Local Government Improvement in England: Policies, Progress and Prospects

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Abstract
Whilst many countries have been devolving power to the sub-national level England has moved in the opposite direction. For the last decade English local government has been subjected to tight top down performance monitoring and financial controls. The evidence suggests that these policies have helped to encourage significant improvements in performance. However critics argue that they have been costly to implement and have undermined local democratic accountability. In response to these concerns the current government has promised to sweep away external assessment in favour of self-regulation by councils and in-depth scrutiny by citizens. This ‘new localism’ poses important questions for both policy makers and researchers. In particular how far will the promised reforms actually go and what impacts will they have on the service standards?

Keywords
Local Government, Performance Management, New localism, Decentralisation

Introduction
Successive governments in the UK have exerted tight control over local authority services and spending. Leading local government figures and commentators railed against what they see as the erosion of local autonomy but proved powerless to stem the rising tide of centralisation. Opposition parties frequently pledged to hand powers back
to local government only to renege on their promises once in office. All this changed however in the summer of 2010 when ministers in a newly elected coalition government moved swiftly to begin the process of dismantling the top down performance frameworks they had inherited from their predecessors (Grace 2010).

This paper examines the impacts of the performance monitoring of English local authorities by central government between 1997 and 2010 and assesses the prospects for the very different policies that are now being pursued. It draws on an analysis of performance data undertaken as part of a major programme of longitudinal evaluation of the previous government’s policies plus an examination the key policy statements and legislation issued by the current government. The first section charts the loss of local autonomy under both Conservative and Labour administrations over the last thirty years. The second section examines the impacts that these policies had on local services. The paper then turns to the current government’s proposals. It argues that they could mark a decisive break with the experiences of the last thirty years but there are a number of problems and potential pitfalls which pose important questions for future research.

The Rise of Centralism
The hollowing out of the local state under the Thatcher and Major governments which held power in the UK between 1979 and 1997 has been well documented. Their policies were inspired by the ‘New Right’ which saw public sector bureaucracies as inefficient and unresponsive compared to the private sector. Compulsory competitive tendering (CCT) led to the externalisation of swathes of local government services to the private sector (Rao and Young 1995; Walsh et al. 1997; Boyne 1998; Choi 1999; Vincent-Jones 1999). Other traditional local government functions were transferred to local appointed bodies controlled by unelected boards comprising local politicians, business people and community representatives. Council house tenants were given the right to buy their homes at reduced rates and remaining stocks were transferred to arm’s length companies. Schools were encouraged to opt out of local authority control.

Local government spending was tightly controlled and its performance increasingly monitored by the centre. Ministers dictated how much funding local authorities received by capping ‘excessive’ council tax increases and ring fencing grants for use by specific services (Fender and Watt 2002). Meanwhile the Audit Commission was created in 1983 to check that local councils were achieving economy, efficiency and effectiveness.
A decade later it was given responsibility for designing and auditing statutory performance indicators which councils had to use so that their performance could be compared over time and between areas (Humphrey 2002).

There was fierce local opposition from public sector trades unions to what they regarded as an assault on their members’ pay and conditions, and many Labour controlled authorities sought to find ways around CCT legislation. But the lack of local fiscal autonomy (around 80 percent of local authority expenditure in the UK is met from central government grants) and the absence of any constitutional guarantees of local government’s roles or even its continued existence meant that ministers were able to abolish the largest authorities which were the most vocal critics of government policies.

