



PORTFOLIO – POLICY AND STRATEGY

CABINET – 6 FEBRUARY 2002

LOCAL GOVERNMENT WHITE PAPER STRONG LOCAL LEADERSHIP – QUALITY PUBLIC SERVICES

1. INTRODUCTION

- 1.1 The Local Government White Paper was published in December 2001, following a series of regional consultative sessions. At one of these, New Forest was represented by the Leader and Chief Executive.
- 1.2 The full text of this lengthy document can be found on the DTLR website. A copy is available in the Members' Room. A summary prepared by the Local Government Association and including their initial response is attached.

2. KEY MESSAGES

- 2.1 This is a major statement of the view of central government on the future role of local government and the way it is financed.
- 2.2 There is much to be welcomed in the general intentions, including:
 - Some very positive statements about a new more balanced approach to central/local relations, the so-called 'adult relationship', and the need to 'lift the burden of bureaucracy'.
 - Proposals for a very significant (up to 50%) reduction in the requirements for strategies and the removal of a large number (50+) of consent regimes.
 - A clear role for local authorities in leading and empowering communities, particularly through their role in Local Strategic Partnerships.
 - New freedoms and flexibility for all Councils, but with even greater freedoms, for example over trading and capping, for high performing councils.
 - A streamlined Best Value system focussed more on outcomes.
 - A wish to reduce the amount of ring-fenced funding and to begin to look at the overall balance of funding between central and local.

- Removal of the complicated, expensive and little understood Council Tax Benefit Subsidy Limitation scheme.
- A wish to move to a fairer, more needs based and service led general grants formula (ending the current Standing Spending Assessment).

2.3 However, as the LGA response indicates, there is also significant cause for concern over some of the proposals, as well as room for doubt as to whether the intentions can be converted into reality. Concerns include:

- There is no firm proposal to address the balance of central/local funding. Central Government will still fund the majority of local expenditure. Any local variations will fall heavily on the council taxpayer. Accountability will still be clouded.
- There is little indication as yet that other ministers or even the whole of the DLTR are committed to reducing their mechanisms for controlling services. Ring fenced funding is on the increase, and there are no targets in the White Paper to reduce this.
- The granting of freedoms is in part based on assessment by the Audit Commission as to whether a Council is high performing, striving, coasting or poor performing. While New Forest District Council need fear little from any fair assessment process, there are nationally serious concerns over the resources needed to deliver a robust, and consistent performance management regime. There are also fundamental concerns as to whether the approach is a valid one to apply to democratic bodies.
- There is much work to be done to clarify what a National Public Service Agreement (PSA) might involve, and how District Councils can be effectively involved in local PSA's.
- It is difficult at this stage to work out the impact of the major changes proposed in finance, including housing finance. There will undoubtedly be losers under any new general grant system, although there will be transitional mechanisms. It is likely that the area cost adjustment which recognises the increased costs of providing services in the South East will disappear.

3. NEXT STEPS

3.1 Locally, it is proposed that a seminar be arranged so that members might better understand the whole range of proposals put forward.

3.2 Nationally, the LGA have provisionally identified five areas to pursue

- Work with central government to develop and agree a shared list of priorities for local government through the Central-Local Partnership, including joint arrangements to monitor progress;

- Work with the Audit Commission to ensure that the new performance assessment framework can command the support of local councils;
 - Ensure that the deregulatory proposals in the white paper are the start, not the end of the process. The LGA wants to work with all government departments to review the scope for further plan reduction and other ways to cut red tape;
 - Win cross-Whitehall support for a more significant reduction in ring-fenced funding, and a more radical finance reform agenda;
 - Contribute to the review of options for additional support, capacity and training for local government.
- 3.3 While the white paper is by its nature not a consultation document requiring response in a specified period, there will be many opportunities over the coming months to contribute to the development of individual elements of the White Paper. This indeed will be a good first test of the very welcome intention of a partnership approach to the future governance of the country.

4. FINANCIAL, ENVIRONMENTAL AND CRIME AND DISORDER IMPLICATIONS

- 4.1 Potentially the proposals will have an enormous impact on every area of local government activity.

5. RECOMMENDATIONS

- 5.1 That Cabinet notes the White Paper and the opportunity to contribute to the development of its proposals.
- 5.2 That a seminar be held for all Members of the Council to consider further its implications.

For Further Information Contact:

Dave Yates
Chief Executive
(023) 802 5477
dave.yates@nfdc.gov.uk

Background Papers:

Full copy of White Paper in Members' Room
and on DTLR website:
local-regions.dtlr.gov.uk/sll/index.htm

Contents of the white paper

The white paper is divided into two parts, with the second section focusing on changes to the local government finance regime.

Part I		Part II	
Chapter 1	Introduction	Chapter 1	Aims and priorities
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Summary of proposals and initial LGA commentary

Chapter 1 – Introduction

Key points

- Sets out the Government's vision for local councils;
- Outlines the Government's principles for public service reform;
- Summarises the White Paper's key proposals.

Proposal	LGA response
<p>Foreword</p> <p>Outlines the Prime Minister's commitment to 'a partnership between central and local government, reflecting the critical importance of local authorities as a tier of democratic government delivering high quality services to local people.'</p> <p>Restates the Government's four principles for public service reform, namely: a national framework of standards and accountability; within that framework, devolution to local councils to encourage diversity and creativity, giving councils the freedom to respond to and meet their communities' needs; building local capacity in recognition of the need for flexibility at the front line; and more choice for the consumer, particularly where quality falls below acceptable standards.</p>	<p>This foreword is a welcome recognition from central government that local councils are critical to the drive to improve public services.</p> <p>We welcome its re-statement of the importance of democratically-elected councils as a separate sphere of government.</p> <p>This principle is now reflected in the government's four principles of public service reform. They recognise that real innovation and more responsive services require the devolution of political power to local leaders, not just the freeing up of managers and frontline staff.</p>
<p>Strengthening local government</p> <p>Sets out the Government's vision for local councils and underlines the importance of building on existing reforms to give councils the 'tools they need to make the improvements local people want to see. In particular we need to get rid of regulations where these impede councils in finding innovative ways of tackling local problems, and to modernise local government finance.'</p>	<p>The LGA has long argued that new powers and real freedoms and flexibilities are vital to unleash local government's ability to innovate and devise new ways of meeting local needs. We warmly welcome the white paper's emphasis on a substantial package of deregulation and a 'move away from controls over inputs, processes and local decisions' to the delivery of outcomes.</p>
<p>Summary of proposals</p> <p>Sets out a summary of the key proposals. It also</p>	<p>The LGA particularly welcomes the recognition here</p>

restates the Government's commitment to publishing a white paper on regional government.	that proposals for regional government will be based on the 'drawing down of powers from central government' rather than any erosion in the powers and responsibilities of local councils.
Wales	
The policy proposals in the white paper are for England only. The National Assembly for Wales will be consulting shortly on proposals for local government reform in Wales.	

