favour of the proposal. This majority must be both a majority of businesses voting and must also represent more than 50% of the rateable value of those businesses that voted.
165. Our work in this area is limited as BIDs are still very much in their 'early days' and there are still only a relatively small number of BIDs presently approved, in our case study authorities. However, our research has suggested that BID schemes may not currently be particularly 'front of mind' for key local authority figures though they are recognised as helpful contributors to improved local environments.
166. At the time of writing, 20 BIDs had been approved. Some had previously gained experience as part of the National BID Pilots Project run by the Association of Town Centre Management and the Circle Initiative pilots supported by the London Development Agency. Templates for baseline agreements with local authorities have therefore to some extent been developed from the pilots and, as one local authority respondent put it, '*haven't hit us out of the blue*'. A full listing of BID ballot results is set out in Annex E.

167. The greatest number of approved BID's is in London (seven), a further five are in the North West, three are in the West Midlands region and two in the South West. The Eastern, East Midlands and South East regions each have one BID. There are none in the North East or Yorkshire and The Humber regions. The full list of BID's is set out below.

<b>London</b>	<b>North West</b>	<b>West Midlands</b>
Better Bankside	Blackpool Town Centre	Birmingham Broad Street
Heart of London	Bolton Industrial Estates	Coventry
Holborn Business Partnership	Keswick	Rugby
Kingston First	Liverpool City Central	East Midlands
London Bridge	Winsford Industrial Estate	Lincoln
New West End Company	<b>South West</b>	<b>South East</b>
Paddington	Bristol Broadmead	Reading
<b>Eastern</b>	Plymouth	
Bedford		

168. Whilst there appeared to be a reasonable level of awareness of the power to establish BID's amongst our survey respondents, with 83% either strongly or somewhat aware, levels of use at the time of the survey were low.

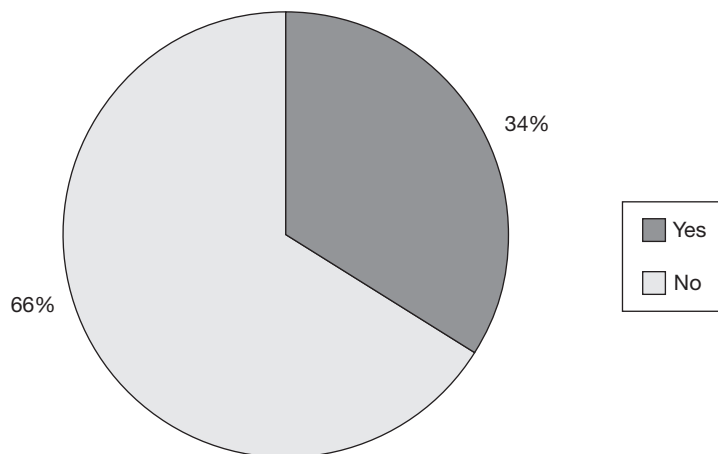
**How aware are you personally of the existence of each of the following measures? – BID's**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
36%	47%	11%	6%

Base: 37 authorities

169. However, although only two of our case study authorities (Westminster and Southwark) already had approved BID's when we conducted our research (Bolton's has since been subject to a successful local vote) a number of them indicated that they were being considered and at least some were expected to come to fruition in the next two to three years. Thirty-four per cent of survey respondents also said that they had developed or were in the process of developing a BID at present.

**Are you in the process of establishing a BID in your local authority area?**



Base: 23 authorities

**If you are in the process of establishing a BID, what stage of development have you reached?**

BID Stage of Development	Number of authorities
Informal discussions within authority at officer or member level	4 authorities
Application for BID sent to Regional Office	3 authorities
BID business plan approved	1 authority
BID in place and operational	2 authorities

- 170. From the table above it is clear that although many authorities may not yet have BIDs approved, there is interest in developing BIDs in the authorities responding to our survey, and a number of authorities in the process of establishing a BID had already got past the application stage.
- 171. Our survey also asked respondents that had currently not proposed the establishment of a BID why they had not done so. Again many of these responses indicated that authorities were in the process of considering one, although some did not feel that a BID was either suitable or appropriate for their area.

**Summary of views of survey respondents who were not currently proceeding with a BID application**

- Informal discussions are taking place within a local area partnership allied to the LSP although no formal application has been prepared or a decision taken to prepare for one.
- Have proposed investigation. Town centre board looking into possible implications. Feasibility study planned.
- We are currently testing the water and level of support for this initiative with businesses in our town centres. We have not been overwhelmed with such support but discussions are on-going.
- Currently carrying out a feasibility study.
- We are still looking at areas where this might be applicable and evaluating the potential benefits of the scheme.
- Currently developing closer links with business community, BID needs to come from and be supported by business community.
- Still assessing the benefits of setting up a BID
- Business within town centres just keeping their heads above water and this would be seen as another burden
- Not felt to be any demand from commercial business in our district, bearing in mind the particular town centre layouts and scales.
- No advantage to a small borough such as us.
- Very small LA with insufficient business
- More a matter for district councils.
- The council does not wish to manipulate local businesses into paying extra taxes. Admin cost of a BID would be disproportionate to the potential yield.
- Low priority.

172. Projects cover a wide variety of issues such as increasing the security or cleanliness of town centres, shopping areas and other business districts, as well as improving public access and the street environment. Those BIDs being considered which were mentioned to us are generally small scale and focused on industrial estates or town centres. In one instance an authority said that it had consulted the local business community about the possible establishment of a BID but that the feedback indicated that businesses felt that the potential service offerings were council or police responsibilities.

One authority is considering a BID, the main feature of which would be the appointment of a town centre manager. The costs are likely to be around £80k for salary and on-costs, plus a project budget of £20k, per year. It is hoped that a major town centre development could provide the Council with s106 money to fund the appointment of a town centre manager for up to 3 years. A key job for this manager would then be to develop and implement proposals for a BID.

Tangible benefits are expected to be a better range of facilities, with more initiatives making the area more attractive and therefore increasing footfall.

173. The table below sets out some key facts about the four BIDs in operation in two of our case study areas. There is a striking similarity between the aims and activities of each of the four BID areas, with all of them focusing on the ‘cleaner, greener, safer’ agenda, as well as attracting inward investment. From this, it is perhaps easy to see why, as above, local businesses may feel that the activities of a BID are ones which should be already funded and delivered by local authorities or police forces. The levy charge for each is similar (at between 1 and 2%), although there are interestingly differences between the rateable value at which businesses are liable to pay the levy. There are also some significant differences between the amounts expected to be raised through the levy. However, these differences are perhaps not unsurprising as each area has quite a different profile of business activity.

## BIDs in the City of Westminster and Southwark

<p><b>Heart of London – Westminster City Council</b>            Launched: February 2005            Length: 2 years            Focus: Improved cleanliness and security and increased footfall and spending.            Activities: Cleansing operations, ‘City Guardians’, streetscape redevelopments, marketing and promotions.            BID levy: 1% of rateable value (for business with a rateable value of over £50,000)            Total raised annual from levy: c£500,000</p>	<p><b>New West End Company – Westminster City Council</b>            Launched: April 2005            Length: 3 years            Focus: Increased footfall and customer spending, reduced crime, improved cleanliness, and increased investment.            Activities: Marketing, Red Caps Warden team, CCTV, ‘Clean Team’, enhanced enforcement and improved street management.            Aim: £9m investment over 3 years            BID levy: 1% of rateable value            Total raised annually from levy: c£2.2m</p>
<p><b>Paddington – Westminster City Council</b>            Launched: April 2005            Length: 4 years            Focus: a cleaner, more attractive, safer and better marketed Paddington.            Activities: Community safety team – including a police constable and community wardens, marketing and promotion, food and music festival, cleaning and environmental improvements            BID levy: 2% of rateable value (for businesses with a rateable value of over £5,000). 1.5% for hotels            Total raised annually from levy: c£320,000 pa.</p>	<p><b>Better Bankside – LB Southwark</b>            Launched: April 2005            Length: 5 years            Focus: cleaning, environmental improvements, improved safety and security, promotion and marketing.            Activities: Street cleaning, ‘greening’ and environmental improvements, Better Bankside Wardens, area promotion, social/community responsibility.            Bid levy: 2% of rateable value (for businesses with a rateable value of over £10,000)            Total raised annually from the levy: c£650,000</p>

174. BIDs are intended to be business-led and, reflecting this, respondents tended to the view that businesses should make the running in deciding whether or not a BID should be promoted. There is a time and resource cost to councils in the setting-up of a BID though it was felt that this should be outweighed by the benefits. Additionally, whilst happy to run the ballot authorities were reluctant to be seen to be pushing BIDs simply to generate more money to subsidise existing services. Some respondents also felt that a council led campaign would be ‘the kiss of death’. Equally though BIDs should not divert council resources away from other parts of an authority’s area.
175. BIDs do facilitate longer term engagement between the business community and the local authority. If successful they can demonstrate a genuine desire amongst the partners to work together to make things better. An important spin off from a local authority point of view is that the authority gains a single conduit for gauging local views and priorities on council services:
- ‘The fact that businesses have to elect a board to represent them means we can talk to them’.*
176. It can also provide a better reporting mechanism for problems and things which are not working – *‘It has informed how we manage the reporting process’.*

177. BIDs can be seen as competitors to the local council – they are providing some of the same kinds of services and they may be the first port of call for any problems. Nevertheless it was also put to us that a certain amount of healthy competition was helping the drive for higher standards. For instance, one BID has employed its own contractor for cleansing and this has stimulated the council’s contractor to provide a better service. Concerns were though expressed to us that:

*‘BIDs are ...only paying for additional cleansing and security – just topping up provision. They could withdraw at any time and we don’t control that. The real danger is in any general problem with the council’s finances, if we withdrew our core service they would be subsidising what they would see as core service through their top up and that would disenchant them’.*

178. Going forward, lessons learned include an understanding that landowners (i.e. the owners of the land and properties housing the businesses) are key to leveraging in private sector support and that it can be very difficult to talk to ‘on the ground’ occupiers. Local managers may be remote from head office where the decisions are being made. A further matter concerns the issue of the extent of liability for the BID levy. Representations have previously been made to government that property owners should also be included amongst those who vote and pay the BID levy. The legislation does not currently provide for this but the point was made to us in interviews that it would be seen as fairer if all businesses have to contribute. We understand that the government is intending to review this issue

179. A further financial issue relates to the relationship between the business rate and the BID levy. Because the monies raised from business rates is redistributed through a national formula there may be little or no connection between the amounts collected through business rates in any particular local authority area and the amounts actually received by that authority. This can cause problems of perception when businesses are also asked to pay a BID levy for enhanced services. They think ‘their money’ should be spent in the area. One interviewee put it thus:

*‘...we keep Xp in the £1 of our business rate collection. And the businesses expect £1 in the £1 to be spent. So, in the BIDs they’re paying substantial business rates, they’re only getting Xp in the £1 service from [us] and they’re having to top up’.*

180. BIDs are a new initiative in the UK and are early in their development. The key test will be whether local environments are sustainably improved and whether such improvements lead to stronger local businesses.