In some respects the ‘New Labour’ Government led by Prime Minister Blair picked up where the New Right had left off. But there were important differences. The Conservatives’ strategy had been to divest the state of responsibility for service delivery through privatisation. By contrast Labour promised to invest in local government so long as it signed up to a programme of modernisation. Blair and his advisers were reluctant ‘to trust their party colleagues in local government with money or functions, or even with the unchaperoned exercise of common party purposes’ (Walker 1998, p.4). They feared that the actions of what the popular press had labelled ‘Loony Left’ councils would prove a political liability, threatening Labour’s prospects of winning a second term in office. The 1998 Local Government White Paper therefore made it clear that in the Government’s view ‘The old culture of paternalism and inwardness’ had to ‘be swept away’ and local authorities were expected to embrace ‘a demanding agenda for change’ (Cmnd 4014). Ministers pledged to abolish CCT and ‘crude and universal capping’ of local authority budgets (Cmnd 4014, para 5.7). However in a speech to a conference of Labour local council leaders, the Prime Minister warned ‘If you are unwilling or unable to work to the modern agenda then the government will have to look to other partners to take on your role’ (Blair 1998). According to his advisers local government was ‘drinking in the last chance saloon’.

In 1999 responsibility for overseeing most aspects of local government policy in Scotland, Wales and Northern Ireland was devolved to newly created administrations. Ministers in these countries adopted a more consensual approach to their dealings with local authorities. There were few hypothecated grants and little enthusiasm for
contracting out services or top down performance monitoring (Downe et al. 2010). By contrast English councils became subject to an unprecedented level of external inspection and financial control from the centre (Lowndes 2002). Over the following decade they received large year-on-year increases in the level of central government grants to local authorities. But ministers retained powers to limit council tax rises in order to guard against what they regarded as excessive increases and they tightened controls on how councils spent the funding which they were given by increasing the number of ‘ring fenced’ grants, particularly in education which accounts for almost 40% of local authority spending (Travers 2004). By 2010 more than two thirds of central government funding to English local authorities was earmarked by ministers for specific purposes; just 31% was given to them as a block grant (HM Treasury 2010).

Labour ministers were also keen to see the private sector play an increased role in the provision of local public services. In their view the problem with CCT was that the way in which it had been implemented had ‘led to unimaginative tendering, and often frustrated rather than enhanced real competition’ (Cmnd 4014, para 7.22). On average contracts advertised between 1989 and 1992 attracted fewer than one external bid (Walsh and Davis 1993), and even after more than a decade of CCT internal providers were still winning well over half of all tenders and almost three quarters of the estimated £2.4 billion worth of business covered by the legislation (LGMB 1997). The top-down imposition of market testing had, the Labour Government argued, poisoned relationships between public and private sectors, and the emphasis on economy had led to a decline in service quality as in-house and external bidders alike were forced to pare tenders to the bone in order to secure contracts (Walsh et al. 1997; Coulson 1998).

For all these reasons CCT was replaced with a new duty of ‘Best Value’ which, far from doing away with externalisation, was designed to ‘create the conditions under which there is likely to be greater interest from the private and voluntary sectors in working with local government to deliver quality services at a competitive price’ (Cmnd 4014, clause 7.30). Section 4 of the 1999 Local Government Act required authorities to put in place arrangements to secure continuous improvement in the discharge of all of their functions. To comply with this new duty they had to submit services to a series of ‘tests of competitiveness’. If ‘other more efficient and effective means’ were found to be available services had to be outsourced (DETR, 1998 p. 20). To ensure that authorities complied with this new duty ministers introduced a performance management framework
which required every council to conduct fundamental reviews of all of its functions over a five year period (Ball et al. 2002) and publish annual plans setting out details of current performance and targets for future improvements.

For the first time all local services were now subject to external inspection and the Secretary of State was given powers to intervene directly where authorities failed to conduct sufficiently robust reviews or there was thought to be a risk of serious or persistent underperformance (DETR 1999). To monitor improvements the Government devised more than 200 Best Value Performance Indicators (BVPIs) covering frontline and corporate services which came with 287 pages of guidance designed to ensure that data collected by councils were comparable (Boyne 2002).

Within a year this highly bureaucratic regime had run into serious difficulties. Most authorities undertook a far larger number of much more narrowly focused reviews than the Government and the Audit Commission had anticipated. As a result it was impossible for inspectors to scrutinise them all. More importantly, senior officials had come to the view that inspecting services in isolation was unlikely to get to grips with the root causes of underperformance. The experience of early interventions in so called failing councils pointed to underlying problems in their corporate systems. The Audit Commission concluded that ‘serious and sustained service failure is also a failure of corporate leadership’ (Audit Commission, 2002: 19). Inspecting services in isolation was therefore of limited value because ‘Without clear corporate leadership for change it becomes a very negative task based process’ (Audit Commission, 2001: 14).