Chapter 2 – Leading and empowering communities

Key points

- Reaffirms the importance of councils' community leadership role;
- Includes measures to support better governance, including a best practice programme on the new political arrangements and a strengthening of statutory guidance on overview and scrutiny;
- Gives a commitment to reduce the number of statutory partnerships and to encourage other public sector partners to contribute to LSPs;
- Gives a commitment to legislate to enable Business Improvement Districts to be established, and to confirm the power of councils to hold referendums on key issues;
- Pledges to provide a 'wide-ranging power' for all councils to charge for discretionary services and to provide goods and services to other partners.

Proposal	LGA response
<p>Why local democratic leadership matters</p> <p>Underlines the importance of strong community leadership to link services with local people's needs, foster community cohesion and civic renewal, encourage sustainable development and deliver national policy goals in ways that reflect local circumstances.</p>	<p>The LGA welcomes the reaffirmation of councils' role in community leadership – and their commitment to helping councils make it work.</p>
<p>Helping councils to lead their communities</p> <p>Sets out the action Government will take in eight areas to help create the conditions in which councils' community leadership role can make a real difference, summarised below.</p>	
<p>Democratic legitimacy</p> <p>Sets out central and local government's shared interest in improving turnout. The Government is developing an implementation plan and strategy for e-democracy and e-voting. They will invite the Electoral Commission to propose options to simplify the current cycle of local elections.</p>	<p>The LGA accepts that turnout in local government elections is unacceptably low. Whilst we support experiments to modernise electoral processes we are not convinced that this alone will solve the problem. People are more likely to vote in local elections if they believe councils have the capacity to 'make a difference' in their localities.</p>
<p>Sound governance</p> <p>To support the new political management arrangements the Government will:</p> <ul style="list-style-type: none"> ➤ work with the LGA and IDeA to develop a best practice programme on how the new arrangements are operating; ➤ evaluate the benefits of new constitutions; ➤ review its help and guidance to councils; ➤ support efforts by the IDeA and others to build capacity for political leadership; ➤ clarify the statutory guidance on overview and scrutiny committees. 	<p>The Local Government Act 2000 requires all councils to review their political decision making arrangements and to introduce a separate Executive. Shire districts under 85,000 population may introduce "alternative arrangements". This represents a huge programme of change and the LGA welcomes the Government's commitment to help share good practice and evaluate the benefits.</p>

<p>The government will also develop a support programme for areas opting for a directly elected mayor. This will include lessons and best practice from the first round of mayoral referendums and elections. It suggests the mayoral model could be particularly important where a council has been failing 'and requires decisive managerial and political leadership to sustain improvement'. More detailed proposals on this will be set out in 'due course'.</p> <p>The Government wants councils to review their constitutions - including the form of leadership chosen - after five years, in the light of experience and local opinion.</p> <p>Underline the Government's belief that 'local authorities are best placed to make the choice as to what constitutes a key decision'. They will work with the LGA and councils to identify best practice in defining what is a key decision.</p>	<p>As the white paper states, local choice should remain the guiding principle for any decisions about new political arrangements.</p> <p>Failing councils should not be rushed into a mayoral referendum when this may undermine the focus of the political leadership on turning around the authority's performance.</p> <p>We believe that all councils will keep the implementation of their new arrangements under review. We also hope that, as the practical benefits of alternative models are clearly demonstrated over the next few years, councils will voluntarily review their constitutions.</p>
<p>Effective partnerships Stresses that the detailed structure, membership and geographical coverage of Local Strategic Partnerships should be determined locally. The Government will look at the lessons from the accreditation process and draw these out in 'revised non-prescriptive guidance to be published next summer'.</p>	<p>The LGA welcomes the non-prescriptive approach on the structure, membership and geographical coverage of LSPs. The experience of the LGA's <i>New Commitment to Regeneration</i> pathfinders has shown that partnership building and effective working takes time, which needs to be recognised in the accreditation process.</p>

