

## National Context

### 1. Regional Government

1.1 The draft Regional Assemblies Bill was published on 22 July. At the same time, the Government announce that referendums on elected regional assemblies in the North West and Yorkshire and the Humber would be rescheduled from the proposed 4 November date, following concerns expressed about postal voting in these areas. Referendums in the North East will go ahead on 4 November because the Government believes that there is strong support for all-postal voting in the region. The Bill will not be introduced to Parliament until a region has voted for an elected assembly.

1.2 The Boundary Committee has been working on proposals for the pattern of unitary local government in the two tier areas of the regions affected by referendums. It made its final recommendations to the Office of the Deputy Prime Minister (ODPM) on 25 May. The Committee was charged with putting forward at least two options in each of the County areas affected. In each case a County unitary and an option based on combinations of district councils has been put forward. The population of the smallest proposed unitary authority is 131,000.

1.3 The draft Bill proposes a broad general purpose for elected regional assemblies to promote economic and social development and to improve and protect the environment. Assemblies' powers would be limited to prevent them from dealing in "policy areas of England wide importance (such as the National Health Service and education)". The Bill gives such assemblies a greater say in the activities of some quangos and would transfer some functions currently carried out by Government Regional Offices to the Assembly. The Government says regional assemblies would generally not remove responsibilities or powers from local authorities, duplicate or cut across the existing statutory functions and powers. It is therefore considering what restrictions would need to be included in any version of this Bill introduced to Parliament to prevent elected regional assemblies from providing education, health services, social services, children's services or social security schemes. The Government does not intend that these restrictions should prevent elected assemblies from working in partnership with organisations which do provide such services, where this would contribute to mutually-agreed priorities.

1.4 Elected Regional Assemblies will have three "functional bodies": the Regional Development Agencies; regional cultural consortia and regional fire and rescue services. In addition, elected regional assemblies will take over the administrative functions currently delegated to the Government Offices in the regions for future European regional structural funds programmes (although the ODPM will continue to be the managing and paying authority) and the work of the Government Office and the strategic and resource allocation roles of the local office of the Housing Corporation in relation to housing. Regional assemblies will continue to be responsible for regional special strategies and will produce a regional transport strategy as part of that strategy.

1.5 Assemblies would have 25 to 35 elected members who would be elected under a system of proportional representation (the 'Additional Member System'); this would provide for some members to be elected for constituencies in the region and some members elected across the region as a whole. Most functions would be carried out by a small executive, made up of between three and seven elected members. The leader would be chosen by the assembly as a whole and the other executive members would be selected by the leader. The executive would be monitored, scrutinised and held to account by the 'backbench' members, largely through the review and monitoring committee. The current regional assemblies have representation by "community" and economic partners. The Government intends that elected assemblies should have a duty to continue to engage with such "stakeholders" and that this should go beyond simple consultation, by, for example: appointing them as full members of review and monitoring committees; appointing them as policy advisors; and establishing a regional partnership forum to bring stakeholder organisations together (perhaps similar to the Civic Forums established in Scotland and London). Assemblies would have around 200 staff

(excluding those working for Assemblies' "functional bodies") some of whom would be "inherited" from other bodies such as Government Offices

1.5 Although the Government intends that Assemblies will be funded mainly through Government grant, assemblies will be able to precept on Council Tax, subject to a capping regime.

1.6 The Government has said that it has no plans to reorganise local authorities outside areas where people have voted for a regional assembly and there is no timetable for referendums outside the north at present. The Government feels, however, that it has detected enthusiasm for unitary government in the exercises that the Boundary Committee has been carrying out in the north. This, coupled with its drive towards efficiency, the perceived need for more joint procurement agreements between tiers and fewer Councillors (see below) may lead to a more general push towards local government reorganisation following the next general election if a Labour Government were to be returned.

## **2. Efficiency Review: Releasing resources to the frontline**

2.1 In October 2003, the Government launched an efficiency review of public services as part of the 2004 Spending Review. The review has two aims:

- to release major resources into frontline services that meet the public's highest priorities out of activities which can be undertaken more efficiently; and
- to reduce the bureaucracy faced by frontline professionals and free them up to meet the needs of their customers better.

2.2 A number of areas were identified as priorities for action and many of those will impact on local government. These include:

Procurement - more collective and professionalised purchasing across the public sector.

Back office functions - (such as HR, finance, ICT, and estate management) and opportunities for greater efficiencies, especially through economies of scale.

Policy, funding and regulation of devolved public services – reducing the bureaucracy imposed on frontline providers.

2.3 A summary of the issues in relation to each of these areas is set out below. Overall, it is clear that the scale of "efficiency" savings expected by Government goes way beyond that possible from simply more efficient "back office" functions.

