



# Pacing Lyons

Forecasting the Shape  
of Local Governance

Challenges to the Local State

The New Local Government Network is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of our programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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## Pacing Lyons

### *Forecasting the Shape of Local Governance*

In July 2004 Sir Michael Lyons began a major inquiry into the funding of local government. In September 2005 the inquiry was expanded to cover the role and functions of local government. Sir Michael will report at the end of 2006.

The extension of Sir Michael's inquiry has converted it into the central mechanism analysing the long term design of not only local government but also all other locally delivered public services and state policies. Not since 1976 has any assessment of local government had so wide a remit supported by such high expectations. The 1976 Layfield inquiry is still discussed in local government circles today.

The Inquiry will have a major impact on the political landscape. It could have implications for issues including the survival of county councils, the taxes used to fund councils, how councils deliver services and the rules governing relationships between councils and other bodies including the health service, police, job centres and economic development agencies such as RDAs and Business Links.

NLGN has therefore embarked on the ***Pacing Lyons: forecasting the shape of local governance*** policy project to feed into the Inquiry's findings and recommendations. This project is supported by PricewaterhouseCoopers.

Between January and June 2006, we are holding a series of high level seminars with presentations from key players in local government and Whitehall. Combined with other research, the outputs from these seminars will be the basis for an integrated package of recommendations to the Lyons Inquiry. Both the output of our work and the process of developing policy will be used as a platform to intervene in the growing debate on the future of local public services.

This research findings document represents NLGN's first submission. NLGN will be using each seminar to issue discussion documents addressing key aspects of the debate.

New Local Government Network was founded in 1996 by a group of senior local government figures whose aim was to make local government more relevant and credible to local people.

A non-profit making, independent think tank, NLGN seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is also the primary advocate of New Localism.

NLGN works closely with individual local authorities, national agencies, central government and the private sector to promote ideas about how our objectives can be achieved in practice. For more information, please visit [www.nlgn.org.uk](http://www.nlgn.org.uk).

## 1 Introduction

At the heart of the Lyons Inquiry lies a political question: what is the ideal role of local government in a new constitutional settlement? Evidence can show us that some answers to this question are less realistic than others, but in the end someone will have to take a political decision about the type of public services and the form of democracy that England wants.

Before we reach that political judgement, the central challenge is to use evidence to discard the unrealistic strategic choices on offer. One type of evidence that is rarely considered in Whitehall policy making is evidence from the future. Like old generals preparing for the last battle, policy is too often made to solve yesterday's crisis.

NLGN's work on the Lyons Inquiry began by trying to future proof our research. Of course, the problem is that the future is not yet available to be investigated. There can be no certainty about the future, only greater awareness of possible futures. Despite the challenge it is possible to map a landscape of likely pressures on future governments that can inform a specific question such as: *'what should be the future role and functions of local governance?'*

NLGN used background research and expert discussion to try to identify some of the most important future demands on the local state. We brought together evidence of three kinds. Firstly, we accessed research focusing on expected changes in society and their implications for future demands on the local state. Secondly, we used research emphasising continuity in social behaviour that is likely to create limitations on the future role and functions of local government. Lastly, we looked at the government's policy agenda described in white papers and five year plans. Whatever their merits, the momentum of existing policies will constrain and influence the types of reform possible over the next decade.

We used this evidence as the basis of exploratory discussion with key stakeholders in an attempt to 'future proof' our thinking on the role and functions of local government. This process has unearthed important insights. We believe that incremental proposals for strengthening local government, or a desire to play safe by central government, are unlikely to survive the wave of social and economic change that is fast approaching the United Kingdom.

## 2 Future Demands on Public Services

Public service priorities are changing in three ways:

- *More services depend on multi-agency working to deliver successful outcomes.* Supporting independent living for older people is increasingly a multi-agency challenge. Between 2001 and 2011 it is expected that the numbers aged over 60 needing care will rise by 11% to 5m.
- *More services depend on the active participation of the service user.* The government green paper, *A new deal for welfare: empowering people to work*, seeks to find jobs for 1m people on incapacity benefit cutting claimants from 2.74m to 1.74m. This can only happen with the active involvement of those seeking work. Local government leadership has been identified as crucial to success.
- *Services implementing collective choices about public goods are moving up the political agenda.* LGA research identifies street scene services as having the highest impact on public attitudes to their councils. The *community call to action* will further engage councillors with police in regulating public space. Both depend on creating a local consensus for individuals' public behaviour.

The policy responses to these drivers will be required to become ever more effective as the challenges deepen and widen. By 2014, elders will outnumber children, reaching 11m by 2014. Meanwhile, numbers of people aged 25-49, the core years for work, will fall across every region of England. While trust in neighbours has declined in recent years, the numbers living in single person households is on track to reach 7.8m by 2016.

The challenges facing public services are becoming more complex. At the same time their variation by locality is increasing:

- In 2004/5 government share of GVA (a close approximation of GDP) was 58.7% in the north east region of England, but only 34% in London. This is the gap between east Asia and east Germany.
- At local authority level differences between populations are increasing; for instance, Dorset now has 36% more elders than the national average.
- At the neighbourhood level the government's *neighbourhood renewal programme* is built around 88 unusually deprived areas, often located next door to the wealthiest parts of the same city.