## Local Authority Business Growth Incentives Scheme (LABGI)

Powers contained in the Local Government Act 2003 (s.70) enabled a scheme to be put in place to allow the local retention of non-domestic rates. After two consultations with local government over two years, the final details of the LABGI were announced in July 2005. LABGI provides an incentive for local authorities to promote economic growth in their area by allowing them to be rewarded for an increase in business rateable value, above a certain level. Payments are made to

eligible local authorities as an unring-fenced grant (under s.31 of the Local Government Act 2003) - local authorities are free to decide how their reward is spent. The first year grant payments were made in February 2006, rewarding growth in rateable value between 31.12.04 and 31.12.05.

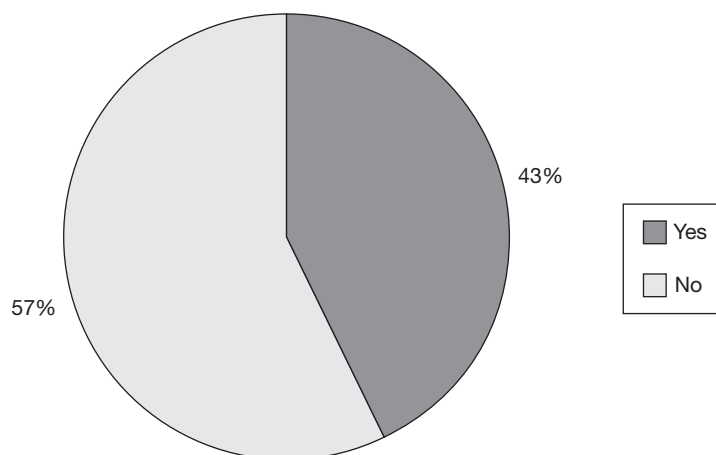
- 181. At the time of our fieldwork (Autumn 2005) the scheme had not come fully into effect. No payments had been made to authorities under this scheme. Perhaps because of this few respondents had many detailed comments to make about the scheme. One authority explicitly commented that it did not see LABGI as a driver for its economic development strategy. Another complained that the 'last minute' changes to the formula used to determine levels of payments worked unfairly against them and would therefore deter them from pursuing the scheme.
- 182. The majority view from our fieldwork was that authorities were expecting to get little or nothing out of the scheme. It was therefore being viewed as marginal when compared to other aspects of the local government finance regime and certainly did not seem to be influencing behaviour in any significant way.
- 183. The one exception to this general rule was an authority with a small scale business sector, and therefore a low target, which was enthusiastic about the potential of LABGI.
- 184. Perhaps not surprisingly due to its recent nature, our survey also found low levels of awareness of the scheme (compared to other measures) over the previous year.

**How aware are you personally of the existence of the Business Growth Incentive Scheme?**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
28%	36%	19%	17%

Base: 37 authorities

**Are you in the process of taking up the opportunity of the LABGI Scheme?**



Base: 23 authorities

**If you are taking up the LABGI Scheme, what stage have you reached in the process?**

LABGI Stage of Development	
Informal discussion stage	69%
Expecting to receive funds in 2006	20%

One case study authority, a County Council, said that a policy paper had recently been drafted on how funds under the scheme should be used. The high-level objectives of the policy were:

The District Councils' share is to be targeted towards the delivery of local economic development and regeneration priorities, the implementation of emerging town visions and support for the rural economy.

The County Council's share is to be used to deliver key business competitiveness proposals, such as ICT e-adoption and the knowledge economy, developing the counties potential growth business sector and providing stable future funding for existing jointly funded business competitiveness schemes that are currently funded from declining budgets.

185. There were a range of reasons given by survey respondents as to why they were not currently considering the scheme. A summary of responses includes:

- *“Doesn't appear to be a great deal of clarity about how it might work.*
- *We are just beginning to consider our options.*
- *Still assessing the benefits.*
- *Still exploring options.*
- *Currently (Council) has been disadvantaged by the scheme in that its growth in rateable value has been distorted as a result of the transfer of (business) from the central to the local 2000 list. As a result the Council has been placed in the highest growth group and does not expect to receive any LABGI grant in 2005/06.*
- *Our understanding is that the district councils were the conduit for this scheme.*
- *More a matter for district councils.”*

However, many authorities may have been pleasantly surprised when receiving their LABGI payments in year one (2006). Whilst only 20% of respondents in our survey authorities were expecting to benefit in the first year, in fact 69% of LAs nationally (226/388) received grants totalling £114.7million.

# Trading and charging powers

## Trading Powers

186. Section 95 of the Local Government Act 2003 laid the basis for the widening of local authority powers in relation to trading. It enabled councils rated CPA excellent, good or fair to engage in commercial trading, provided that they were able to set up a separate legal entity, in the form of a company, through which all trading must be undertaken. This is partly to ensure that trading remains separate from the authority's day to day activities, and also to ensure that there is no cross-subsidy of trading activities, contrary to EU rules.
187. In order to establish such a company the authority would be required to prepare a business case setting out proposed staffing arrangements, a market analysis and future plans. Finance is likely to come from investment in shares by the authority and from commercial borrowing. As with any private sector company there would be the issue of personal liability for company directors and other issues of liability for local authority staff.
188. None of our case study authorities had established companies to exploit this new power. Only one mentioned that it was considering it. Many felt they already had sufficient flexibility in this area, others preferred to concentrate on core services, and others felt that the risks outweighed the potential rewards:

*'It feels like trading is fraught with legal difficulties. What is cost recovery? Who can you trade with? Is it worth setting up a separate company to do so? The risks and hassle don't seem to equate with the potential rewards.'* (Finance Manager)

189. Our survey found similarly low levels of use of the power to trade, with just 3% of authorities saying they had made significant use of the power. A further 18% said they had made some use of it – but over half (56%) said they had made no use at all of the power. However, this low level of use does not seem to be caused by a low level of awareness of the powers now available.

## How aware are you personally of the existence of the following measures? – trading powers

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
33%	50%	17%	0%

Base: 37 authorities

## To what extent has your authority taken advantage of the following measures over the last year? – trading powers

Significant use	Some use	Little use	No use	Not applicable
3%	18%	21%	56%	3%

Base: 36 authorities

190. Research by the LGA<sup>12</sup> in November 2004 found a similarly low level of use with only 2% of councils using their new powers to trade, with a further 18% intending to do so. Of those using or planning to use the power 64% identified raising revenue as a key objective.
191. Research by INLOGOV<sup>13</sup> (*unpublished at the time of this publication*) also found little evidence of authorities using or planning to use their increased power to trade, though upper tier authorities were more likely than districts to indicate a plan for marginal increases in trading activity. In relation to past activities, respondents generally talked of incremental, rather than major growth in trading and the evidence suggested that on the whole authorities anticipated levels to remain about the same. One of the reasons given was the need for changes in local authority capacity and skills, in particular the need to develop greater expertise in ‘business’ skills such as customer service and risk and financial management. Some authorities, however, regarded trading as an opportunity to develop such skills in their workforce.
192. The INLOGOV study found that the biggest disincentives to using the power to trade were the commercial and financial risks to the local authority and the risk to their reputation should things go wrong. Diversion of capacity away from core objectives was another important factor cited.
193. In our discussions with local authorities, a sense came through that ‘mainstream’ trading was ‘counter culture’ to that prevailing in local authorities:
- ‘The trading power is a non event – and is potentially dangerous for local authorities because the private sector manages risk much better than the public sector. You can in theory make unlimited profit – but of course you have to make a profit in the first place. Also, councils are not geared up to do schemes that involve long pay back periods. Banks who lend – even to an arm’s length trading company – expect the local authority to underwrite bank loans’.* (Finance Manager)
194. Another reason given for not using the power to trade was the complexity of the commercial trading model, and a sense that there were already powers in existence which could be used to trade:
- ‘My view is that there is already considerable scope for local authority trading without the restrictions imposed by the new freedoms’.* (Senior Officer)
195. The powers cited included:
- The Goods and Services Act 1970;
  - The Local Government Act 1972;

<sup>12</sup> *Loosening the Reins: A survey of local authority approaches to prudential borrowing, charging & trading*, Local Government Association, 2004.

<sup>13</sup> *Local Authority Trading: Draft Research Report*, Office of the Deputy Prime Minister, 2005.

- The Local Government (Miscellaneous Provisions) Act 1976; and
- The Local Government Act 2000 – Well Being Power.

196. It was suggested that all of these pieces of legislation provided easier mechanisms for authorities to use should they wish to engage in trading activities, including with organisations in the private sector. Even where authorities were using the trading powers, or were planning to, there was a sense that the income to be raised through such activities was only marginal and would not make a significant difference.

### **Increased scope to charge for discretionary services**

197. S93 of the 2003 Local Government Act gives authorities greater flexibility in relation to charging for discretionary services. Prior to the Act, charging had to be ‘to facilitate, to be conducive or incidental to’ a local authority function. The Well Being Power was sometimes used to widen discretion, but in general local authorities felt that the situation was complex and they had received what was perceived to be limiting guidance from the Audit Commission.

198. The new s93 provision makes the power to charge much more explicit and should give authorities the confidence to develop charging in new areas of discretionary service. However, charging has traditionally made a substantial contribution to council finances. An Audit Commission study, ‘The Price is Right’ (1999) found that authorities were raising £6billion a year through charging, compared with £9billion through council tax. This equates to 9% of council spending funded by charging, compared with 11% from council tax.

One case study authority said that they expected to receive £88m in 2005/06 from fees and charges. Of this, £18m was expected from Trading Accounts (although not under the Local Government Act Trading Companies). Much of this relates to personal services within the area of social services.

Other fees and charges expected during the year are:

- Elderly Personal Social Services - £23m
- Learning Disabilities Pooled Budget - £18m
- Highways - £18m
- Support Services for external clients (finance, ICT, Property etc) - £13m
- Schools - £12m

Additional income is received from the Drugs / Equipment Pooled budget, Environment (e.g. Planning, Rights of Way etc), Children’s Social Services, Libraries and Community Protection.

199. One area where many authorities said they were currently charging was for land searches. This is an activity for which charges have been levied for some time. However, some authorities said that they were now seeing reductions in income from charging in this area as private providers were undercutting their prices and thus taking business away from them.

200. Other authorities cited examples of existing areas of charging/trading. These included:

- community alarm schemes;

- MOTs for staff and local taxi drivers at the council’s vehicle maintenance depot;
- taking over communications (press and PR functions) for another local authority;
- kerbside and bulky waste collection;
- building design and occupational assessment services;
- pest control;
- providing payroll services for outside organisations; and/ or
- building design services.

201. Our survey also found that whilst most were aware of the increased scope to charge for discretionary services, relatively few authorities said they had actually taken advantage of this new freedom.