<p>Councils' role on LSPs The Government looks to councils to be the 'prime movers' in setting up LSPs and guiding them through early stages. Irrespective of who chairs an LSP, ensuring the success of the partnership is 'a key part of every councils' responsibility as the community leader.'</p>	<p>LGA research shows that councils are taking seriously their community leadership role in setting up LSPs. Recent LGA research on community leadership shows that 62% of local authorities already have an LSP and the remaining 38% will have one in place by April 2002.</p>
<p>Rationalising partnerships Recognises that proliferating partnerships can lead to fragmentation, duplication and inefficiency. The Government will reduce the number of partnerships it requires, enabling local partners to slot in statutory partnerships, with a free hand to rationalise, merge or nest other partnerships within the LSP. The Government will commit itself to working within existing structures where possible.</p>	<p>A recent LGA case study publication on LSPs shows that they are already taking steps to rationalise partnerships by slotting existing statutory partnerships into the overall LSP structure.</p> <p>However, the LGA welcomes the commitment to rationalising partnerships, and looks forward to real progress in reducing the number of statutory partnerships associated with area-based initiatives.</p>
<p>Public sector involvement in LSPs While the Government doubts whether a statutory duty will improve the participation of public sector bodies in LSPs, it will use other options, including:</p> <ul style="list-style-type: none"> ➤ budgetary mechanisms to ensure that public bodies can contribute financially to LSPs; ➤ performance management instruments; ➤ organisational incentives (eg the wider distribution of local PSA rewards); and ➤ organisational restructuring to provide greater freedom of action to local agencies. <p>The Government will explore with the LGA and others how these levers can be used with public bodies accountable to Government, with a view to implementing changes in April 2003.</p>	<p>LGA research on social inclusion shows that the level of involvement of public sector bodies in LSPs is patchy, eg involvement of the Benefits Agency, the Connexions Service and Regional Development Agencies is relatively low.</p> <p>The LGA welcomes the steps to increase the involvement of public sector bodies in LSPs and looks forward to further discussions.</p> <p>We are disappointed that the white paper does not contain any new proposals to allow councils to scrutinise other public bodies.</p>
<p>Working with business to improve communities Restates the Government's commitment to legislate to allow Business Improvement Districts to be established. The Government will encourage councils and business organisations to produce guidance on BIDS themselves.</p>	<p>The LGA believes that BIDS are a useful development to finance town and city centre improvement. However, they do not remove the need for a fundamental look at the ability of councils to raise resources locally. (see chapter 6)</p>
<p>Promoting effective community engagement and empowerment Underlines the need for councils to allow more input from citizens, through better access to council meetings, area-based arrangements, citizen's user boards etc. Proposals include:</p> <ul style="list-style-type: none"> ➤ providing greater flexibility for more voting non-councillor members to be co-opted onto overview and scrutiny committees; ➤ promoting civic education and training; ➤ legislating at the earliest opportunity to confirm the power of councils to hold referendums on important matters. 	<p>DTLR research 'Enhancing Public Participation in Local Government' confirms that local councils have actively helped to set the participation agenda. Councils are using a wide range of techniques to involve and consult local communities, reinforced by new duties in the Local Govt Act 2000 to consult on community strategies, political leadership and best value.</p> <p>A key issue for the future will be to coordinate consultation initiatives between public sector partners at the local level.</p>
<p>Giving councils powers to make a real difference The Government will provide a wide-ranging power for all councils to charge for discretionary services, and new powers for all councils to provide goods</p>	<p>The LGA welcomes this proposal. We have been concerned that use of the new power to promote well-being, contained in Part 1 of the Local Government Act 2000, has been constrained by the absence of any accompanying power to</p>

<p>and services to other partners.</p> <p>A review is already taking place to examine the range of regulatory powers available to local councils to manage public space. The Government will extend these powers where the existing toolkit of measures is shown to be deficient.</p> <p>Commits the Government to using deregulatory legislation to simplify existing powers where this would help councils to use them more effectively.</p>	<p>charge. See additional comments on Chapter 4 and on Finance.</p> <p>One of the LGA's 'six commitments' is to transform the quality of the local environment. Pathfinder authorities are currently developing ideas about better management of public spaces and will be keen to work with government to identify how the current framework can be changed to support their new proposals. The LGA is also contributing to the cross-cutting review of public space as part of the Spending Review 2002.</p>
<p>Continuous improvement in the delivery of services/Allowing councils room to respond effectively to local priorities</p>	<p>See comments on Chapter 3 and 4 below</p>
<p>Exploiting new technologies</p> <p>Underlines the importance of new technologies in transforming the relationship between local people and their councils. The Government will redevelop the gateway to internet consultative forums on the UK government portal - ukonline.gov.uk and will commission research on how ICT can enhance new member and officer roles.</p>	<p>There are already a lot of good examples of councils using new technologies to help support community engagement. We are keen to explore how councils might be assisted by the consultative forums on UK online portal. A high level Government e-democracy committee has recently been announced and we are expecting that consultation on the issue will follow.</p>

Chapter 3 - Quality public services

Key points

- Clearly defined service priorities for local councils, agreed through the Central-Local Partnership;
- A new assessment framework, based on 'comprehensive performance assessments' which will shape a package of rewards, freedoms and support for four categories of council;
- Additional freedoms for high performers, but access to freedoms and flexibilities for all through the local PSA process;
- A more proportionate and co-ordinated inspection regime;
- New measures to tackle poor performance and a streamlining best value reviews and plans.

Proposal	LGA response
<p>A national framework</p> <p>Outlines a new performance framework for local councils based on:</p> <ul style="list-style-type: none"> ➤ clearly defined priorities and standards; ➤ regular comprehensive assessments of each council's overall performance and proportionate inspection; ➤ extra freedoms and flexibilities; ➤ local PSAs; and ➤ a streamlined best value regime 	<p>The LGA welcomes the Government's commitment to negotiate clear priorities for local government, build on local PSAs, streamline best value and introduce better co-ordinated and proportionate inspections.</p> <p>We also welcome the commitment to make new freedoms and flexibilities available to all authorities, not just high performers.</p>
<p>Priorities for local government</p> <p>The Government agrees with the LGA's proposal for joint ownership of local government priorities. A single list – drawing on the LGA's six commitments - will be agreed through the Central-Local Partnership and used to inform the national PSA for local government in next year's spending review.</p> <p>The white paper confirms the Government's</p>	<p>The acceptance of our proposal – set out in an LGA paper, Partnership for Ambition - for central and local government jointly to agree delivery priorities marks a watershed in central-local relations. It recognises that councils are critical to the drive to improve public services and will enable both spheres of government to focus on the issues that really matter to local people.</p>