As a result from 2002 onwards the Government introduced a new framework known as Comprehensive Performance Assessments (CPAs). These judged the overall performance of each council and categorised them on a five point scale - ‘poor’, ‘weak’, ‘fair’, ‘good’ or ‘excellent’. Services were divided into seven main ‘blocks’ (environment, housing, culture, fire and rescue, services to children, social care and benefits administration) in the case of upper tier and unitary authorities, and four (housing, environment, culture and benefits administration) in the case of district councils. Scores for each of these groupings were weighted according to their importance to national government and then aggregated to give an overall ‘performance’ score. This was then combined with an assessment of the council’s ‘corporate capacity’ to provide an overall rating. The results for the 150 single tier and county councils in England were
published annually. Those for district councils and fire and rescue authorities were published less often. Authorities that were placed in the bottom two categories were subject to external intervention and support which often resulted in the removal of senior managers and in some cases political leaders.

Over time the CPA methodology was refined to provide what the Audit Commission called a ‘harder test’. Assessments of the main service blocks remained largely unchanged, but the five point scale was replaced by a four point star rating system ranging from ‘no star’ to ‘three stars’. Meanwhile the criteria for assessing corporate capacity were broadened to include the quality of an authority’s partnerships with other local agencies, its effectiveness as a community leader and the way in which it managed resources (Downe 2008). In April 2009 CPAs were superseded by Comprehensive Area Assessments (CAAs) which assessed all of the key public services in a locality (Audit Commission 2011). CAAs were intended to provide an independent and ‘joined up’ assessment of the quality of life in each locality. There were two main elements. An Area Assessment focused on priorities set out in local area agreements which had been agreed with central government departments. The police, health service, local authority and fire and rescue services were also subject to Organisational Assessments which evaluated their own management and performance. Unlike CPAs, area and organisational assessments did not involve primary data collection. They relied on existing inspection reports, external audits and a slightly reduced set of 190 statutory performance indicators.

The rationale for the introduction of CAAs was twofold. First, they were supposed to enable the seven different local inspectorates (the Audit Commission, Commission for Social Care Inspection; Healthcare Commission; HM Inspectorate of Constabulary; HM Inspectorate of Prisons; HM Inspectorate of Probation; and the Office for Standards in Education, Children's Services and Skills) to coordinate their activities and therefore reduce the burden of inspection on local agencies. Second, they were designed to encourage local service providers to work together to tackle deep seated economic and social issues (such as economic regeneration; care for older people; the number of young people not in education, employment or training; shortages of affordable housing; environmental sustainability; crime; violent extremism; and ill health) which were not the sole preserve of any of them but required concerted action by a range of different sectors.
The Impacts of Centralism

Many observers were fiercely critical of what they saw as the Labour Government’s unwarranted interference in local affairs. Stewart (2003: 253) complained of ‘over-prescription; over-inspection and over-regulation’. Wilson (2003) accused ministers of ‘control freakery gone mad’. Davies castigated them for ‘double dealing’ – talking up devolution whilst doing the opposite. Top-down performance frameworks had, he claimed, led to an ‘intensification of managerialism at the expense of local democracy’ (Davies 2008: 4). As a result councillors had become ‘little more than elected managers, rather than local politicians able to articulate and act upon the wishes of the citizenry’ (Copus 2006: 5).