**How aware are you personally of the existence of each of the following measures? – Increased scope to charge for discretionary services**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
33%	50%	17%	0%

Base: 36 authorities

**To what extent has your authority taken advantage of the following measures over the last year? – Increased scope to charge for discretionary services**

Significant use	Some use	Little use	No use	Not applicable
3%	26%	26%	46%	0%

Base: 36 authorities

**Areas for Development**

202. An LGA (2004) study<sup>14</sup> found that 77% of respondents were not using the new powers and had no plans to use them. Only 3% were using their powers to charge for discretionary services.

203. Most of our case study authorities had asked management teams to come forward with ideas for developing further charging activity in light of the new powers. In many cases they reported that the response had been disappointing, but in others the exercise had generated a number of areas to pursue. For example, in one metropolitan district, the list included:

- repairs/garden maintenance service for elderly/disabled people;

<sup>14</sup> *Loosening the Reins: A survey of local authority approaches to prudential borrowing, charging & trading*, Local Government Association, 2004.

- security services for local businesses;
- tidying of land owned by local businesses;
- the 'care' element of day care services;
- private sector training for care staff (above the level for which grant was received);
- transport to care services;
- translation services;
- provision of support services to voluntary organisations;
- care standards for the private sector;
- ICT/COMS networks across authorities; and
- a supply teachers agency.

204. Some case study authorities felt inhibited from being able to make a profit out of their assets because of a need to protect residents' interests or because they were unable to attract a market rate. A common example of this is charges for car parking. In economically vibrant areas these can generate substantial receipts but in an area where members are keen to attract visitors and encourage local shopping, the pressure is to keep car park charging low or to offer a free facility.
205. This inability to charge at the market rate or to recover the true cost of provision through statutory charges was a source of irritation for several case study authorities. One authority, for instance, told us that it was going to cost it £4m to implement new licensing legislation. It had also invested substantially in salaries for planners and building control officers to support a major regeneration development. However, it was only able to recover £50,000 in fees for a £1m investment in taking on the staff to resource it.
206. Some authorities were keen to explore the potential of moving into areas which may require specific approval or even a change in the law, e.g., charging utility companies for lane closures when they dig up the road, the introduction of a workplace parking levy to finance transport improvements, and the ability to charge a market rate for building control work were all mentioned as areas councils would like to see explored
207. One reason for the limited take up of charging powers is probably the uncertainty surrounding pricing. S93(3) of the 2003 Act states that the authority is under a duty to balance its books. It is not able to charge at a level which exceeds the cost of provision. Whilst there are undoubtedly areas where cross subsidy can take place between, say, charged for services for a particular group and free services for those in greater need, the complexity of the associated accounting was a major inhibiting factor for service managers.

## The Innovation Forum

208. The Innovation Forum was established in May 2003, bringing together central government and local authorities that had been rated 'Excellent' under the CPA. It forms part of the package of responses to CPA and is intended to give authorities a major opportunity to establish a productive relationship with government through practical projects and input to national policy and debate. The number of authorities in membership of the Forum has risen significantly since its creation, reflecting the coming on stream of CPA judgments for district councils and successive 'upgrading' of a number of single tier and county councils.
209. The government has been keen to use the existence of the excellent councils to develop, explore and test new ways of working including the scope for new relationships with government agencies and other partners at a local level encapsulated in the Forum's tag line 'Beyond Excellence'. The work of the Innovation Forum builds on the Shared Priorities for Public Services (agreed through the Central-Local Partnership) and in particular aims to challenge existing methods of service delivery by piloting new ways of working which cannot be achieved without changes to current frameworks.
210. The Forum's agenda is therefore intended to reflect the ambitions of central and local government 'to address the issues of concern to local communities' (Innovation Forum prospectus, May 2003). Member authorities have established a core leaders group to provide a steer for the work of the Forum and its support teams, and for ease of communication with ministers where needed.
211. The Forum has a number of strands to its work:
- sounding board discussions on particular issues, e.g., the Hampton review and the Children's Act;
  - seminars;
  - an annual conference;
  - Ministerial briefings; and
  - Innovation Forum projects.
212. Six themes were identified for the initial project work programme of the Forum. These were:
- Public service integration (project now completed);
  - Creating safer communities (project partially completed);
  - Reducing hospital admissions for older people;
  - Aiming higher: including all (school improvement);

- Rationalising public sector targets (project now completed); and
- Local Public Service Boards (project now completed).

213. Subsequently, following an Innovation Forum meeting in July 2004, two themes were added:

- Joint working in counties and districts to manage waste more sustainably; and
- Prolific offender resettlement through co-ordinated housing.

A project team has also been looking at choice in local services. One of the strands of work here is a 'liveability peer audit', the purpose of which is to identify present innovations taking place to expand community, collective or personal choice in those areas which might broadly be classified as relevant to 'liveability'.

The Forum's information pack notes that:

*'Each project has been different but each has the potential to generate learning and develop new approaches to the delivery of public services.'*

214. Sounding boards have covered a wide range of issues and have often involved a number of government departments. Recent examples (in the period since September 2004) include:

- *How to deliver choice (involving ODPM);*
- *Development of 'the youth offer' (DfES);*
- *The Hampton review of regulation (HMT);*
- *Choice and personalisation (ODPM);*
- *Enterprise policies in disadvantaged areas (HMT);*
- *Children's Act implications for district councils (DfES);*
- *Children's Services/Trusts (HMT and DfES);*
- *Affordable Housing (DEFRA);*
- *Performance management (ODPM);*
- *Innovation in the public sector;*
- *Asset management (ODPM); and*
- *Police restructuring (HO).*

### Views on the workings of the Forum

215. In their paper for ODPM, *The Innovation Forum: A Briefing Paper Based on a Small-Scale Research Exercise*, Warwick Business School noted that:
- 'The Innovation Forum has, from a standing start, rapidly established itself as a powerful and respected 'brand'. The 'badge' is felt to be valuable.'*
216. However they also noted that they had picked up a number of indications that whilst the mechanisms for dialogue were highly valued, particularly the opportunity to engage directly with ministers, for example through the sounding board arrangements, the work of the Forum as a whole was failing to fully capture the imagination and was leading some to question whether the Forum continued to be a good use of their time.
217. As part of our current work for this project, we have asked some further questions about perceptions of the Innovation Forum. This was very light touch in nature and involved only a small number of contacts. These views are reflected below. We do not wish to make any claims about how representative these views are; it is not possible for us to know the extent to which such views are shared by others. Nevertheless, they do offer a number of insights which are likely to be helpful in taking forward the work of the Forum.
218. DCLG and the LGA have been working hard to raise the profile of the Innovation Forum across government, in order to improve awareness of the opportunity it provides to pilot a more devolved approach to service delivery. Some streams of activity have had a noticeable impact. In particular we have been told that the Forum's work on governance (Local Public Service Boards) and the rationalising of local targets has significantly influenced government thinking on the development of LAAs. Indeed one key respondent, with experience of working in both local and national 'camps' went so far as to tell us that:
- 'LAAs wouldn't have happened without the Innovation Forum'.*
- In his booklet *The Innovation Forum: Beyond Excellence* (IDeA, ODPM and LGA, undated) Charles Leadbetter makes a similar point:
- 'The Innovation Forum might justly claim to have helped to change the relationship between local and central government, from the imposition of central targets, to the agreement through negotiation of appropriate targets' (p.5).*
- Leadbetter also cites are the Forum's work on trying to reduce unplanned admissions of older people to hospital, which started some two and a half years before the Government's White Paper on health beyond the hospital. He also highlights Blackburn with Darwen Council's work to create a network of integrated children's centres – the first of which was set up more than a year before the *Every Child Matters* White Paper (C Leadbetter, op cit, pp. 4-5).
219. The sounding board arrangements have also been welcomed by Forum members as a valuable opportunity for dialogue with government. Outcomes from these events include:

- comments fed into the consultation document on the Local Enterprise Growth Initiative;
- *“Important input to senior officials on LAs views on barriers to successful children’s trusts”* (information from ODPM);
- comments fed into the Hampton review team’s final report;
- Forum members invited to contribute to a policy review on asset management; and
- feedback on police restructuring provided to the Director of Policing and the wider police team at the Home Office.

Leadbetter (op cit, p.5) expresses the view that:

*‘Innovation Forum councils are closing the gap [between the conception of a policy idea and its implementation in practice] by the thinking and doing and innovating while implementing’.*

220. Notwithstanding these positive findings, we have also received less positive feedback from some respondents, which is consistent with Warwick Business School’s earlier exercise (op cit). In particular, some question the effectiveness of the Forum and whether it is worth investing significant amounts of the time of their most senior people. Interest levels also appear to be affected by perceptions of the Innovation Forum as just one of a number of opportunities with which authorities can engage central government, and not necessarily the most effective of such opportunities. There is a sense that the market is ‘overcrowded’ and that the Forum is not always sufficiently distinguished from other offerings. In networking terms authorities may also be able to get swifter and more effective access to central government through other channels:

*‘It’s good for networking – but there are loads of other opportunities to do this ...’*

*‘It’s valuable as it is but it is part of a wider picture’*

*‘There are other ways of lobbying that are more effective than the Innovation Forum’.*

221. The length of time between meetings is an issue for some, who perceive a ‘lack of product’ from the Forum. One senior local authority respondent felt that the Forum was losing out because it was being:

*‘driven by the lowest common denominator, not the highest aspiration’.*

222. This view was echoed by another respondent in the same authority, who commented that:

*‘In theory it’s a great way to tackle central government/local government issues – but it hasn’t delivered’.*

223. A respondent in another authority described the Forum as *'a missed opportunity'*. Other points made were that the Forum is now *'far too large'* for effective working. A few respondents also allege that the Forum is not prepared to confront government because of the political complexion of its member authorities. Finally, some respondents have pointed out that the degree of control exerted by central government over local government has bequeathed a culture of compliance rather than innovation, which has limited the potential of the Forum to develop new thinking on key policy issues.

**What would make a difference?**

224. Key comments here were that the core issue is improving the Forum's effectiveness, and that it would be a good idea to look outside the local authority sector for ideas *'if it's not to be just a talking shop'*. It was also put to us that:

*'ODPM need to be able to deliver the engagement of other ministries in order for the Forum to be effective'*.

225. A further issue is dissemination, which may be an issue for individual local authorities as much as for the Forum itself. As one senior officer put it:

*'It seems to be happening that Chief Executives are getting involved ... It doesn't penetrate into the organisation much beyond that – and the shame of that is it sometimes takes too long for things to get through ... There is a job to make sure that the organisation is not dislocated'*.