<p>support for the LGA's 'six commitments'. It also welcomes the LGA's offer, in Partnership for Ambition, of an agreed package of measures to support improvement, including:</p> <ul style="list-style-type: none"> ➤ a specified number of LGIPs each year; ➤ IDeA support for poor-performing councils; ➤ a specified number of councils to pilot new ways of joint county-district working; and a continuing commitment for a specified number of councils to sign or review their local PSA. 	<p>We are also pleased that the Government has confirmed its support for the LGA's six commitments, as key areas where central and local government need to work together to innovate and more effectively meet local needs. Our commitment to supporting council's own improvement agenda will need to be complemented by real additional resources for capacity building in the forthcoming spending review.</p>
<p>Performance assessment</p>	
<p>Introduces comprehensive performance assessments for all councils, bringing together performance indicator data, inspection data and a corporate governance assessment of the authority as a whole. From this, the Audit Commission will compile a 'balanced scorecard' identifying each council as either:</p> <ul style="list-style-type: none"> ➤ high performing - near the top of the performance spectrum with high performance in priority service areas, no poorly performing services and with proven capacity to improve; ➤ striving - not necessarily at the top of the performance spectrum but with proven capacity to improve; ➤ coasting - not at the top of the performance spectrum and with limited or no proven capacity to improve; or ➤ poor-performing - consistently near the bottom of the performance spectrum and with limited or no proven capacity to improve. <p>It is developing and will pilot the methodology for the comprehensive performance assessments in consultation with local government and other inspectorates. The Government will publish performance information from these assessments for each class of authority. The Audit Commission will aim to complete the first comprehensive performance assessments for all upper tier authorities by late 2002 and by late 2003 for district councils.</p>	<p>We recognise that a more proportionate approach to inspection requires some form of overall performance assessment, but the proposed allocation of authorities to four categories is too crude to reflect the diversity of local circumstances.</p> <p>We believe that if the categorisation is retained, it should inform, not dictate, the freedoms and flexibilities available to each council.</p> <p>It is equally important that the assessment process involves the minimum of bureaucracy, and incorporates an element of peer review to ensure fairness.</p> <p>Consultation on the methodology is essential if local authorities are to have confidence in this new performance assessment framework. This is particularly true given the widely acknowledged shortcomings of some of the existing performance indicator data.</p> <p>The implication of the timings for rolling out these comprehensive performance assessments is that district councils will be unable to benefit from light-touch inspection before 2004. The LGA will wish to explore with the Audit Commission the possibility of earlier assessment for those district councils that undertake voluntary peer review.</p>
<p>High performing councils</p> <p>High performing councils will receive freedoms and flexibilities over and above the deregulatory measures available to all councils. The additional freedoms will include:</p> <ul style="list-style-type: none"> ➤ a right to have ring-fenced grant replaced by targeted grant, except in the case of grants which have to be passed to schools; ➤ more freedom to use income from fines; ➤ further reductions in plan requirements to be agreed with Government; ➤ not being subject to the reserve powers to cap council tax increases; and ➤ a reduction in the proportion of ring-fencing of 	<p>We welcome the proposal to reward high-performing councils with additional freedoms, provided that appropriate freedoms and flexibilities are also available to enable improvement in other authorities.</p> <p>We believe that poor performance in a single service area should not exclude a council from being classified as a high performer.</p> <p>We are pleased that the white paper gives a commitment to rolling out some of these freedoms more widely if they are shown to be successful in delivering service improvement. This supports our</p>

<p>government support for capital investment.</p> <p>They will also have freedom to trade more widely across the range of their services, more discretion over the content and timetable of their best value review programmes and a much lighter touch inspection regime.</p>	<p>view that freedoms and flexibilities should be granted to help councils deliver more responsive local services, rather than simply being given as rewards for high performance.</p>
<p>Striving councils Further freedoms for 'striving councils' will be available through local PSAs following the comprehensive performance assessment. They will also have freedom to trade in areas where their performance is strong, lighter touch inspection, more discretion over BV programmes and targeted support for capacity building.</p>	<p>We believe it is essential that striving and coasting councils should retain access to ambitious freedoms and flexibilities through the local PSA process to enable innovation and improvement.</p> <p>We welcome the recognition that support is as important as inspection in securing sustained improvement.</p>
<p>Coasting councils Will need to agree an improvement action plan (including the best value review programme and audit and inspection programme) against which their performance will be monitored. They will receive support for capacity building, and will be able to secure freedoms through local PSAs. They will also be able to trade in areas where performance is strong.</p>	<p>The LGA will wish to explore with the Government and the Audit Commission the proposal that coasting and poor-performing councils will be required to agree an action plan, and the relationship between this action plan and the council's best value performance plan.</p>
<p>Poor performing councils Some additional freedoms may be granted to help focus on areas of weakness. Will receive a directed approach to support and capacity building, as well as Government intervention 'where it is necessary to tackle both corporate and service weaknesses'. Will need to agree an action plan.</p>	<p>We welcome the acknowledgement that poor performing councils can benefit from some freedoms and an easing of restrictions to enable a focus on what matters.</p>
<p>Proportionate and co-ordinated inspection Announces a new model of inspection based on more effective co-ordination, and an inspection programme which reflects the performance profile of each council.</p> <p>The Audit Commission will help develop each council's inspection programme as part of the council's action plan following its comprehensive performance assessment. The remit of the Best Value Inspectorate Forum will be extended to include all local government inspection activity.</p> <p>The Government will assess progress in delivering the new inspection regime in 18 months time and will consider whether more fundamental institutional change is required.</p>	<p>We welcome the proposal to introduce lighter-touch inspection for high-performing and striving councils, and the Government's commitment to more effective co-ordination of inspection. Each inspection programme should be negotiated and agreed between the council and the Audit Commission, not imposed by the inspectors.</p> <p>We also support the extension of the Inspectorate Forum's remit and the commitment to review progress after 18 months. We believe the Government should take advantage of the intervening period to consider and consult on the case for a single unified inspectorate for local government.</p>
<p>Tackling poor performance Comprehensive performance assessments will provide the basis for a common approach to intervention across Government. This will be reflected in a revised intervention protocol.</p> <p>Where comprehensive performance assessments</p>	<p>A common approach to intervention across government is essential. It is also essential that a revised protocol covers all interventions, not just those that involve the formal exercise of statutory intervention powers.</p>