### Devolved Decision Making Review

2.4 The Government has embarked on a review of devolved decision making at the regional and local level. The review stems from an acknowledgement that Government departments have set too many and too prescriptive targets for all local delivery agencies, coupled to too many specific funding streams, in pursuance of their Public Service Agreements with the Treasury. The Treasury is leading work with the ODPM to persuade Departments to set few, outcome focused national PSA targets and to allow more freedom about how they are funded and delivered, taking account of local circumstances and priorities.

2.5 As part of this work, the Government has begun a dialogue about a vision for the future of local government leading to a new strategy for local government to be published next year. It is seeking to agree: better outcomes for people and places; a long term vision for the future of local government; and a new settlement between central and local government. The strategy will include a vision for its future organisation: at regional, local and neighbourhood level.

2.6 The Government's premise appears to be that local government has not made improvements to local services commensurate with the investment made by Government, that there are too many councillors and that they are not fulfilling the community leadership role envisioned by the Local Government Act 2000.

2.7 The Treasury and ODPM are seeking an enhanced role for Government Regional Offices in directing and monitoring performance, whether or not elected regional assemblies are

created. The language used in the various documents produced by Government departments, and the various proposals for the establishment of single service boards, suggests a view in Whitehall that local government should have some kind of influencing and community leadership role, rather than be responsible for direct service delivery.

2.8 The thrust of the work emerging from the efficiency review and signals about the enhanced role of Government Regional Offices may well be heralding a significant challenge for local government, which could well be faced with a significant loss of function as well as another national reorganisation.

### Procurement and Back Office Functions

2.9 As a result of the Byatt Taskforce's report *Delivering Better Services for Citizens*, published in June 2001, Regional Centres of Excellence in procurement have been established. Kent County Council is the Centre of Excellence in the South East. The core functions of a Regional Centre of Excellence in Procurement include:

- analysing the current procurement practices, expenditure, and contractual arrangements of authorities in the region;
- establishing the Centre of Excellence as a sustainable corporate entity, conforming to a common national governance structure, and as a partnership between authorities in the region;
- developing a Centre of Excellence serving the needs of all councils in the region, based upon an analysis of their size, CPA rating, state of readiness in the implementation of the National Procurement Strategy for Local Government;
- communicating and embedding in the region, the key messages and programmes under the National Procurement Strategy for Local Government;
- disseminating good practice in procurement, project management and partnering in the region, working with central agencies as appropriate;
- providing high quality procurement advice to authorities in the region including, in particular, smaller authorities without procurement resources of their own;
- promoting collaborative procurement where this could lead to improved value for money in the acquisition of assets, services and supplies;
- developing, managing and co-ordinating a pool of experienced procurement professionals and project managers to be shared between authorities in the region; and
- gathering market intelligence and disseminating it in the region.

2.10 This work was in hand before the Gershon efficiency review was begun in central government. It does, however, fit well with the view that appears to be emerging from Gershon, that many local authorities are too small to carry out an effective procurement function and that there are significant savings to be made from more joint procurement of back office functions in particular. Whilst this is an area in which local government has lessons to teach central government in terms of market testing and out-sourcing, it may be another area in which creeping regionalisation is becoming evident.

## **3. Balance of Funding Review**

3.1 The Government has now announced the results of the study it commissioned into the Balance of Funding. This is dealt with in more detail as part of Appendix 2 but in short, in announcing the results of the first study the Government has also announced a further independent study that will not report until the end of 2005 at the earliest. There will be no changes, therefore, before that time and in all likelihood any changes will be timed to coincide with the planned revaluation of council tax bands. The study is expected to take this further into account as well as possible 'regional assemblies'.

3.2 Despite establishing, and chairing, the production of the first study, the Government are keen to emphasise that this is a report 'to' rather than 'by', government. The report does appear, however, to signal retention of council tax in some modified form as well as return of business rates to local councils as well as further exploration of alternative or additional local tax

raising schemes including local income tax. The modifications to council tax seem highly likely to include increased numbers of bands, particularly for higher value properties.

3.2 While Government seems keen to stress that any modifications to council tax will not be intended to increase the local burden, nationally, it needs to be recognised that any changes can have markedly different impacts in different parts of the Country. For East Sussex, because of our relatively high house price inflation but relatively low disposable income – changes in both bands and valuation are likely to affect us adversely.

3.4 It is regrettable that there is further delay but also, and more importantly, it is regrettable that the initial study, has not really addressed issues of the 'Balance of Power' which should inform any changes in the 'Balance of Funding'.