**Levels of involvement within the Forum**

226. We have also undertaken a small scale exercise to get a feel for levels of involvement in the work of the Forum by member authorities. We examined lists recording involvement in the work of the Forum's various project streams (mentioned above), attendance at sounding board events and membership of the Forum's core leaders group. We have categorised authorities as 'involved' if they have been part of any of these and 'less involved' if the authority's name has not been recorded in relation to any of them. We recognise the limitations of this exercise, but it does give some indication of differing levels of involvement. On this basis the following is revealed:

	% 'Involved'	% 'Less Involved'	Number eligible (on 2004 CPA rating)
County Councils	82	18	17
District Councils	32	68	28
London Boroughs	100	0	8
Metropolitan Councils	58	42	9
Unitary authorities	44	56	7

227. Using the same information sources we then examined involvement by region:

	% 'Involved'	% 'Less Involved'	Number eligible (on 2004 CPA rating)
Eastern	80	20	7
East Midlands	43	57	6
London	100	0	8
North East	30	70	8
North West	80	20	8
South East	44	56	16
South West	50	50	5
West Midlands	50	50	6
Yorkshire and the Humber	50	50	6

228. This suggests that the most involved authorities by type are London boroughs (100%), county councils (82%) and metropolitan councils (58%). The most involved by region are London (100%), the North West (80%) and the Eastern region (80%).

229. 'Less involved' authorities by type are district councils (68%) and unitary authorities (56%), and by region are the North East (70%), the East Midlands (57%) and the South East (56%).

230. From our exercise we cannot know the reasons for these variations but the higher levels of involvement from London-based authorities and the relatively lower levels of involvement from district councils and authorities in the North East are striking. This issue may well merit further attention.

### Conclusions

231. Overall therefore our conclusion in relation to the Innovation Forum is that despite a number of positive features and contributions to policy development, the Forum has not yet fulfilled its full potential. This mixed picture is captured in the spectrum of views provided in relation to a recent Innovation Forum event:

*'... a very useful day. Frank, open and with some powerful ideas coming from both sides; local government working **with** Whitehall. A refreshing change.'* (Elected Member)

*'Thank you very much. Picked up some useful ideas.'* (Officer)

*'I have been to several of these now and they are always useful days, especially talking to colleagues. But frankly the Innovation Forum achieves exceedingly little. Until government takes it seriously it will remain very much a talking shop.'* (Officer)

232. Warwick Business School's earlier paper, cited above, noted that:

*‘The establishment and development of the Innovation Forum has been an important step in the development of better understanding between central and local government. The mechanisms for dialogue are very much welcomed. Nevertheless there is ‘still some way to go’.*

233. On the basis of further work undertaken during this study, we would say that much of this appears to remain true. Things have certainly moved on, and new ways of working within the Forum have been developed. It is not that the Innovation Forum is not thought to be worthwhile, but rather that for at least some authorities there is a question as to whether working through the Forum is the best use of their time, or the most effective, given the multitude of other networking opportunities now available to them. Or, in other words, what is the Innovation Forum offering that other opportunities are not? Nevertheless, it would be wrong to ignore the fact that, from its activities to date, there is clearly much good work to be commended and some evidence of a positive impact on government thinking.

## Other freedoms and flexibilities

234. As agreed in our Feasibility Study a number of additional freedoms and flexibilities were included within the local authority survey but were not part of the more detailed case study investigation, either because they were already subject to other studies or because they were not fully operational at the time of this study . We set out below the findings from the survey for these other measures.

### Plan rationalisation

In recent years there has been a reduction in the number of statutory plans that local authorities are asked to produce. Our survey asked respondents two questions on the rationalisation of local authority statutory plans, on levels of awareness and on experience of rationalisation

#### How aware are you personally of the existence of each of the following measures? – Plan Rationalisation

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
50%	44%	3%	3%

Base: 37 authorities

235. Almost all respondents said that they were strongly or somewhat aware of this measure. However, a follow-up question on the experience of plan rationalisation provided a less positive picture, and supported the findings from our earlier feasibility study, and from comments made during our case study visits. More than half of the survey respondents said that they had not experienced or had only little experience within their authority of plan rationalisation. The responses from excellent authorities however were more positive with 63% saying they had experienced some or significant reductions in this area.

### To what extent have the following measures been experienced by this authority within the last 12 months ? – Plan Rationalisation

Significant experience	Some experience	Little experience	No experience	Not Applicable
3%	34%	43%	20%	0%

Base: 36 authorities

236. The evaluation of community strategies and plan rationalisation, conducted by Leeds Metropolitan and Sheffield Hallam Universities<sup>15</sup> found similarly high levels of awareness of the Government's proposals for plan rationalisation. However, it found that relatively few local authorities actually had a coordinated approach to plan rationalisation. It also found that 42% of respondents were themselves not aware of what progress may have been made in their authority.
237. Whilst some suggested that they thought the impact of this measure would be reduced levels of bureaucracy and the creation of more integrated services, many more simply did not know what benefits might be expected.
238. Barriers to more effective plan rationalisation identified by this study included:
- differing timescales between different plans and planning processes – cited by 48% of respondents;
  - departmental requirements for specific data – 43%;
  - a lack of integration between partners – 37%; and
  - differing aims between services and partners – 35%.

### Rationalisation of BVPIs and BVPPs

239. Every respondent to the survey said that they were either strongly or somewhat aware of the rationalisation of BVPIs and BVPPs, but again when questioned on their actual experience of this rationalisation, respondents were less positive. Almost half felt that they had seen little rationalisation and a further 23% felt they had seen no difference.

### How aware are you personally of the existence of each of the freedoms and flexibilities measures? – Rationalisation of BVPI and BVPP

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
69%	31%	0%	0%

Base: 37 authorities

<sup>15</sup> *Process evaluation of plan rationalisation/Formative evaluation of Community Strategies, Report on a Survey of Local Authorities* London: Office of the Deputy Prime Minister, 2004.

**To what extent have the following been experienced? – Rationalisation of BVPIs and BVPPs**

Significant experience	Some experience	Little experience	No experience	Not Applicable
0%	31%	46%	23%	0%

Base: 36 authorities

**Wider use of income from fines**

240. This provision enables all local authorities, regardless of CPA category, to re-invest income from fines and fixed penalty notices, for example, in relation to dog fouling, littering, noise, graffiti, fly posting and street parking. Those in higher CPA categories have more freedom in how they can use this income.

**How aware are you personally of the existence of each of the following measures? – Wider use of income from fines**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
19%	50%	22%	8%

Base: 37 authorities

**To what extent has your authority taken advantage of the following measures over the last 12 months? – Wider use of income from fines**

Significant use	Some use	Little use	No use	Not applicable
6%	9%	29%	43%	14%

Base: 36 authorities

241. Again, whilst levels of awareness were reasonably high (although somewhat lower than other measures), levels of use of this particular measure are still at a low level. It may be that authorities are concerned with the negative impact on their reputation from increasing their use of fines. As mentioned earlier in our findings on charging for discretionary services authorities are cautious of being seen to be ‘profiting’ from local residents. Also, this measure was only in limited force at the time of the survey. The freedom for excellent and good authorities to use incomes from fines in any way or for any service they wish has still not come into force.

**Discretion to change council tax discounts and exemptions**

242. From November 2003 local authorities have had the discretion to change council tax discounts and exemptions in their areas (e.g. they can reduce the discount on second homes).

**How aware are you personally of the existence of each of the following measures? – Discretion to change council tax discounts and exemptions**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
47%	28%	19%	3%

Base: 37 authorities

**To what extent has your authority taken advantage of the following measures over the last 12 months? – Discretion to change council tax discounts and exemptions**

Significant use	Some use	Little use	No use	Not applicable
18%	35%	9%	29%	9%

Base: 36 authorities

243. Respondents demonstrated a reasonably high level of awareness of this measure, and more than half said that they made significant or some use of it.

**Rationalisation and streamlining of ABIs**

244. In the 2001 Local Government White Paper the government committed to rationalising and streamlining the number of ABIs in order to reduce the pressure of bureaucracy on local government.

**How aware are you personally of the existence of each of the following measures? – Rationalisation and streamlining of ABIs**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
36%	33%	25%	6%

Base: 37 authorities

**To what extent have the following been experienced? – Rationalisation and streamlining of area based initiatives**

Significant experience	Some experience	Little experience	No experience	Not Applicable
0%	9%	32%	53%	6%

Base: 36 authorities

245. Whilst there were reasonable levels of awareness of this particular measure, there was a strong feeling from survey respondents that they had not experienced much change as a result. As with many of the other measures covered by this survey, the changing context within which this measure has been implemented may well have impacted on authorities perceptions as to whether areas based initiatives have been streamlined or not.

**Deregulation/abolition of consent regimes**

246. The government is aiming to improve the local authority consent regime system by which an authority has to seek permission from the Secretary of State or in some cases the Attorney General in order to perform their statutory duties. The government has agreed to repeal 21 such regimes during 2006 and 2007 and to consult on the repeal of a further 11 regimes.

**How aware are you personally of the existence of each of the following measures? – Deregulation/abolition of consent regimes**

Strongly Aware	Somewhat Aware	Little Awareness	No Awareness
11%	28%	39%	22%

Base: 37 authorities

**To what extent have the following been experienced? – Deregulation/abolition of consent regimes**

Significant experience	Some experience	Little experience	No experience	Not Applicable
0%	9%	31%	59%	0%

Base: 36 authorities

247. Finally, we have reviewed the available secondary evidence, which is in some cases quite extensive, in relation to other ‘enabling measures’, which contain substantial elements of freedom and flexibility, but are not part of the ‘freedoms and flexibilities’ package as such. We also asked questions in the feasibility study about these initiatives, and where relevant, we have included these observations below. They have also all been subject to research within the LGMA programme of evaluations. A summary of the relevant findings for this study is set out below, in relation to:

- the Well Being Power;
- Local Public Service Agreements;
- Local Area Agreements; and
- Local Strategic Partnerships.

248. A key finding from this research, which emerged from our local authority survey, is the relatively high levels of awareness of some of these measures, when compared to the freedoms and flexibilities that were subject to more detailed analysis as part of our case study research. For example, our survey suggested that net awareness levels of LPSAs across local government were 97%, with net awareness levels of LSPs and the Well Being Power across local government of 100% and 83% respectively.

### **The Well Being Power**

249. Research by the University of Birmingham and the University of the West of England into use of the Well Being Power has found a similar story to many of the freedoms and flexibilities studied here.<sup>16</sup> The power is generally welcomed and seen as helpful to local authorities, particularly in the context of community leaders, community planning and partnership working. However, there did not appear to be widespread use of the power. Where it was being used, it was across a wide spread of local services, including regeneration, economic development, health and social services, environment, rural issues, social housing and infrastructure.
250. At the time of the study there still appeared to be some confusion about the power and what it did and didn't allow authorities to do. Authorities suggested that more capacity building would need to take place amongst local partnerships before they were really able to make use of the power.