<p>identify potential failure the authority will have a package of support provided from within the local government community (normally under the guidance of the IDEa) or by external bodies.</p> <p>A council identified as failing with little or no prospect of improvement will face 'early intervention measures'. Action could include:</p> <ul style="list-style-type: none"> ➤ transfer of functions to other providers; ➤ placing the council into administration; and ➤ franchising management, where stronger councils are given a role in running weaker ones. <p>The Government will consult on how best to ensure these measures work in practice.</p>	<p>Formal intervention should be avoided wherever possible, as there will only be sustained improvement where an authority accepts the need for improvement, and "owns" the problem and its solution. This is unlikely to occur where a solution is externally imposed.</p> <p>The LGA welcomes the opportunity to comment on the proposed intervention measures. The permanent transfer of functions to other providers, including other councils, is rarely likely to be appropriate. Sustainable improvement is only likely through rebuilding effective political and managerial leadership in an authority, and the capacity to oversee the full range of services for which the authority is responsible.</p>
<p>Local PSAs</p> <p>Commits the Government to building on the success of the local PSA pilots by taking a more proactive approach in LPSA negotiations. Councils will be encouraged to identify stretch targets in areas within the Government's top four priorities where assessment has shown the council's performance to be relatively weak. The Government will 'recognise stronger performance by agreeing more ambitious freedoms'.</p> <p>The Government will also be seeking evidence in local PSA negotiations that councils are working with other local partners, including other local councils. LSPs should be increasingly involved in shaping and delivering the PSA targets - 'opening the way for local PSAs to evolve to cover wider aspects of public services'.</p>	<p>The LGA welcomes the Government's commitment to build on success of the local PSA pilots. In Partnership for Ambition we set out the case for more radical PSAs, based on a real commitment from both central and local government to use the negotiations to explore more innovative approaches to raising service standards.</p> <p>We believe PSAs should be extended to embrace partner organisations, using the local strategic partnership and community planning process. The flexibility for councils to request freedoms and flexibilities for their partners to support the delivery of shared targets is essential if local PSAs are to evolve into an agreement between central government and local partnerships, co-ordinated and led by the local council.</p>
<p>District councils</p> <p>There will continue to be incentives for county-district co-operation in local PSAs, including a larger potential reward grant where there is substantial district involvement.</p>	<p>The LGA shares the Government's priority of encouraging districts to work with counties on local PSAs, and we welcome the introduction of a reward grant to recognise this. However, the LGA continues to believe that in due course larger districts should be able to negotiate their own local PSA.</p>
<p>Streamlining best value reviews and plans</p>	
<p>BV reviews</p> <p>Each council's review programme will be influenced by information from the comprehensive performance assessment. The Government will promote a stronger 'challenge' element in best value, including requiring the involvement of 'third parties' (service users and other stakeholders) in all reviews, and issue guidance on the roles of executive members and overview and scrutiny committee members in reviews.</p>	<p>A more strategic and proportionate approach to reviews is welcomed, but authorities should wherever possible retain the right to set their own review programmes, not have them imposed by auditors or inspectors.</p>
<p>The review of best value</p> <p>The review of best value will build on these simplifications and reforms. The Government will consider whether it should amend statutory guidance or develop better indicators to encourage greater diversity and choice in service provision.</p>	<p>Greater diversity should not be interpreted as simply a greater role for the private sector. Councils should also be encouraged to provide services with and for other councils and other public bodies. The proposed wider powers to trade will help provide the basis for this.</p>

Exploiting new technologies for better services	
Effective grasp of the potential of e-gov't will be a key factor in the council's capacity to improve – with strategies to be developed alongside BV reviews and LSPs. A national strategy for local e-government will be published in the new year.	Rather than developing e-strategies 'alongside' best value and LSPs it is vital that the potential of ICT to improve services is considered as an integral part of BV reviews, community and neighbourhood renewal strategies.

Chapter 4 - Freedom to deliver

Key points

This chapter sets out:

- greater freedom to borrow, invest, trade, charge and spend
- abolition of Council Tax Benefit Subsidy Limitation
- reduction in planning requirements, area-based initiatives, consent regimes and other red tape
- piloting a new policy evaluation tool to prevent future imposition of unnecessary new burdens

Proposal	LGA response
<p>Introduction</p> <p>The government sets out its aim to tackle the cumulative effect of its controls over inputs, processes and decisions, with a range of measures to give councils more space to innovate, respond to ways that are appropriate to local circumstances and provide more effective leadership.</p>	<p>The LGA supports the objective of removing the burden of red tape and bureaucracy that Whitehall has imposed on local authorities. These proposals in the White Paper are the culmination of a major deregulation initiative run jointly by the LGA, DTLR and the Cabinet Office over the last year and we welcome their inclusion in the white paper.</p>
<p>Freedom to borrow and invest</p> <p>The Government has confirmed its intention to:</p> <ul style="list-style-type: none"> ❑ abolish the current capital finance system and replace it with one based on prudential indicators; ❑ end the current system of 'receipts taken into account' when deciding how to allocate capital support and consult with the LGA as to how government support; ❑ reform the 'single capital pot' to reduce ring-fencing to 'high performing' and 'striving' councils; ❑ enable councils to have more access to commercial money markets. 	<p>The LGA welcomes the Government's renewed commitment to the new prudential capital system. The LGA has been lobbying for these proposals since 1997, and working with Government to develop them. We wish to see legislation to implement the new system as soon as possible.</p>
<p>Greater freedom to trade and charge</p> <p>This will provide wider powers to trade for all councils, where they have a strong performance record in a particular service.</p> <p>There will be incentives for good service providers to take on new work and build capacity to provide services to other. There will be statutory guidance on using these powers, ensuring that local markets are not distorted.</p> <p>Councils will also be given the power to charge for providing discretionary services.</p>	<p>The LGA has lobbied for the freedom for councils to trade and charge, and we welcome the inclusion in the White Paper. We particularly welcome the proposal to offer wider powers without financial limits.</p> <p>We welcome the proposal to offer authorities a new general power to charge for providing discretionary services – this will be important in supporting the new general power to promote well being and has been strongly lobbied for by the LGA. We will seek further clarification on the meaning of "appropriate fee" in relation to this proposal.</p>
<p>Greater freedom to set spending priorities</p> <p>The white paper states that the growth in ring-fenced grants is excessive - from 5% in 1997 to 12% this year. It proposes</p>	<p>The LGA welcomes the Government's commitment to restrict ring-fenced grant as a start. However we are disappointed that it does not go further to set a clear target for cutting the dramatic increase in</p>