#### 4. Spending Review

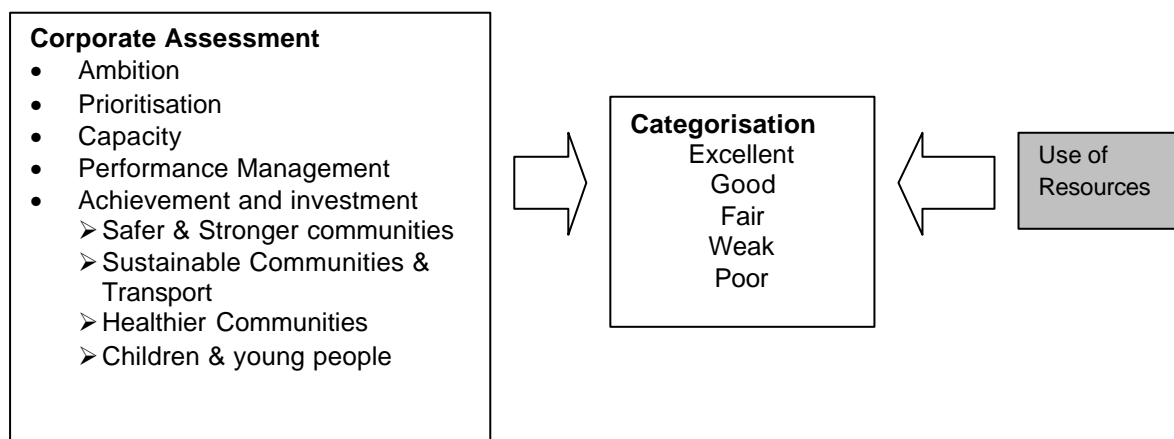
4.1 The Spending Review 2004 is dealt with in Appendix 2. In short, the position outside schools, in comparison with core service pressures looks difficult next year but also particularly over the medium term. Within schools, the Spending Review signals fundamental changes in school funding (and other issues) from 2006/07 onwards. From the governments own figures, the implied increase in council tax just to meet planned increases in Formula Spending Shares is some 6.7% for next year.

4.2 It is too early to assess the specific outcomes for East Sussex but regardless of the headline increases at the national level, the Council is very likely to be subject to minimum "floor" increases in its grant over the medium term.

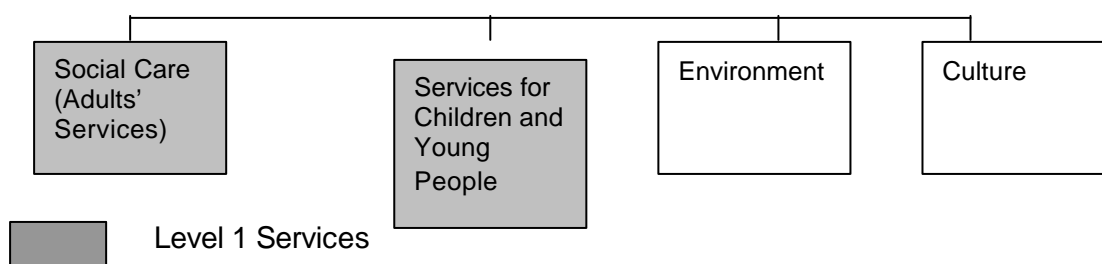
#### 5. Comprehensive Performance Assessment

5.1 The Audit Commission has announced the architecture for the Comprehensive Performance Assessment from 2005 onwards (see diagram below). Although it will be carrying out more detailed consultation on the Corporate Assessment and Use of Resources elements and a separate consultation is currently underway on joint inspection of Children's Services. The Commission has yet to produce a timetable for inspections, as it is still trying to resolve the issues of timing between Joint Area Reviews as part of the new Children and Young People service and the Corporate Assessment block of the CPA.

##### Focus on citizens and community leadership



##### Direct service delivery for users



5.2 Some key issues emerge from the proposed architecture. These are: the drive for a better measurement of cost effectiveness across all service blocks, but in the Use of Resources block in particular; the expectation that the Corporate Assessment will look at councils' ability to work in partnership and across departmental boundaries to provide customer focused services; and a general heightening of the barriers to the good and excellent categories. The "Achievement and Investment" scored theme, which had the highest weighting in the previous Corporate Assessment, will look at councils' achievement under four categories: - safer and stronger communities; sustainable communities and transport; healthier communities and children and young people. The Commission will be looking for evidence of outcomes for local people in these areas, delivered in partnership with others, particularly through the auspices of Local Strategic Partnerships.