### **Local Public Service Agreements (LPSAs)**

251. LPSAs are voluntary agreements between local authorities and the Government, focused on improvements in agreed local services. LPSAs include stretching targets for achievement of agreed priority improvements by local authorities, alongside financial support for achievement by Government, and financial rewards if these targets are met. The first round of LPSAs were included within the report on the Meta Evaluation of the LGMA and were seen by around 75% of their survey respondents to have been a driver of local authority improvement, even though there were some criticisms of the process.<sup>17</sup> The survey also found that a significant minority of respondents felt that their LPSAs had stimulated innovation, either because they had attempted something completely new or were seen as an authority at the leading edge.
252. The national evaluation of LPSAs found that the initiative had been welcomed by local authorities, which remain largely enthusiastic.<sup>18</sup> The key features of the scheme, described above, have motivated authorities to succeed. At a corporate level delivering improvements in relation to strategic goals was seen as the main driver, with reward grant as a powerful incentive. At service delivery level the emphasis was more on sustained improvement in outcomes.
253. The feasibility study undertaken as part of this research identified a perception that the 'freedoms and flexibilities' associated with LPSAs (now referred to as 'enabling measures') had often been disappointing. The basic premise that 'freedoms' should be up to individual localities to 'identify then negotiate', seems to be flawed. Authorities working alone had often been unable to come up with good propositions whilst caution, and the fear of setting precedents had given civil servants ample excuse for saying 'no' to individual requests.

<sup>16</sup> *Formative Evaluation of the Take-up and Implementation of the Well Being Power: Annual Report 2006* London: Department for Communities & Local Government, 2006

<sup>17</sup> *Meta-Evaluation of the Local Government Modernisation Agenda: Progress report on service improvement*, London: Office of the Deputy Prime Minister, 2005.

<sup>18</sup> *Evaluation of Local Public Service Agreements*, London: Office of the Deputy Prime Minister, 2005.

254. Overall, research suggests that many of the observed improvements in outcomes are the result of changes in systems, culture and ways of working, and are likely to be sustained. However, others will only be sustained with continuing additional effort and funding.

### **Local Strategic Partnerships (LSPs)**

255. LSP bring together the local authority and other key local bodies to produce a more co-ordinated framework for developing local policies. It acts as a single co-ordinating framework for other local partnerships, and is responsible for the implementation of community strategies and local area agreements. In the report of the Meta Evaluation of the LGMA published in March 2005 LSPs were one of five government policies identified as driving improvement in their authority by over 90% of survey respondents. The survey also found that 92% of respondents said their authority had implemented a LSP. The report went on to say that whilst partnership working is now almost universally accepted as an important way to achieve service improvements, LSPs have yet to really deliver significant improvement on the ground.
256. The National Evaluation of LSPs by Warwick Business School, OPM, UWE and Liverpool John Moores University reported similar findings.<sup>19</sup> They suggest that LSPs are now an accepted and established part of local government but that some working arrangements are still causing confusion and uncertainty. In particular there are seen to be tensions between performance management at the national and local level and a question mark over whether it assists partnership working. It went on to say that whilst many felt good progress was being made on processes, there is still a good deal to do to turn them into improved service outcomes.

### **Local Area Agreements (LAAs)**

257. LAAs are intended to improve local services through better co-ordination between central government, local authorities and their partners. The agreements specify a number of agreed outcomes with associated targets, indicators and funding streams.
258. At this stage, the case study authorities with whom we engaged in this study felt that it was too early to say whether the LAAs had been effective, although they did believe that they had the potential to deliver real benefits. However, some concerns were expressed about the danger of potential new reporting frameworks and burdens for LAAs.
259. Research conducted by Warwick Business School, University of the West of England and Office for Public Management to evaluate the negotiation process of the pilot LAAs<sup>20</sup> found that as a concept the LAA was widely welcomed. The pilot authorities found that the negotiation process was resource intensive at all levels, which may deter some authorities from entering into them, unless they can be convinced that the benefits that will be delivered by them outweigh this 'upfront investment'.

<sup>19</sup> *National Evaluation of Local Strategic Partnerships*, London: Office of the Deputy Prime Minister, 2006.

<sup>20</sup> *Process Evaluation of the Negotiation of Pilot Local Area Agreements*, London: Office of the Deputy Prime Minister, 2005.

260. Some concerns were also expressed that partners may be looking for different things from the LAA. Some may see the main aim as being the pooling of funding streams, whilst other may want to strengthen partnership working or develop an improved dialogue with central government. Some comments were also made about central government departments being reluctant to 'let go'; a message which echoes comments made by our case study authorities in this study.

## CHAPTER 5

# Conclusions and proposals for a long-term evaluation

### Key conclusions

261. This was a baseline study. As such it intended to develop a picture of the current state of awareness, use and perception of freedoms and flexibilities, from which any changes over time can be measured.
262. At this stage it is clear that this is an agenda in which many authorities have a deep interest. Our case study authorities all spoke quite animatedly about this agenda. There are high levels of awareness of the majority of the measures, although at present there are not similarly high levels of use of many of the measures. The situation can probably be best summed up as 'early days'.
263. Authorities, on the whole, do appear to see the potential that many of the measures can bring. However, some feel frustration that the measures have not materialised as expected, or as quickly as expected or that other actions by central government have reduced their impact. The Meta Evaluation of the LGMA found a similar message; authorities want to see the changes happening much more quickly than they currently perceive them to be happening.
264. A small number of authorities are already taking advantage of many of the opportunities provided by, at least some, of the measures. These authorities in particular express frustration that the Government is not moving quickly enough and is not keeping up with the 'best of local government'. For some of these authorities the agenda is more of a continuation of what they had been doing before as many were already pushing the traditional boundaries of local government. These authorities are likely to be the ones that have volunteered to pilot new initiatives and officers and members in these authorities are often involved in discussions at a national level about government policies and initiatives. What drives these authorities appears to be a mix of a commitment to and a culture of innovation and service improvement and a desire to be seen as being at the forefront of local government.
265. It is fair to say though that the majority of authorities at this stage are more cautious, or for some agnostic, about the measures. Whilst they can see some of the benefits of the freedoms and flexibilities, they have not yet really taken up many of them. They see some, for example local authority trading, as being untried and

perhaps too risky or complex, whilst they see others, for example removal of revenue ring-fencing, as being only marginal. Many of these authorities are actively considering some of the measures and it appears likely that in the coming months and years, will begin to take advantage of at least some of them.

266. There are also a small number of councils who remain largely sceptical about the freedoms and flexibilities package, and more widely the modernisation agenda. Some of the new measures are seen as being overly bureaucratic or providing only a limited amount of freedom. They question the Government's commitment to providing what they see as real freedoms and flexibilities, often citing conflicting messages and behaviours from other Government departments. In many of these authorities there is a view that the real issue, and blockage to service improvement, is a lack of funding, and that this problem can not be solved by what they see as 'tinkering around the edge'.
267. We set out at the beginning of this paper our overarching research questions for the study and our hypotheses for those questions. The baseline study found no significant evidence which would suggest that these hypotheses will prove to be incorrect should a longer term evaluation be conducted. Indeed, for almost all of them, there is some evidence already that supports those hypotheses, albeit at this stage minimal.
268. In this phase of the evaluation we have focused on a core number of the measures, as others are subject to other studies. We provide below a commentary on the issues arising from our findings for each of those measures:
- *Prudential borrowing* – this appears to be one element of the freedoms and flexibilities package that has significant long term potential. Currently whilst many authorities have taken advantage of the new scheme, levels of use (compared to overall borrowing or levels of total capital investment) are not high. A long term evaluation would enable this to be tracked to see if authorities gained confidence in their ability to work with this type of unsupported borrowing.
  - *Audit/inspection reduction* – this is an area of activity that is significantly under-researched, and may warrant even more detailed research. The government has placed a great deal of reliance on this as part of the overall package of measures directed at local government improvement. It is also one of the areas in which authorities have regularly called for action. However, over recent years the situation has been quite dynamic. In particular the recent introduction of the CPA and JAR has made quite an impact on local authorities.
  - *Trading and charging* – these are areas with potential but at a very early stage of development within many authorities. Not only will taking real advantage of the opportunities offered by these measures mean the acquisition of a new skill set for some in local government, but perhaps more importantly, they are likely to require a change in culture and attitude towards the role and nature of local government. A longer term evaluation would enable this to be tracked.

- *Revenue and capital ring-fencing reduction* – the impact to date of revenue ring-fencing reduction and the single capital pot has been mixed across local government. Some authorities report beneficial, albeit marginal, new flexibility as a result of policy changes in this area. However, the single capital pot in particular is not perceived to be enabling significant additional freedoms at local authority level.
- *Local Authority Business Growth Incentive Scheme* – this is in its very early stages and at the time of the study, the first payments had not come through so it is not possible to say whether it has created any incentives for authorities. A longer term evaluation would allow their development and impact to be assessed.
- *BIDS* – are at an early stage of development. This is an important new initiative dealing with issues of high sensitivity and of high public importance (e.g., street scene and community safety). There are also potential issues relating to future council budget settlements. This is therefore an element of the overall freedoms and flexibilities package that would merit further attention over a longer period.
- *The Innovation Forum* – this is another under-researched area. Yet again this is a dynamic area at the heart of the local government improvement agenda. The impact of the new CPA and of other alternative networks are among the issues meriting further attention over a longer period.

## Considerations in undertaking a long-term evaluation

269. In carrying out this baseline study we have learned a number of lessons which will influence the shape and structure of any long-term evaluation of the package of freedoms and flexibilities. We set these out below.

### **Engagement of local authorities**

270. Whilst authorities are interested in the freedoms and flexibilities agenda, it has been difficult at times to secure their engagement in the project. In particular, we received a disappointing level of response to our survey. From our discussions with authorities, both in the case study interviews and in follow-up telephone calls to prompt survey responses, we identified a number of reasons why some authorities were not fully engaged:
- some authorities felt that they were still in the early stages of considering how best to make use of the freedoms and flexibilities and as yet, had not really considered what benefits they may expect from the various measures;

- others suggested that this agenda is difficult to distinguish from the wider local government modernisation agenda, elements of which are being covered by more detailed and more specific surveys. Whilst our baseline study did focus on a smaller number of measures (our primary focus) engagement suffered because the study may have been seen as falling between the two extremes of either focusing in great detail on one specific issue, or covering the much wider full agenda of local government modernisation;
- a number of authorities reported difficulties in gathering data on the impact of freedoms and flexibilities across a wide range of service areas; and
- for a small minority, we detected scepticism of the whole agenda, and whether the Government is fully committed to providing real freedoms and flexibilities.