<ul style="list-style-type: none"> ❑ To restrict ring-fenced grant to cases which are genuine high priorities for the Government; ❑ That new ring-fenced grant schemes should be time-limited and have no matched funding requirements; ❑ That high performing councils will have existing ring-fenced grant replaced by targeted grant; except for grants which go to schools; and ❑ To give high performing authorities freedom to decide how to spend income from dog fouling, littering and parking and other fines 	<p>ring-fenced funding over the past four years.</p> <p>We also believe that this commitment should apply across all service areas, including education, and be available to councils not just high performers.</p> <p>We believe that all councils should be able to retain the income from fines and decide how to spend the income, to provide an incentive for more and better enforcement.</p>
<p>Other finance freedoms</p> <p>The council tax benefit subsidy limitation (CTBSL) will be abolished and the Government is consulting on giving councils greater freedom on council tax discounts and exemptions. The reserve power to cap high performing authorities will not be used. (cf chapter 6 and part II)</p>	<p>The LGA welcomes the abolition of CTBSL, which we have consistently opposed since its inception. We welcome the abolition of capping for high performing authorities, however this freedom should be extended to all authorities.</p>
<p>Cutting back on plan and strategy requirements</p> <p>Government has identified that councils have to produce 66 plans, with DTLR, DfES and DOH responsible for 48. The white paper sets out a list of plans that can be subsumed or merged. The Government will work with the LGA to streamline the requirements that remain, and identify the scope to reduce a further 50%. High performing councils will have the opportunity to negotiate and agree additional freedom from requirements to produce plans.</p>	<p>The LGA has been calling for the rationalisation of plan requirements and this commitment is welcome. The LGA feels strongly that authorities are suffering from 'plan fatigue' and are overloaded with too many requirements to report to Whitehall.</p> <p>We look forward to working with the Government to achieve further reductions of at least 50%. However, we would like to go further and explore the possibilities of piloting very radical approaches based on a minimal number of statutory requirements. Some of the local PSA pilot authorities have expressed an interest in this area and may be candidates for this work.</p>
<p>Rationalising area-based initiatives</p> <p>Sets out the need to rationalise and streamline area based initiatives to maximise local flexibility.</p> <p>It will extend opportunities to pool ABI budgets locally to deliver initiatives more effectively and there is already a pilot study underway.</p>	<p>The LGA's welcomes this commitment to plan rationalization. The LGA's New Commitment to Regeneration was found to be a useful mechanism for co-ordinating the activity of ABIs. Any future pots of funding for specific purposes should be channelled through the LSP for the partners to decide where the funding can be put to best use, linking in with existing strategies.</p>
<p>Abolishing consent regimes</p> <p>The Government can now repeal unnecessary consent regimes without primary legislation (Regulatory Reform Act 2000). It will repeal 52 consent regime powers and decide on a further 30 powers shortly.</p>	<p>We strongly support this proposal. The 1997 Review looked at 147 consent powers and recommended 85 to be repealed or amended. Immediate action to repeal 52 of these powers is now extremely welcome. We look forward to further action on the 30 or so that remain.</p>
<p>Removing other red tape</p> <p>The white paper commits government to reviewing and removing unnecessary burdens, following a joint exercise between the LGA and the Cabinet Office. A joint study next year will have a timetable for implementing results of the review.</p>	<p>The joint LGA/Cabinet Office/DTLR exercise identified 61 proposals for deregulation and has been an excellent example of partnership working between central and local government. We would like to extend the joint review exercise to cover other areas of local government activity beyond the six initially chosen to identify other opportunities to deregulate.</p>

<p>Controlling new red tape The Government will seek to minimise imposition of new requirements, and will pilot an evaluation tool – Policy Effects Framework – to establish a consistent gateway process on introducing new plans, performance indicators, ring fenced grants and other regulatory controls.</p>	<p>The LGA supports the white paper’s move to stop bureaucratic burdens building up in the white paper. There is a need for better policy appraisal in Whitehall to consider the effects on local authorities of new policies and legislation.</p>
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Chapter 5 - Support for councils

Key points

This chapter sets out:

- a wide-ranging review of support for capacity building and training;
- development of a 'Gateway Review Process' to complex, high risk or novel procurement projects;
- proposals for recruitment and retention, including examining a graduate recruitment programme.

Proposal	LGA response
<p>Building capacity and supporting councils Recognises the contributions of a range of bodies including the IDeA, EO and the 4Ps. It sets out the need to build capacity and skills in strategic leadership, effective overview and scrutiny, partnership working, performance management, commissioning, new technology and procurement.</p> <p>As part of the Spending Review 2002 Government will look at support for councils including rationalising funding streams, using comprehensive performance assessment to target support, making best use of scarce skills and effective exchange of skills and ideas.</p>	<p>The LGA welcomes the recognition of the role of the IDeA and the clear endorsement of local government’s current approach to providing support for improvement.</p> <p>We welcome the commitment to review council support and training as part of the Spending Review 2002, and hope the review will provide significant additional resources.</p>
<p>Resources and delivery It proposes working with LGA and others to examine the current support bodies in local government. It will consider the institutional structure, and whether there should be a new joint central-local body to plug gaps and provide coordination.</p>	<p>We look forward to discussions on how we can ensure the most effective support arrangements for local councils. We hope this will build on existing arrangements rather than creating new institutional structures.</p>
<p>Training and development The Government will look at what more can be done to provide training and development for members and officers.</p>	<p>We welcome the focus on training and development. The IDeA is already in discussions about extending its training and development programme for councillors and officers.</p>
<p>Making the best use of scarce skills It proposes implementing a gateway review processes to support complex, high risk or novel procurement projects as well as working with the 4Ps, the IDeA, Partnerships UK and the Office of Government Commerce on other initiatives to improve local government procurement.</p>	<p>We broadly welcome this proposals and expect to work closely with Government and the range of bodies set out to develop the proposals further. We believe that there should be steps taken to build the capacity for better procurement in every council, alongside a regional or national resource that can be accessed for councils undertaking big ticket procurement.</p>