## **6 Children Bill**

6.1 The Children Bill is expected to be enacted next year and includes new duties on councils to ensure local co-operation to improve well-being of children (including the pooling of budgets), to make arrangements to safeguard children and promote welfare, and proposals for information sharing and Local Safeguarding Boards. The bill requires councils to appoint both a director and lead member responsible for children's services, with flexibility for councils to decide how this will be implemented locally. By 2008, councils and primary care trusts will have to establish children's trusts to co-ordinate local child welfare services - including health, careers advice, early years and possibly youth justice. There are already 35 pilot trusts in development.

## **7. Second Generation Public Service Agreements (PSAs)**

7.1 The main developments from the current PSAs for second generation PSAs (in East Sussex this would run from April 2006 to March 2009) are:

### Focus on local priorities for improvement

7.2 An authority's choice of coverage for targets will depend on the priorities for improvement locally. Priorities will be derived from evidence, such as the community strategy and the improvement plan following from the Comprehensive Performance Assessment. What matters most is that central and local government and all relevant partners agree that the evidence points to the identified areas as the priorities for improvement locally through the local PSA, and that they can all work together to achieve the agreed outcomes.

7.3 The East Sussex Strategic Partnership (ESSP) were involved in developing the targets for our first PSA so this development for round two, will already be familiar to East Sussex.

### Focus on partnership working

7.4 There will be a requirement to involve districts and boroughs formally and again this was something East Sussex did in round one.

### Better partnering by central Government

7.5 The experience of the first round of PSAs showed that government departments found some difficulty in responding creatively, which discouraged authorities from devoting more effort to proposing radical ways of improving performance. Ministers want departments to renew their efforts more broadly, so that authorities are prepared to make proposals that will bring about much greater improvements in performance on the priorities for improvement locally.

7.6 Significant improvements in performance usually need a marked change in the way a service is delivered, rather than "more of the same". At their best, the original local PSAs showed what could be achieved through innovation. The Government is keen to encourage fresh thinking that will bring about such improvements. It is, again, asking authorities to identify

freedoms and flexibilities in statutory and administrative arrangements that would make a much greater improvement in services possible.

### Improvements covering a wide area

7.7 In a few services, such as public transport in conurbations, authorities have felt that substantial improvements are possible only if there is concerted action across several authorities' local PSAs. The second generation of local PSAs will experiment with arrangements that would make such targets possible, notwithstanding some practical difficulties related to timing.

### Improvements over time

7.8 The original local PSAs tended to focus on performance in the final year of the agreement. Experience has shown that this is not always the best focus. The total performance over the period of an agreement may often be more relevant and representative of what has been achieved for people. In addition, sometimes performance over a longer period may be a better focus, where the benefits of radical improvement will not be seen quite so soon. Proposals that are more varied in timing could be considered in piloting the second generation of local PSAs.

## **8. Community Planning**

8.1 The Local Government Act 2000 requires all local authorities to work in partnership to produce a Community Strategy to improve the economic, social and environmental well-being of their local area.

8.2 The six Local Strategic Partnerships (LSPs) in East Sussex (one for each district and borough and one countywide) have produced community strategies for their area and most are in the implementation phase.

8.3 Community strategies are being used increasingly to measure the performance of local authorities in terms of sustainable development and community leadership and will be a key factor in future Comprehensive Performance Assessment.

## **9. Local Public Service Boards**

9.1 The idea of Local Public Service Boards (LPSBs) has been developed through the Innovation Forum of "Excellent Councils, and is aimed at producing 'LSPs with teeth'. Although the idea has been discussed with Government, it has not been endorsed by it. It would, however, fit with ideas for devolved decision making. There is no single model for such boards, but a recent prospects produced by the LGA and IDEA suggest a number of key elements which could be brought together to achieve stronger partnership working in an area. These include:

- drawing up, negotiating and delivery of a set of localised targets linked to national and local priorities (normally in the form of a LPSA or potentially a local area agreement), within the wider framework of the local community strategy;
- bringing together the key decision-makers in a geographic area, in a way that is visible, meaningful, and accountable to local people and which delivers improved public services;
- overseeing public expenditure in the locality, and to manage relevant budget streams through joint planning and resource allocation, for the better achievement of shared priorities and more efficient service procurement;
- the exercise of a leadership and governing role, identifying and articulating the needs and aspirations of local people, reconciling competing interests, steering collective partnership capacity, and harnessing community support for an agreed set of goals; and
- acting as an agent for the transformational change to embed new forms of public service delivery

9.2 Core membership of the board would include those with executive decision-making responsibilities for the allocation and management of major public expenditure streams within the geographic area in question. There will be variable factors that determine this, including the population size of the area, co-terminosity with other agencies' boundaries, and whether local government in the area is single or two-tier. The involvement of the not-for-profit and community sectors would build on experience to date, seeking to embed what has worked well but also to recognise that the 'one-size fits all' approach to models of community engagement has its limitations. LPSBs will need to work within the strategic framework set by a broader and inclusive LSP, with a variety of means of ensuring effective community engagement. The board will therefore need to be of a manageable size, and with a broad parity in what board members would bring to the table in terms of resources, decision-making powers, or other influence within the locality. Chairing of board meetings would be a matter for local decision, but there would be an expectation that the leader of the council would undertake this role (at upper tier level in two tier areas).