### **Integration**

271. Reflecting the point above that for many the freedoms and flexibilities agenda is part of the wider modernisation agenda we suggest that thought should be given about closer integration between this and other studies.
272. Throughout our findings runs the issue of the wider context of central local relationships, and authorities' view that it is difficult to disconnect various elements of the modernisation agenda, and indeed other government policies and activities. They tend to view these as deeply interconnected and therefore their views on specific measures are prejudiced by how they see and feel about these wider relationships.
273. It may therefore be that in terms of future activities for evaluating the impact of freedoms and flexibilities DCLG may wish to consider whether there are further opportunities for the integration of freedoms and flexibilities with other, wider research activities. For example, it may be that some of the key questions from our local authority survey could be included in the annual LGMA survey, for example those around levels of awareness and use/experience of freedoms and flexibilities.
274. In particular we believe that there is a need to consider the links between this research and that being conducted on the development, implementation and outcomes of LAAs. LAAs are seen by many as potentially being a key mechanism to deliver improved local outcomes and could be said to be the centre piece of the 'localism' agenda. But this 'localism' agenda requires much greater freedom for authorities and their partners to focus on their priorities and the aspirations of their local communities. There are thus very many links between these two agendas.

### **Our theory of change and overarching research questions**

275. The baseline study and findings have demonstrated that our theory of change is robust and could be used to underpin a longer-term evaluation study. The overarching research questions and associated hypotheses do form a useful framework for assessing the impact of the package of measures, and could underpin a longer term study which meets our initial aspirations to be broad, deep, summative and formative.

### **Our research instruments**

276. The study also demonstrated that our research instruments (secondary data review, case studies and survey) can provide the information required to conduct a long-term evaluation. Indeed, during the current phase of our work a number of authorities have expressed interest in participating in a longer term evaluation. There is also therefore the potential to further develop case study work – for instance looking at the impact of reductions (or otherwise) in audit and inspection and at where authorities are looking next for their improvement work.
277. However, as already mentioned, response rates to the local authority survey were disappointing, and it may be that integrating some, or all of this survey within other research surveys, may provide a greater volume of responses. Another possibility might be for the DCLG or LGA to circulate the survey to give it a greater sense of importance in local authorities' view.

## What is unique about an evaluation of freedoms and flexibilities?

278. Whilst we have said that there is merit in considering whether some elements of data and evidence collection could be integrated with other research studies, we do believe that there is still a significant merit in conducting a long-term evaluation of the package of freedoms and flexibilities.
279. The strongest argument for this is that no other current research looks at this group of measures in such a holistic way. Many of these measures are interconnected and there is added value in looking at the collective impact of the measures, rather than just the individual impacts. Equally, for some measures the individual impacts may be very difficult to identify in isolation.
280. Secondly, these measures have been put forward as a package by Government, which is aimed at delivering greater opportunities for local authorities and their partners to innovate in the delivery local services. Consequently it is not only the DCLG, but also other Government departments, in particular HM Treasury, which has an interest in the success of the measures and their use in local government.
281. Thirdly, as we set out in our feasibility study, a significant element of the research, and outcomes, are more qualitative than quantitative. Assessing the measures as a package will enable the development of a more informative 'picture' of progress and outcomes than would otherwise be possible. In our conclusion we began to set out 3 'typologies' of authority in relation to this agenda. Those that are grasping the agenda and pressing ahead with some vigour, those that might be seen as being more cautious and those that at present are still somewhat sceptical.
282. A long term evaluation would allow not only the development of these typologies, and possible a more detailed understanding of what factors underpin them, but also, to track movement between them over the period of the study.

## Timeframe for a long-term evaluation

283. Many of these measures are complex and do not immediately deliver outcomes, particularly in the form of tangible improvements in services to local communities. Any evaluation of their outcomes therefore needs to be conducted over a 3 to 5 year period to allow these improvements to become evident.
284. It also, of course, needs to be recognised that government as a whole (national and local) operates in a dynamic world. These changes will impact on the success or otherwise of many of the freedoms and flexibilities. Therefore time needs to be given to build up a picture which allows for changes which at particular times may distort the outcomes of the measures.
285. Indeed the next few years are likely to see significant changes as the ideas and proposals of the Government's 'local vision' document and new Local Government White Paper are discussed, refined and introduced, including the introduction of a new performance framework for local government as outlined in 'Securing Better Outcomes'<sup>21</sup>, and proposals based on the principle of greater devolution and the reduction of central control and reporting regimes.

## An evaluation of freedoms and flexibilities

286. We believe that a long term evaluation of freedoms and flexibilities should be conducted as a specific and separate research project. This project should last for a period of between 3 and 5 years.
287. As with our research methodology to date, the evaluation would use three primary methods of gathering evidence:
- secondary data research;
  - case studies; and
  - a local authority survey.
288. We would however suggest greater focus on some key measures not covered elsewhere, in particular those measures covered by our case studies:
- Prudential borrowing; (we understand that there is a long term evaluation planned for this)
  - reduction in revenue ring-fencing;
  - trading powers;
  - reductions in external audit/inspection activity; and
  - BIDs and LABGI Schemes.

<sup>21</sup> *Securing Better Outcomes: Developing a New Performance Framework*, ODPM, March 2005. See <http://www.odpm.gov.uk/index.asp?id=1163152>

289. We would propose that the case study approach is continued with local authorities to provide the detailed evidence and examples of use of freedoms and flexibilities that can bring the quantitative data collected by the survey to life. This information could also be used to identify and share good practice, in order to contribute to the further development of the freedoms and flexibilities agenda across local government.

# ANNEX A

## Secondary Data Sources

Title	Date	Source
<b>INTRODUCTION OF FREEDOMS &amp; FLEXIBILITIES</b>		
Modern Local Government, In Touch with the People	1998	ODPM – White Paper
Strong Local Leadership, Quality Public Services:	Dec 2001	ODPM – White Paper
LGA Briefing on the White Paper	Dec 2001	LGA
NLGN – ‘freedoms and flexibilities for local government’ – A route map to a brave new world	September 2003	NLGN
<b>LOCAL GOVERNMENT MODERNISATION AGENDA – META- EVALUATION</b>		
Progress report on service improvement	March 2005	ODPM
Accountability	July 2005	
Community Leadership	June 2005	
Stakeholder Engagement	June 2005	
Public Confidence	July 2005	
<b>PRUDENTIAL BORROWING, CHARGING, TRADING &amp; OTHER FINANCIAL</b>		
Loosening the Reins – A survey of local authority approaches to prudential borrowing, charging and trading	November 2004	LGA
The Variations in local authorities spending levels	March 2004	LGA
<b>REDUCTION IN PLANS, INSPECTIONS</b>		
Approach to Service Inspections	May 2005	Audit Commission
External Inspection of Local government – Driving Improvement or Drowning in Detail?	2001	Joseph Rowntree Foundation
The Future of Inspection – Shaping the Agenda	13/7/04	County Councils Network
The Changing Role of Audit Commission Inspection of local government	2004	JRF
An Inspector Calls – A survey of local authorities on the impact of inspection	2001	LGA
Inspecting for Improvement – Developing a Customer Focused Approach	July 2003	OPSR
Efficiency and devolved decision-making: the challenges ahead – speech to LGA Annual Conference	July 2004	James Strachan
Inspection – How does it perform? – A discussion document		LGA
CPA 2005 – The New Approach	2004	Audit Commission
CPA – The Harder Test – local government national report	June 2005	Audit Commission

Continued

Title	Date	Source
<b>GENERAL LOCAL GOVERNMENT</b>		
Six of the Best – An Evaluation of the LGA's six commitments	November 2003	LGA
A Personal Prosperity for All	January 2005	Tony Blair speech
Independence, Opportunity, Trust – A Manifesto for Local Communities	September 2004	LGA
At the Centre of Debate – LGA Summer Review, 2004	Summer 2004	LGA
The Future of Local government – Developing a 10 Year Vision	2004	ODPM
A Manifesto for Communities – Speech by Sandy Bruce-Lockhart	September 2004	LGA
LGA Research Bulletin	October 2005	LGA
Accelerating Improvement - LGA Winter Review and Business Plan	2004	LGA
Improving the Quality of Life for local communities – LGA Contribution to Spending Review 2004	2004	LGA
Innovation in Public Services	09/05	IDeA
Labour Party Manifesto		
Civic Pride for the Modern Age – David Miliband speech to Core Cities Group	May 2005	
Britain forward not back – Labour Party Manifesto 2005	2005	Labour Party
<b>LOCAL GOVERNMENT MODERNISATION AGENDA – ON-GOING EVALUATIONS (As detailed in meta-evaluations progress reports)</b>		
Meta-evaluation of the LGMA	2002-08/9	Cardiff; UWE; INLOGOV; De Montfort; LGC, WBS; MORI; PWC; York Consulting
Best Value	2001-05/6	Cardiff University
New Council Constitutions & the ethical framework – Process and impact evaluation	2001- 07/8	Manchester University
Local Strategic Partnerships	2001-06/7	LGC, WBS; OPM; University of West of England; Liverpool John Moores
Asset Management Plans	2001-03/4	York Consulting
Electronic Government – Process Evaluation		Newcastle University
LPSAs Process Evaluation	2002-06/7	OPM; UWE; Cardiff
Single Capital Pot	2002-03/4	York Consulting; Cornwell Management Consultants
Evaluation of Intervention and Recovery Support Programmes	2002-05/6	INLOGOV; Cardiff; Gloucestershire
Local authority service diversity; Practice, expectations and public attitudes	2002-04/5	York Consulting; McCallum Leyton
Beacon Councils Impact Evaluation	2003-06/7	Local Government Centre, LGC, WBS
Evaluation of Community Strategies and Plan Rationalisation	2003-06/7	Leeds Met; Sheffield
Power to promote well-being – LA Powers and Duties	2003-06/7	NLOGOV; UWE

Continued

Title	Date	Source
<b>LOCAL GOVERNMENT MODERNISATION AGENDA – ON-GOING EVALUATIONS</b> (As detailed in meta-evaluations progress reports)		<b>Conitnued</b>
Evaluation of Local Government Procurement	2004-05/6	INLOGOV; LGC, WBS; Cardiff; LGIU; BMG Research
Evaluation of Innovation Forum and Shared Priorities	2004/5	LGC, WBS; INLOGOV; National Foundation for Educational Research
Process Evaluation of the Negotiation of Pilot LAAs	2004/5	OPM; UWE; LGC, WBS
Links between Corporate Assessment Scores and Packages of freedoms and flexibilities	2004/5-07/8	ODPM
Evaluation of the Capacity Building Programme	20004-06/7	Leeds Met; UWE

# ANNEX B

## Case Study Participants & Topic Guide

The local authorities who participated in the baseline case study research included:

- Bolton Metropolitan Borough Council
- Bury Metropolitan Borough Council
- City of Westminster
- Essex County Council
- Hertfordshire County Council
- London Borough of Southwark
- London Borough of Waltham Forest
- Newcastle City Council
- North Cornwall District Council
- Nottingham City Council
- Somerset County Council
- Torbay Borough Council
- Wakefield Metropolitan Borough Council

## Topic Guide for Case Study Interviews

### Introduction

Thank you for your participation in the first phase of our research project to evaluate freedoms and flexibilities in local government. Our report, which you may have seen, sets out our initial findings and enables us to embark on the next phase in which we hope to focus our attention on a number of the measures and to create a baseline of information which we hope to be able to track over time.