<p>Peer support and best practice Recognises the need to build on the important contribution made by the IDeA's Local Government Improvement Programme and IDeA Knowledge. Proposals include:</p> <ul style="list-style-type: none"> ❑ encouraging districts to make more use of LGIP, particularly in the run up to their comprehensive performance assessments; ❑ a requirement in all pathfinder schemes for councils to work with at least one other authority whose performance is weak in the service in question; ❑ encouraging high performing councils to work with poor-performing councils, perhaps using a twinning scheme; ❑ establishing a pool of accredited members and senior officers to support and advise other councils. 	<p>We welcome the recognition of the important role of the IDeA's Local Government Improvement Programme, which harnesses the skills and experience of peers to bring about sustained improvement from within..</p> <p>We particularly welcome the encouragement for districts to make more use of the LGIP in advance of their comprehensive performance assessments.</p> <p>We believe that it is essential to ensure that poor-performing councils have access to advice and support from within the local government family.</p>
<p>Recruitment and retention The Government will work with the LGA and Employers' Organisation to develop a strategy to help councils recruit and retain the right staff.</p>	<p>We welcome the recognition of recruitment and retention in local government as an important issue that underpins a step change in councils' performance.</p>

Chapter 6 - Investing for improvement

Key points

This chapter sets out:

- a commitment to establish a review of local government finance and the balance of funding;
- a series of finance reforms, including new formulae for grant distribution and changes to the Bellwin scheme; and
- proposals to promote best practice in councils' financial planning and management.

Key proposal	LGA comment
<p>Local authorities' income The white paper establishes a high level working group, including ministers and senior local government figures, to review the evidence on the balance of funding and look at reform options. It updates the council tax and commits to exploring options for reform, including legislation for 10 year revaluations in the future.</p>	<p>The LGA welcomes the Government's intention to examine the balance of funding through a joint working group. However we are disappointed that the Government has ruled out more radical options in the short term; these include the return of the business rate and the examination of alternative sources of local income such as local income tax. The LGA will take part in consultation on council tax revaluation; our policy is that increasing the number of bands is one way of making the tax fairer.</p>
<p>Financial support from government The white paper set out to:</p> <ul style="list-style-type: none"> • Reduce ringfenced grant already detailed in Chapter 4, replacing ringfencing for high performers with a targeted grant; 	
<ul style="list-style-type: none"> • introduce new formulae for most of the general grant, and introduce new formulae for 2003/4 to replace SSA, making it more 	

<p>intelligible, with floors and ceilings to limit annual grant changes, and ensure that all councils receive a reasonable increase;</p> <ul style="list-style-type: none"> • work with local government to introduce safety-valve grant for 2004/5; • proposes consultation on support for capital investment, reform of single capital pot, abolishing receipts taken into account mechanism, phasing out requirement for councils to send capital strategies and assessment plans to government; • maintains the Bellwin scheme, but will reform it in agreement with councils, with clearer guidance on eligible costs, and issue guidance on when Government will make repayable grants to councils which have mismanaged their financial affairs 	<p>The LGA welcomes the Government commitment to continue to distribute general grant by formula rather than by taking into account local authorities' plans.</p> <p>We are participating in the discussions towards the introduction of a new grant distribution system, which we should be fairer, easier to understand and stabler than the current SSA system.</p> <p>We support measures to damp grant through floors but oppose ceilings which may deprive authorities with large changes in population or pupil numbers of grant of grant to deal with this.</p>
<p>Parish and town councils Aim to make financial arrangements more responsive to current needs.</p>	<p>See Annex for summary and commentary on finance measures.</p>
<p>The challenges for councils Sets out the need for all councils to have good financial management and planning, and to bring all councils in line with best practice. It introduces legislation to reinforce the role of members in setting and monitoring budgets.</p>	<p>The LGA shares the Government's aims that all councils should plan and consult. We would like to see any new legislation reinforcing greater financial freedom and autonomy and not being unduly prescriptive.</p>

Chapter 7 - Working together for better outcomes

Key points:

This chapter set outs:

- an overview of the measures in the rest of the paper to transform the relationship between central and local government;
- the future role for the central local partnership; and
- the process for setting priorities, in accordance with the national PSA outlined in chapter 3

Key proposal	LGA comment
<p>Transforming the relationship between central and local government</p> <p>It establishes transforming Government's relationship with councils as a key challenge for the future, with all government departments moving to a partnership based on clear standards, common priorities, more freedom to deliver and effective action where they do not.</p>	<p>Transforming the relationship between central and local government is the key focus of the LGA document "Partnership for ambition – councils and government working together" which formed the central plank of the LGA's submission to the Government on the white paper. Its seeks to develop a joint set of public service improvement delivery priorities between central and local government, using more ambitious local public service agreements as a key mechanism.</p>

<p>Approach for district, parish and town councils It recognises the importance of districts and sets out the way forward on local PSAs to collaborate with 'upper' tier councils on local PSAs (ref Chapter 3) For parish and town councils it proposes a range measures a grant of £30,000 each year for best value parishes, to cover costs.</p>	<p>We welcome the Government's acceptance of the LGA's offer set out in Partnership for ambition that a specified number of councils should pilot new ways for districts and councils to work together.</p>
<p>The future of the Central/Local Partnership This will continue as the centrepiece of national/local relations. The Framework Agreement will be signed in 1997 will be revised and updated to reflect developments, including current white paper proposals.</p>	<p>We welcome the recognition of the important role of the CLP on key issues and the continued support for it as the national centrepiece of central/local relations. We will work with Government to ensure that the CLP continues to be an effective structure.</p>
<p>Setting priorities Sets out the proposal for the national PSA referred to in Chapter 3. The CLP will give final endorsement for this, and the national PSA will inform each council's own local PSA. DTLR Secretary of State will present priorities to parliament, and they will be subject to parliamentary scrutiny.</p>	<p>The LGA welcomes the Government's agreement to LGA proposals for joint ownership of priorities for local government, the explicit adoption of the national PSA approach, and the intention to present priorities to parliament for parliamentary scrutiny. These were the key themes of the LGA document 'Partnership for ambition'.</p>

Local government white paper - part two

Part two of the local government white paper takes forward the proposals the Government consulted on in the local government finance green paper, published in September 2000. Some specific finance issues are also covered in part one of the white paper.