## **10. Five year strategy for children and learners**

10.1 The Government has announced its five year strategy for children and learners which on the face of it will take more schools out of local authority control. The main points of the review by education sector are set out below.

### Early years and primary education

10.2 The strategy introduces a range of initiatives on early years and primary education, many of which are already proposed or in place. These include: Children's Centres, offering a one-stop shop for childcare, education, health, employment and parenting support; a flexible system of 'educare' that joins up education and provides some free support for three and four year olds before they go to school, with more choice for parents about when they use it; the development of dawn to dusk schools, with breakfast childcare and after school clubs and Children's Trusts, bringing together all those who provide services for children and families in each local area. The strategy also proposes more primary schools to work together in networks to support each other, challenge failure, and help to improve each other. Poor schools are to be turned around quickly or closed.

### Secondary education

10.3 The strategy proposes guaranteed three-year budgets for every school from 2006, geared to pupil numbers, with every school also guaranteed a minimum per pupil increase each year. Whilst these budgets will be delivered through Councils there will be no local discretion over the allocation of the total resource to schools. It is not clear to what degree there will be any local element to the funding formula.

10.4 Every school will be able to become a specialist school with a mission to build a centre of curriculum excellence. High-performing specialist schools will have the chance to become training schools or leaders of partnerships; those without sixth forms will have new opportunities to develop sixth form provision.

10.5 All secondary schools, except those which are failing, will be able to own their land and buildings, manage their assets, employ their staff, improve their governing bodies, and forge partnerships with outside sponsors and educational foundations. Schools will be able to exercise this right by a simple vote of their governing body, following a brief period of consultation. A strict national requirement for fair admissions will remain; and no extension of selection by ability, which denies parents the right to choose will be allowed. There are question marks around issues such as whether the debts attached to assets – such as private finance initiative for new builds – will be transferred to schools as new owners, and a wide range of issues surrounding insurance and indemnity.

10.6 More places will be provided in popular schools. There will be no 'surplus places rule'. All successful and popular schools may propose to expand. The Government has introduced dedicated capital funding and rules to encourage this, and to allow expansion in all but

exceptional circumstances. There will be a fast-track to expansion so there are more places in popular schools, and the Government will mandate competitions for new schools which will enable parents' groups and others to promote schools, including smaller schools. This will enable successful schools to establish and manage entirely new schools and federations. However, individualised admission policies risk more parents not being able to get children to their local schools or school of choice.

10.7 A 'new relationship with schools' is proposed to cut the red tape. Inspection, accountability and intervention to tackle failure will continue, but it is proposed that they will be of high quality and involve minimal bureaucracy. The Government proposes halving the existing inspection burden on schools, without scrapping the expectation that schools must constantly improve and will replace the existing system of council 'link advisers' with a single annual review carried out by a 'school improvement partner', usually a serving headteacher from a successful school. In cases of failure, intervention will follow as necessary. High-performing schools will only undergo the formal review once every three years.

10.8 The strategy proposes 200 independently managed academies will be opened or in the pipeline by 2010 in areas with existing secondary schools that are inadequate. Some will replace under-performing schools; others will be entirely new, particularly in London where there is a demand for new school places. The Government expects around 60 new academies in London by 2010.

10.9 The strategy also proposes refurbishing or rebuilding every secondary school to a modern standard over the next 10 to 15 years. 'Building Schools for the Future' aims to give every school buildings, facilities and information technology. It also aims to drive reform in each locality, including the expansion of popular schools, the closure of failing schools, and the establishment of new schools and sixth forms.

10.10 Foundation partnerships are proposed to enable schools to group together to raise standards and to work together to take on wider responsibilities – in areas such as provision for special educational needs or hard-to-place pupils. This new system of independent specialist schools will be underpinned by a "new role for councils", as champions of parents and pupils, acting as strategic leaders of education in their area - (a role Councils already perform under the Local Government Act 2000).

10.11 Many aspects of the strategy are actually already in place and, of course, there will be a General Election before many of the new elements are enacted, and that might lead to other policies being established.