According to its detractors, New Labour’s approach was wrong both in principle and practice. For them local government was closest to and therefore best placed to understand the needs of local communities. The imposition of external inspection betrayed a lack of trust in local councillors and was an insult to their local democratic mandate. External performance regimes were said to foster a compliance mentality which stifled innovation (van Thiel and Leeuw 2002: 270). Accountability was channelled upwards to ministers, robbing councils of the flexibility they need to be responsive to local priorities. Inspection was also costly. According to government figures, by 2005 the direct costs of the local government inspectorates in England amounted to £97 million per annum (ODPM/HM Treasury 2005), and research found that councils devoted an average of 597 staff days per annum to preparing for and managing inspection site visits (Downe and Martin 2007). The time taken up by this ‘paperwork’ could, it was argued, have been better spent on the core task of managing ‘frontline services’ (Hood and Peters 2004: 278). Some scholars also questioned the rigour of the performance assessment methodologies. Andrews (2004) criticised CPAs for failing to take account of the impact of deprivation on performance. Jacobs and Goddard (2007) and Cutler and Waine (2003) argued that star rating systems were misleading because they mask the complex and multi-faceted nature of performance and aggregate scores were determined largely by the weightings that were used. Maclean et al. (2007) showed CPA judgements to be a poor predictor of future performance.

However, there is evidence that the combination of large increases in spending and top down performance management regimes was associated with significant performance improvement. Analysis of Best Value Performance Indicators showed that whilst there
were variations between services, most registered significant improvement and some (notably waste management and culture services) achieved spectacular gains (Martin 2009a). These data need to be treated with some caution because the number of indicators per service is small and there were differences in the rate of change registered by different indicators within some services. For example two of the three indicators of performance in children’s social services declined slightly whilst the third increased by almost 100 percent. However, other sources confirm the picture of overall improvement. Over time CPA scores increased in nearly all services. Between 2002 and 2008 almost three quarters (72 percent) of authorities moved up one or more categories in terms of their overall performance. The proportion ranked in the top group rose from 15 to 42 percent, whilst the numbers in the lowest two groups decreased from 23 percent to 3 percent (Audit Commission, 2009). By 2006 almost all of the 150 unitary and upper tier authorities in England were judged by the Audit Commission to be improving (Table 1).

### Table 1. Improvement judgements by the Audit Commission

<table>
<thead>
<tr>
<th></th>
<th>% of authorities</th>
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<tbody>
<tr>
<td></td>
<td>Not improving adequately</td>
</tr>
<tr>
<td>London Boroughs</td>
<td>0</td>
</tr>
<tr>
<td>County councils</td>
<td>0</td>
</tr>
<tr>
<td>Metropolitan boroughs</td>
<td>0</td>
</tr>
<tr>
<td>Unitary authorities</td>
<td>2</td>
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</tbody>
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A third source of evidence about local government performance was provided by household surveys undertaken in 2000/2001, 2003/04 and 2006/07. Each council was required to achieve a minimum sample size of 1,100 residents which produced a national sample of over 562,000 respondents. Results were then weighted by age, gender and ethnicity. Analysis of these data showed that between 2003/04 and 2006/07 there were increases in public satisfaction with all of the services covered by the survey except for household waste collection, theatres and concert halls, and museums and galleries (Table 2). The three services in which satisfaction went down might be considered special cases. Perceptions of waste collection were adversely affected by a move from weekly to fortnightly services in response to European Union targets designed to reduce the volume of landfill. Theatres, concert halls, museums and galleries are all discretionary services which many councils do not offer.
Table 2. Percentage change in public satisfaction 2003/04-2006/07