For further information please contact Mike Heiser in the LGA's local government finance team on 020 7664 3265, e-mail mike.heise at lga.gov.uk

Chapter 1 - Aims and priorities

The Government restates its views that the **aims** for a local Government finance system should include:

- that all authorities should be funded adequately;
- the system it should promote improvement;
- there should be predictability and stability;
- it should be fair to those who use and pay for services; and
- it should clarify accountability for financial decisions.

The white paper puts these aims in the context of the Government's overriding aim to secure improvements in service quality across the board; particularly for education, health, transport and police.

The white paper sets out the Government's priorities as:

- reforming the revenue grant system; it aims to implement this in April 2003;
- implementing measures which give authorities more local freedom and flexibility, such as reform to the capital finance system, business improvement districts and reform to fees and charges during this parliament;
- changing the council tax in the longer term, with a revaluation taking effect in 2007, and consulting on changes to council tax bands before that.

The LGA agrees with these aims and priorities, but feels that the restoration of an adequate local tax base is critical to local financial autonomy and local democracy. This requires a shift in the balance of funding

Chapter 2 - The balance of funding and the balance of control

The key points in this chapter are covered in the briefing on part one of the white paper, with the exception of the section on funding education.

Funding education

- Part two of the white paper sets out that it will not ringfence **all** education funding, stating that: education should continue to be funded through general grant, through a new formula which distinguishes between school and LEA responsibilities;
- councils will continue to have discretion to set budgets at a local level; and
- there will be a reserve power for a minimum schools budget (which is set out in the education bill).

The LGA welcomes the Government's confirmation that it rejects ring-fencing schools' budgets. We are participating in detailed discussions on the shape of the new formula. We will continue to oppose the reserve power to set a minimum budget as an unwarranted intrusion on local financial autonomy. We are concerned that the power, once taken, may be used.

Chapter 3 - The way forward on general grant

The Government confirms that it will replace the current grant distribution system in 2002/03 with the following proposal:

- general grant, distributed by a new formula to replace the current standard spending assessment;
- targeted grant, such as the Neighbourhood Renewal Grant, which may have conditions attached and be paid to only some local authorities, but which is not ring-fenced to a particular service;
- local public service agreements - which will attract Local PSA grants; up to a maximum of 2½% of an authority's budget; and
- ring-fenced grants, restricted to areas, where, in the Government's view councils cannot be relied upon to spend in line with Government priorities.

The LGA supports distributing grant in this way rather than by basing grant on a case by case assessment of local authorities' own plans. We wish to see as few restrictions as possible on targeted grants and ring fenced grant limited to cases where it is needed.

Chapter 4 - The way forward on capital investment

The key points in this chapter are set out in the briefing on part one of the white paper.

Chapter 5 - The way forward on housing finance

The key points set out in this chapter include:

- removing rent rebates from housing revenue account (HRA) to make it a pure landlord account;
- additional freedom to retain revenue to raise additional investment for councils that establish high performing arms length management companies;
- separate prudential limits for the HRA and general fund, and the current rules on set aside housing capital receipts will be replaced with a pooling system, which can be redistributed in accordance with need. This will apply to all councils, including those currently debt free

The LGA welcomes these measures, having argued for greater flexibility, particularly to raise additional investments. On prudential limits it is essential that the mechanism is transparent so that central and local government can clearly identify how recycled housing capital receipts are being used.

Chapter 6 - The way forward on council tax

In this chapter the white paper proposes:

- holding council tax revaluations every 10 years, with work on the next revaluation will start in 2005 and be implemented in 2007;
- integrating the council tax and business rate cycles;
- devising a (possibly) self-funding transitional relief scheme;
- consulting about council tax bands and related matters, including legislation to make it clear that additional bands can be created without new primary legislation;
- allowing district councils to continue to be responsible for issuing council tax billing, including housing and council tax benefit during this Parliament; Government will keep this issue under review;
- monitoring district councils' use of powers on discounts and exemptions; and
- making combined fire authorities precepting authorities.

The LGA welcomes the commitment to regular revaluations. We will work with Government on possible changes to the present banding system.

Chapter 7 - The way forward on business rates

The Government proposes:

- business rate revaluations to be every five years;
- self-financing transitional relief which unwinds over the five years;
- legislation to give more flexibility in setting the multiplier;

- taking forward a scheme of BIDS rather than go ahead with supplementary business rate proposals;
- providing rate relief to small businesses through a supplement levied on large businesses;
- consulting new year on draft guidance for small non-profit making bodies; and
- legislate so that Government can increase its contribution to rate relief costs when emergencies such as foot and mouth occur.

The LGA will continue to work towards the return of the business rate as a way of addressing balance of funding problems and of promoting stronger local government - business relationships. We welcome the Governments intention to legislate in order to be able to contribute to in year rate relief costs.

Chapter 8 - The way forward on other taxes and charges

The Government proposes to:

- consult on a draft order giving local councils a general power to charge for discretionary services; and
- limit how much can be charged and may specify exceptions to the general power to charge.

The LGA notes the proposals on fees and charges; we wish to see this order introduced as soon as possible.

Chapter 9 - The way forward for parishes

The white paper proposes:

- to issue good practice guidance to promote the avoidance of 'double taxation', in conjunction with the LGA and the National Association of Local Councils
- to pay a grant from central government to the best value parishes, of £30,000 per year
- to give best value parishes a general power to charge for discretionary services

The LGA notes these proposals and will encourage member authorities and parishes to work together closely. We believe that the Government should put in new resources for the grant it proposes to pay to best value parishes

Chapter 10 - Drawing the strands together

The white paper proposes:

- legislation to place a new duty on councils' Chief Finance Officer to ensure that the authority has an adequate level of reserves;
- giving the Secretary of State reserve powers to specify a statutory minimum of reserves
- creating a new duty to keep finances under review and take corrective action and streamline the 'section 114' procedure used when an authority is overspending
- giving grants in extreme cases to help authorities in financial difficulties, which may be of their own making, but these would come with strings attached, such as powers to limit borrowing; and
- requiring authorities to publish their accounts by 30 June each year

The LGA shares the Government's aims that authorities should budget in the interests of local taxpayers and the local community. We are not convinced that there is a need for new statutory powers to specify the level of local authorities' reserves or to "keep finances under review".