Building on findings from the previous stage, and being mindful of the focus of a number of other research projects in this area, it has been agreed that we should focus our attention on the following measures:

- 1 **Prudential borrowing:** Exploring in detail the extent to which you have taken up prudential borrowing, and its application to infrastructural and other improvements in your local authority area.
- 2 **Reduction in capital and revenue ring-fencing:** Exploring the impact so far of any reductions in ring-fencing of funding across core services.
- 3 **Charging for discretionary services:** Policies, in place or planned, in relation to charging for discretionary services.
- 4 **Reductions in external audit/inspection activity:** The extent of reductions in this area and the benefits and costs associated with these changes.
- 5 **Business Improvement Districts and Local Authority Business Growth Incentive Schemes:** For those authorities where these opportunities are being considered, details of their establishment, scope and planned benefits.

In this phase, we are interested in baselining and tracking awareness, use and attitudes towards the measures. However, we are mindful of the fact that a great deal of information has already been gathered and do not wish to duplicate work carried out to date.

In this round, we would therefore like to discuss and agree with you how we can best quantify and evaluate your authority's activities and experiences with a view to tracking them over time.

We do not wish to invent additional measures or create unnecessary burdens and we would therefore seek to use measures or reporting practices that you have in place.

Our purpose in this round is therefore to explore with you the quantifiable benefits in using the above measures, how we might be able to track them over time and which people we will need to engage with inside the authority to find out how the measures are working in practice.

## Questions

For each of the areas above, we are interested to explore:

## Awareness/Perception

- Levels of awareness amongst different groups, and perhaps how this is changing over time

- Likelihood of the measures being used in the future – and the factors leading to that decision
- Perceived risks and barriers to use of the measures

## Use

- Where the measures are being used and in what way
- What are the quantifiable benefits – and how might they be measured? These might include:
  - Financial value of the scheme (in absolute terms and relative to overall capital or revenue expenditure )
  - Community benefit
  - Political profile
  - Impact on partnership working
  - Impact on efficiency savings
  - Impact on other key council priorities

A member of the project research team will be in touch with you within the next couple of days to discuss in more detail how to take this forward

# ANNEX C

## Local Authority Survey

### A. General awareness of freedoms and flexibilities within your authority

We are interested in understanding general levels of awareness of different freedoms and flexibilities across local government, which are covered in questions 1 and 2 below. We are also interested in your perception of levels of use of the full range of freedoms and flexibilities policies across your authority, which is covered in question 3.

#### A1. How aware are you personally of the existence of the following measures? *(Please indicate with a cross one for each measure)*

<b>Freedoms and Flexibilities</b>	<b>Strongly aware</b>	<b>Somewhat aware</b>	<b>Little awareness</b>	<b>No awareness</b>
Capital ring-fencing reduction	36%	39%	17%	8%
Revenue ring-fencing reduction	31%	44%	17%	8%
Increased scope to charge for discretionary services	50%	42%	3%	6%
Wider use of income from fines	19%	50%	22%	8%
Capital system changes, including the prudential capital regime and associated measures	56%	22%	19%	3%
Discretion to change council tax discounts & exemptions	47%	28%	14%	11%
Trading powers included in the 2003 Local Government Act	33%	50%	17%	0%
Plan rationalisation (reduction in plan requirements by central Government)	50%	44%	3%	3%
Inspection reduction	72%	28%	0%	0%
Rationalisation of BVPIs and BVPPs	69%	31%	0%	0%
Rationalisation & streamlining of 'area-based initiatives'	36%	33%	25%	6%
De-regulation / abolition of consent regimes	11%	28%	39%	22%
Powers to establish Business improvement districts	36%	47%	11%	6%
Business growth incentive schemes	28%	36%	19%	17%

Continued

<b>Freedoms and Flexibilities</b>	<b>Strongly aware</b>	<b>Somewhat aware</b>	<b>Little awareness</b>	<b>No awareness</b>
<b>Other measures which contain freedoms and flexibilities</b>				
Well Being Powers	64%	28%	3%	6%
Local Public Service Agreements	89%	8%	0%	3%
Local Strategic Partnerships	89%	11%	0%	0%
Local Area Agreements	89%	11%	0%	0%
Local Public Service Boards	44%	44%	0%	3%
Service-specific freedoms & flexibilities from other Government Departments (e.g. DoH, DfES)	20%	37%	9%	34%

**A2. What do you believe to be the general levels of awareness of freedoms and flexibilities, of each of the following groups of stakeholders in your authority? (Please indicate with a cross one for each group)**

<b>Group</b>	<b>Strongly aware</b>	<b>Somewhat aware</b>	<b>Little awareness</b>	<b>No awareness</b>
Elected Members	3%	53%	44%	0%
Senior Managers	39%	53%	8%	0%
Middle Managers	0%	56%	42%	3%
Operational Staff	0%	6%	61%	33%

**A3. As far as you are aware, to what extent has your authority taken advantage of any of the following freedoms and flexibilities within the last twelve months? (Please indicate with a cross one for each measure)**

<b>Freedoms and Flexibilities</b>	<b>Level of use of each measure</b>				
	<b>Significant use</b>	<b>Some use</b>	<b>Little use</b>	<b>No use</b>	<b>Not applicable to my authority</b>
Capital ring-fencing reduction	7%	29%	22%	28%	14%
Revenue ring-fencing reduction	12%	41%	21%	21%	6%
Increased scope to charge for discretionary services	3%	26%	26%	46%	0%
Wider use of income from fines	6%	9%	29%	43%	14%
Capital system changes, including the Prudential Borrowing regime and associated measures	23%	37%	14%	20%	6%
Discretion to change council tax discounts & exemptions	18%	35%	9%	29%	9%
Trading powers included in the 2003 Local Government Act	3%	18%	21%	56%	3%
Powers to establish Business improvement districts	3%	12%	12%	65%	0%
Business growth incentive schemes	6%	9%	18%	68%	0%

Continued

Freedoms and Flexibilities	Level of use of each measure				
	Significant use	Some use	Little use	No use	Not applicable to my authority
<b>Other measures which contain freedoms and flexibilities</b>					
Well Being Powers	11%	37%	23%	26%	0%
Local Public Service Agreements	49%	37%	9%	6%	0%
Local Strategic Partnerships	51%	29%	11%	6%	0%
Local Area Agreements	48%	38%	3%	10%	3%
Local Public Service Boards	22%	9%	6%	44%	19%
Service-specific freedoms & flexibilities from other Government Departments (e.g. DoH, DfES) <i>Please indicate which service specific freedoms and flexibilities these are and from which government department</i>	6%	13%	16%	34%	31%

**A4. As far as you are aware, to what extent has your authority experienced any of the following freedoms and flexibilities within the last twelve months? (Please indicate with a cross one for each measure)**

Freedoms and Flexibilities	Level of use of each measure				
	Significant use	Some use	Little use	No use	Not applicable to my authority
Plan rationalisation (reduction in service plan requirements by central Government)	3%	34%	43%	20%	0%
Inspection reduction	9%	23%	33%	35%	0%
Rationalisation of BVPIs and BVPPs)	0%	31%	46%	23%	0%
Rationalisation & streamlining of 'area-based initiatives'	0%	9%	32%	53%	6%
De-regulation / abolition of consent regimes	0%	9%	31%	59%	0%

## B. Use of specific freedoms and flexibilities within your authority

This section of the questionnaire focuses in more detail on the use being made by your authority of a number of specific freedoms and flexibilities, as well as your perceptions of changes in the levels of external regulation required of you by central government.

### Prudential Borrowing

**B1. Please provide an estimate of the level of Prudential Borrowing (in £000's and as a percentage of overall capital borrowing within each service area and in total) that your authority has made use of, or is planning to use, in relation to each of the following service areas in FY 05/06**

Service area	Estimated level of borrowing FY 05/06*	
	£000's	%
All services	£7,322	57%
Children's services (including education, social care, and related services)	£2,499	26%
Adult social care services	£1,476	3%
Housing services	£1,348	29%
Transport services	£2,637	12%
Environmental services	£1,357	11%
Regulatory services (including Planning, Trading Standards and Environmental Health services)	£1,193	0.5%
Libraries and leisure services	£948	34%
Other services (please specify below)	£8,053	50%

*\* The spend data and percentages represent the mean of responses by individual authorities*

**B2. If you have not yet used Prudential Borrowing in your local authority can you please give your reasons for choosing not to? (for example, planned capital programme met through other funding routes, desire within the authority to remain debt-free, or other reasons)**

- “this council doesn’t borrow as it is debt free and has its own balances. All borrowing costs more than using our own resources. Current capping of council tax means that we could not afford to borrow”
- “Priority is to establish clear options appraisal and business case methodology prior to considering prudential borrowing”
- “The only element of unsupported borrowing that X Council will undertake during 2005-06 will be in respect of unsupported LPSA (PSA2). Whilst the Council does not consider unsupported borrowing as a potential funding source for the general capital expenditure programme it does consider it as a potential source of funding for ‘invest to save’ schemes.”
- “cant afford revenue implications- planned capital expenditure met through other limited routes”
- “Have been able so far to fund capital programme through receipts”
- “enough resources available to cover the planned capital programme therefore not needed at present”
- “Desire to defer borrowing as long as possible due to cost of borrowing in both interest and debt repayment terms (minimum revenue provision)”
- “sufficient investments to cover immediate needs for capital finance. Uncertainty about governments imposition of borrowing limits in next few years”

## Revenue Ring-Fencing Reduction

**B4. Please indicate the extent to which you have experienced changes in revenue ring-fencing for each of the service areas below. (Please indicate with a cross one for each area)**

Service area	Perceived level of changes in revenue ring-fencing				
	Significant reductions	Some reductions	Little reduction	No change	Not applicable to this service area
Children’s services (including education, social care, and related services)	4%	29%	21%	14%	32%
Adult social care services	4%	39%	11%	14%	32%
Housing services	0%	7%	14%	48%	31%
Transport services	0%	7%	4%	39%	25%
Environmental services	0%	14%	28%	52%	7%
Regulatory services (including Planning, Trading Standards and Environmental Health services)	0%	10%	29%	61%	0%
Libraries and leisure services	0%	4%	21%	61%	14%
Other services ( <i>please specify below</i> )	0%	13%	25%	50%	13%

**B5. One of the potential benefits of reductions in levels of revenue ring-fencing that has been identified in previous research, is a reduction in the requirements of local authority finance staff time in relation to grants accounting, which can then be freed-up for other activities. We are interested in baselining current grants accounting activity in this area, in order to monitor any changes over time.**

**Can you please estimate the numbers of days of Full Time Equivalent ('FTE') officer time spent by your authority within the last 12 months in relation to revenue grants accounting work?**

**You may find it easier to think of the % of time spent by finance staff on such work. If so, please provide the number of FTE officers involved in this work.**

Average = 15.7 FTE days

## Changes in levels of external inspection

**B6. For each of the following service areas, to what extent do you feel that the overall level of external audit and inspection has reduced, increased, or remained about the same over the past year? (Please indicate with a cross one box for each service area)**

Service area	Perceived change in levels of external audit and inspection				
	Significant decrease	Slight decrease	Stayed about the same	Slight increase	Significant increase
Children's services (including education, social care, and related services)	0%	8%	29%	25%	38%
Adult social care services	4%	13%	49%	17%	17%
Housing services	0%	17%	67%	8%	8%
Transport services	9%	23%	55%	5%	5%
Environmental services	8%	16%	52%	12%	8%
Regulatory services (including Planning, Trading Standards and Environmental Health services)	3%	21%	52%	7%	14%
Libraries and leisure services	8%	20%	52%	8%	12%
Other services ( <i>please specify below</i> )	0%	5%	28%	17%	50%

**B7. For each of the following service areas can you estimate the amount of days of Full Time Equivalent ('FTE') officer time that has been spent over the last 12 months in responding to just inspection activities. Same comments apply to this question as to B5.**

In estimating the total figure, please take account of the following activities, providing a breakdown where possible:

- Pre-inspection activity such as preparation of self-assessments, position statements or similar
- Engagement with inspection teams whilst they are 'on site' at your authority
- Follow-up activities such as review and validation of inspection findings or similar
- Any other inspection-related activities (breaking down like this would probably be extremely difficult).