<table>
<thead>
<tr>
<th>Service</th>
<th>District councils</th>
<th>County councils</th>
<th>Unitary authorities</th>
<th>Metropolitan boroughs</th>
<th>London Boroughs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Museums and galleries</td>
<td>-2</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>Waste collection</td>
<td>-7</td>
<td>N/A</td>
<td>-6</td>
<td>-3</td>
<td>+4</td>
</tr>
<tr>
<td>Theatres and concert halls</td>
<td>-8</td>
<td>-3</td>
<td>-3</td>
<td>-3</td>
<td>-1</td>
</tr>
<tr>
<td>Parks and spaces</td>
<td>+1</td>
<td>+3</td>
<td>0</td>
<td>+1</td>
<td>+4</td>
</tr>
<tr>
<td>Sport and leisure</td>
<td>+5</td>
<td>+4</td>
<td>+1</td>
<td>+1</td>
<td>+4</td>
</tr>
<tr>
<td>Public transport information</td>
<td>N/A</td>
<td>+3</td>
<td>+2</td>
<td>+4</td>
<td>+9</td>
</tr>
<tr>
<td>Tips</td>
<td>N/A</td>
<td>+1</td>
<td>+3</td>
<td>+4</td>
<td>+10</td>
</tr>
<tr>
<td>Libraries</td>
<td>+5</td>
<td>+5</td>
<td>+4</td>
<td>+4</td>
<td>+6</td>
</tr>
<tr>
<td>Recycling</td>
<td>+1</td>
<td>N/A</td>
<td>+3</td>
<td>+4</td>
<td>+10</td>
</tr>
<tr>
<td>Local buses</td>
<td>N/A</td>
<td>+6</td>
<td>+5</td>
<td>+4</td>
<td>+11</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>+6</td>
<td>N/A</td>
<td>+7</td>
<td>+7</td>
<td>+13</td>
</tr>
</tbody>
</table>

Research on the reasons for these performance improvements suggests that external inspection was an important stimulus for change. Local government managers and national policy makers reported that CPAs had been a particularly effective driver of change (Downe and Martin 2006). Similarly, although local authorities, police and health bodies were critical of the burdens which CAA placed on them, most believed that it had encouraged better joint working and focused attention on important public service outcomes (Hayden et al. 2010). Comparisons with Wales and Scotland, which eschewed the kinds of hard edged performance frameworks adopted in England, paint a similar picture. They suggest that local government performance has not improved as rapidly in these countries (Martin et al. 2010; Andrews and Martin 2010), a finding which is consistent with research in the health services which also shows that top down targets in England led to more rapid improvements than was achieved in other parts of the UK (Bevan and Hood 2006).

The Prospects for ‘Localism’

Given the evidence of performance improvement under New Labour it is perhaps surprising that in the run up to the 2010 General Election all three main political parties promised to shift power away from central government and back to localities. In truth Labour ministers had already started to pull back from top down performance
management and to emphasise the importance of engaging with local communities (DCLG 2008). They argued the improvements that had taken place meant that some controls could now be relaxed. The former head of the Prime Minister’s Delivery Unit suggested that inspection became less necessary and less productive as public services moved performance levels which he described as ‘awful to adequate’ (Barber 2007). More importantly local government faced tough new challenges. Spending cuts meant that they were going to have to transform the way they delivered services in order to make huge efficiency savings (Davis and Martin 2008). Meanwhile the main opposition parties saw top-down performance assessments as emblematic of all that was wrong with the approach to public services reform pursued by Prime Minister Blair and his Chancellor (and successor) Gordon Brown. The Liberal Democrats were long standing champions of decentralisation, whilst Conservative shadow ministers pledged to wage war on ‘Labour’s culture of control’. They would, they said, take power away from the bureaucrats (including inspectors) in order to ‘make local councils accountable to local people’ and give them ‘the freedom to respond to the demands made by those local people’ (Conservative Party 2009).

The early indications were that the Conservative-Liberal Democrat coalition government which came to power in 2010 intended to act on these promises. One of the first acts of the new Secretary of State for Communities and Local Government was to instruct the inspectorates to stop all work on the next round of CAAs. Then within three months - without any prior warning or consultation - he announced the abolition of Audit Commission, accusing it of having ‘lost its way’. Responsibility for external auditing of local authority accounts is to be transferred to the commercial sector with accounting standards overseen by the National Audit Office. Standards for England, a body created by Labour to oversee a framework designed to ensure that local politicians maintain good standards of conduct, was also abolished. The Department of Health subsequently announced an end to annual performance assessments of councils by the Care Quality Commission and the schools inspectorate began to phase out its annual assessments of children’s services. The Government explained that its actions were intended:

> to free up local authorities to enable them to be innovative in the delivery of services, rather than merely seeking to raise performance against centrally established criteria to achieve good inspection results. Local authorities will have the freedom to deliver services in ways that meet local needs, and will be accountable for those services to their electorates. These principles are key elements of localism (DCLG 2011: para 22).
Government departments will continue to have a role in specifying and aggregating information which is ‘of national importance’ or required to ensure accountability to Parliament. But ‘the principal aim is to reduce the burden of data collection on local government’ (DCLG 2011: para 25).

In line with these proposals, the budget of the Department of Communities and Local Government has been cut by about a third, diminishing its capacity to monitor local government and the Government’s regional offices, which played a key role in performance management of local government under Labour, have been closed. According to ministers, the emphasis will now be on providing citizens with the information that they need to hold councils to account and it will be up to local authorities to decide what data to release and how to make them available. A ‘Localism Bill’ introduced in Parliament in December 2010 (House of Commons 2010) proposed a number of changes which apparently give councils more autonomy. They will be granted a general power of competence and can choose revert to the traditional committee system that was abolished by Labour. However, other changes will be imposed on local authorities. Twelve of the largest English cities will be forced to install directly elected mayors and all councils will be required to publish details of their senior staff pay. The Localism Bill therefore sends out mixed messages which can be read in at least four different ways.

One interpretation it is a sham. Critics have been quick to point out that ministers retain the powers which their predecessors took to intervene in authorities. The Society of Local Authority Chief Executives complained that the bill has a distinctly ‘Orwellian quality’. It asked ‘how on earth can we maintain the fiction that this is a Localism Bill when it has 142 new regulatory powers for the Secretary of State?’ and concludes that ‘This is centralist, not localist, and does nothing in pursuit of the government's desire to usher in a “post-bureaucratic age”’ (SOLACE 2011).

A second interpretation is that the Bill is a genuine attempt by the Department of Communities and Local Government (which has been responsible for drafting the legislation) to devolve power but that other departments are less committed to this agenda. In particular it remains to be seen whether the Departments for Education and Health, which oversee the largest spending local authority services, will follow its lead. Some commentators see the absence of any fundamental change in local authority
funding as the ‘acid test’. There has been a reduction in the amount of ring fencing, but ministers will continue to determine how much funding is available to each council. There are proposals to localise control over non-domestic rates but even if this does eventually happen English local authorities will still not have the same degree of fiscal autonomy enjoyed by their counterparts in many other parts of the world.

A third interpretation is that ministers are serious about devolving power but not to local authorities. According to this view the government wants to hand control to local communities than to local councillors. The aim would be to empower citizens in line with the Prime Minister’s vision of creating a ‘Big Society’ where people take more responsibility for their own well being and the state does and spends less (Cabinet Office 2011). This would mean that local groups take over the running of services from local authorities and play a more active part in local decision making. Whilst the Local Government Association (the main representative body of local authorities in England) has repeatedly argued that councils should regulate their own performance (De Groot 2006; IDeA 2009; LGA 2011), the Secretary of State has emphasised the importance of enabling local people to keep local authorities in check, even though evidence from household surveys suggests that few citizens have any real appetite for doing so (Martin 2009b). As a senior civil servant explained it to me, ‘We’re looking to leap frog over local government and empower local people’.

Fourth, it could be argued that the ‘new localism’ is being used by ministers as a cloak for spending cuts. Between 2011 and 2014 local authorities will be asked to reduce their spending by around a quarter. With much of the pain being ‘front end loaded’, councils are being forced to shed staff and reduce services and in this context localism might be seen as a way for ministers to put some distance in the voters’ minds between themselves and reductions in local services. Whereas the Blair/Brown governments handed local authorities additional funding in the expectation of significant improvements in performance, Prime Minister Cameron is offering local government freedom from central controls in return for doing the dirty work of cutting services.

The eventual scope and significance of the coalition government’s localist agenda is difficult to predict. However whatever course it takes, two things are clear. First, English local authorities face a different and difficult future and a range of new challenges. Second, the sharp break with the central government policies of the past presents new
opportunities for scholars, opening up an intriguing research agenda on the impacts of the ‘hands off’ approach promised by the current crop of ministers.

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