Service Area Inspection	Estimate number of FTE Days spent on inspection activity
Children's services (including education, social care, and related services)	186
Adult social care services	322
Housing services	128
Transport services	126
Environmental services	94
Regulatory services (including Planning, Trading Standards and Environmental Health services)	52
Libraries and leisure services	134
Other services ( <i>please specify below</i> ) CPA/BVPIs etc	126

## Business Improvement Districts

**B9. Are you in the process of establishing a Business Improvement District ('BID') in your local authority area? (Please tick (cross?) one box only)**

Yes  34%      No  66%

(If 'No' please answer question B12)

**B10. If yes at what stage of development is the BID at? (Please tick one closest to your current situation)**

Stage of development	Number of
Informal discussions within authority at officer or member level	4
Authority member approval to apply for BID	0
Application for BID sent to Regional Office	3
BID business plan approved	1
BID in place and operational	2

**B11. Can you indicate the expected effects of the BID to your area? (Please tick all that apply)**

Increased economic activity	5 mentions
Increased employment levels	7 mentions
Increased incentives for the establishment of Small and Medium-Sized Enterprises	7 mentions
Other (please state)	

**B12. If you have not yet proposed the establishment of any BIDs in your local authority area, please briefly summarise why not in the box below**

- Currently carrying out a feasibility study
- Developing closer links with business community, BID needs to come from and be supported by business community.
- Carrying out investigation into the benefits of a BID. Town centre board looking into possible implications.
- Informal discussions are taking place within a local area partnership allied to the Local Strategic Partnership although no formal application has been prepared or a decision taken to prepare for one.
- Low priority.
- Seen as more of a matter for district councils
- No advantage to a small borough.
- Not felt to be any demand from commercial business in the district, bearing in mind the particular town centre layouts and scales.
- Not seen as beneficial to very small LA with insufficient levels of business
- Currently testing the water and level of support for this initiative with businesses in the town centres. Have not been overwhelmed with such support but discussions are on-going.
- Still looking at areas where this might be applicable and evaluating the potential benefits of the scheme.

## Local Authority Business Growth Incentive Scheme

**B13. Is your Local Authority likely to take up the opportunity of this scheme? (Please tick one box only)**

Yes  43%      No  57%

(If 'No' please answer question B15)

**B14. If 'Yes', how far advanced are you with taking up the scheme for the scheme?**

Informal discussion stage	69%
Applied for scheme	20%
Received response from ODPM	11%

**B15. If you are not currently considering taking advantage of the Business Growth Incentive Scheme, please briefly summarise why not in the box below.**

- A Local Authority has been disadvantaged by the scheme in that its growth in rateable value has been distorted as a result of the transfer of a power station from the central to the local 2000 list. As a result the Council has been placed in the highest growth group and does not expect to receive any LABGI grant in 2005/06.
- Doesn't appear to be a great deal of clarity about how it might work.
- Seen as more of a matter for district councils
- Still assessing the benefits
- Still exploring options
- A Local Authority reported that the Business Growth Incentive Scheme does not require a formal 'application' – eligibility is determined by rateable values. This Local Authority is, however, applying for Local Enterprise Growth Initiative and we will be submitting an application for the first round of funding – deadline 9 December 2005
- Understanding that the district councils were the conduit for this scheme.
- Just beginning to consider our options

# ANNEX D

## Perceptions of Reductions in External Audit/Inspection Activity - Case Study Authorities

Authority type	CPA	Does it feel real?	Reduced audit fees?	Where next?	Other/ Comments
Single tier or County Council	'Excellent'/ 'Good'	Yes – at least in part	Not significantly	Moving on to major service re-organisation - around the front line/ customer	Want to see a new relationship with central government based on 'strategic regulation'
Single tier or County Council	'Excellent'/ 'Good'	Yes - absolutely	Reduced by £60k	Still a big drive for improvement; actively looking for ways to keep the momentum going	
Single tier or County Council	'Excellent'/ 'Good'	No perceived reduction	£20k reduction on fees of £344k	Moving on from building block improvement. Next initiative – community leadership	
Single tier or County Council	'Fair'/ 'Weak'	No perceived reduction	Not overall 'though District Audit may claim one'	Business as usual	Biggest bugbear is lack of co-ordination of inspection regimes. Currently 3 inspections going on all in social services
Single tier or County Council	'Excellent'/ 'Good'	'Possibly – but the burden has just shifted to the local authority'	Not known	Business as usual	Would like better links between inspection and the planning process
Single tier or County Council	'Fair'/ 'Weak'	Not up until this year – now seems to be some reduction	No (figures only available up to last year)	Business as usual	Self-assessment and new CPA resource intensive. Use of resources self assessment took one month of officer time
Single tier or County Council	'Fair'/ 'Weak'	No perceived reduction	Not noticeably	Energies going into meeting requirements of new CPA	Self-assessment and new CPA requirements seen as onerous
Single tier or County Council	'Fair'/ 'Weak'	Doesn't feel like it yet, but expect a reduction in future.	No – the same or increasing	Still very involved in delivering improvements	Feel that self-assessment will be less onerous – because it would have to be done for a full inspection in any case

Continued

Authority type	CPA	Does it feel real?	Reduced audit fees?	Where next?	Other/ Comments
Single tier or County Council	'Excellent'/ 'Good'	In one sense yes; in others no.	Don't know	Focus on partnership working and working more closely with communities.	Lot of time being spent on preparing for inspections; self-assessments etc. Beginning to question if it is worth continuing to strive for excellence.
Single tier or County Council	'Excellent'/ 'Good'	No perceived reduction	Don't know	Business as usual	'The thing that strikes me is the overwhelming inspection burden.'
Single tier or County Council	'Excellent'/ 'Good'	'A bit lighter touch' from Audit Commission	Reduced by c 15%	Business as usual	
District Council	'Excellent'/ 'Good'	No significant reduction	Reduced by £1600 as a result of moving to 'excellent'	Business as usual	Feeling that the reward for becoming excellent was perhaps not worth the effort put into earning it.
Single tier or County Council	'Excellent'/ 'Good'	No significant reduction	Appear to have gone up (although acknowledge cost of inspection has gone down)	Business as usual	'The staffing problems which we are experiencing in managing change and the increasing number of projects which need to be managed are a major concern. The impact of the Best Value Programme, external audit, CPA and relentless inspection and regulation is universally acknowledged.'
District Council	'Excellent'/ 'Good'	Yes	Don't know	Business as usual	Wanted 'excellent' tag from CPA mainly for reasons around corporate pride, staff morale. Now feel that there has been a set of perverse outcomes resulting from CPA, as the 'poor' authorities have all been given significant additional funding for capacity building, but there has been no financial reward for excellence

# ANNEX E

## Results of BID Ballots

Ballot Results							
BID	Ballot Date	BID Type	% Positive by Number	% Positive by rateable value	Result	Turnout	Website
1	16/11/2004	Town Centre	66%	66%	Yes	37%	www.kingstonfirst.co.uk
2	31/12/2004	Town Centre	71%	73%	Yes	62%	www.heartoflondonbid.co.uk
3	24/01/2005	Town Centre	75%	66%	Yes	48%	www.betterbankside.co.uk
4	11/02/2005	Town Centre	82%	77%	Yes	50%	www.hpb.tv
	23/02/2005	Town Centre	49%	60%	No	33%	
5	24/02/2005	Town Centre	78%	75%	Yes	37%	www.coventrybids.co.uk
	25/02/2005	Industrial Estate	49%	52%	No	79%	
	01/03/2005	District Wide	40%	47%	No	58%	
6	01/03/2005	Town Centre	77%	66%	Yes	58%	www.plymouthcitycentre.co.uk
7	01/03/2005	Town Centre	87%	88%	Yes	51%	www.paddingtonBID.co.uk
8	11/03/2005	Town Centre	51%	47%	No	37%	www.citycentrabid.com/
9	16/03/2005	Town Centre	61%	69%	Yes	52%	www.newwestend.com
	30/03/2005	Town Centre	77%	81%	Yes	37%	www.bedfortowncentre.co.uk
10	18/04/2005	Town Centre	79%	83%	Yes	44%	www.lincolnbid.co.uk
11	26/05/2005	Town Centre	92%	97%	Yes	65%	www.broadstreetbid.com
12	30/08/2005	Town Centre	60%	56%	Yes	59%	www.broadmeadbid.co.uk
13	23/08/2005	Town Centre	89%	74%	Yes	40%	www.blackpoolbids.co.uk
14	30/09/2005	Town Centre	66%	58%	Yes	46%	www.rugbybid.co.uk/
15	22/09/2005	Town Centre	55%	67%	Yes	50%	http://www.keswick.org/bids.asp
16	20/09/2005	Town Centre	65%	51%	Yes	56%	www.citycentrabid.com/
17	17/11/2005	Town Centre	71%	78%	Yes	50%	http://www.londonbridgebid.co.uk/newsdetails.aspx?m=6&mi=7&ref=39
18	19/11/2005	Industrial Estate	60%	71%	Yes	64%	http://www.1-5bid.co.uk/
19	19/11/2005	Town Centre	68%	60%	Yes	38%	http://www.readingbids.co.uk
	19/11/2005	Town Centre	52%	48%	No	59%	
20	01/12/2005	Industrial Estate	72%	84%	Yes	46%	http://www.boltonief.co.uk/

Upcoming Ballots	
Maidstone	09/03/2006
Hammersmith	29/06/2006
Ealing	March 06
Camden	