Long term trends show that variation by geography is increasing. While government policy seeks to reduce factors like wealth inequality, other aspects of variation reflect personal choices on lifestyle and values.

The Lyons Inquiry will have to develop its recommendations to meet the future challenges of the England that is emerging. The local state must be able to handle an exponential increase in the complexity of the demands that are made on it. These more complex demands look set to vary in an ever more complex mosaic of neighbourhoods, communities and regions.

The managerial challenges to the role and functions of local government are immense. But they are only part of the future challenges that we must meet.

### 3 Future Political Pressures on the Local State

Just as the challenge of delivery becomes tougher, so the task of gaining consensus and legitimacy for action by the local state is becoming still harder.

Voter turn out at local elections is below 35%. If local elections follow national trends, they are set to fall still further. Research for the Lyons Inquiry has already shown that people are confused about who does what at local level – and about who pays for what. Future demands on public services, bringing more partnerships and more local variation in demand, will inevitably intensify these confusions. A central component of any reform therefore must be greater clarity.

Confusion is not an argument for less democracy or less local control. Indeed, other polls suggest that 40% of people feel they can influence local decisions – double the figure for national government. However, 82% of people want to be listened to more by political leaders and 25% want to participate in public decision-making. The question is why only 2% actively participate.

Neither voting, nor participation, are meeting public demand for engagement. Yet the task of gaining legitimacy for decisions by the local state becomes more important as both deference and people's trust in their neighbours decline.

If these trends were to overlap with a rapid rise in the relative importance of public goods, like clean streets or safer communities, then problems with collective decision making in public services could trigger a crisis of legitimacy.

It is in local government that most initiatives to rebuild public involvement are to be found. Councils have widespread experience of soaring participation rates in the face of perceived threats to people's surroundings; like mobile phone masts, or waste management sites. NLGN discussions have produced examples where councils have

harnessed this degree of public involvement to set up neighbourhood forums driven by a desire to create safer public spaces. Citizens' juries have been used by councils and their decisions attract higher rates of acceptance by local people.

If these initiatives expand to address concerns about legitimacy in today's world, what will be the implications for party politics in the future? NLGN has received evidence of both the impact that party politics has on shaping an area in distinct ways and also of the decay of political engagement through the party model.

Just as delivering public services is becoming more complex, so too other evidence suggests that it is becoming ever harder to gain legitimacy for the decisions made about service delivery. Changes in society are making public service delivery ever more dependent on public acceptance. For this reason, a transformation in the clarity and legitimacy of local political accountability may be as vital to the management of the local state as it is to the future health of our democracy.

## 4 Lessons for Lyons

When thinking through possible future challenges to the local state, we believe that some issues stand out. It has not taken a crystal ball to discover that the challenges are large. The risk is that fear of failure will lead to reforms that are too timid for the scale of social change we are beginning to see.

Rapid rises in the complexity of public service delivery accentuate the need for more joined up services. Local variation in public preference and individual need mean that joining up will have to happen at local level. This has major implications for the public service framework:

- Greater freedom to join up locally, requires managerial scope for local public service partners. Greater scope for local organisations will require central government to reduce its prescriptions and performance controls.
- Yet different tasks depend on different partnerships. This suggests that if there ever was an era in which one ideal scale for organisations could be found, it is lost in the past. In the future, boundaries will always be complex. Greater skill in managing boundaries will be an essential competence in future public service.
- The decline in legitimacy could reach a crisis in the next ten years. Future proofing reform means strengthening the connection between citizens and the local state. Only a system that provides easily understood accountability can meet the more demanding futures that NLGN perceive.
- Making politics visible again and joining up more of the state at local level will in turn put greater pressure on the current financial system. A financial system that forces councils to look upwards to Whitehall, instead of outwards to the people, will fail.

These are major hurdles for Lyons to overcome. NLGN will investigate these issues in greater detail as we progress our *Pacing Lyons Inquiry*. The scale of these challenges raises two more obstacles to success that must be brought into the debate on the Lyons Inquiry.

The reforms needed to manage our more complex society imply far greater devolution from Whitehall. This in turn raises questions about the future role and structure of Whitehall:

- Changing the role and functions of local government should lead to at least as much change in Whitehall as in the town hall.

As Whitehall slims down, local government must develop a greater capacity to meet this more challenging agenda. Yet, over the next ten years, the private sector is expected to increase its demands for skilled managers and professionals by 2.2m staff. At the same time, a generation of senior public sector managers will be retiring. The Lyons Inquiry could succeed in all its objectives, only to fail for lack of staff:

- If local government is to rise to the challenge of managing in a more complex and less certain world, then it must learn to compete with the best of the private sector by offering the most exciting careers to the most talented people.

It is clear that an enduring settlement on the role and functions of local government is the key to delivering much wider reforms of public service and democracy in the United Kingdom. Both central and local government may pay a heavy price if they lack the ambition to rise to this challenge.

## Publications in this Series

The policy project *Pacing Lyons: forecasting the shape of local governance* will produce a number of papers in 2006, of which this *Challenges to the Local State* paper is the first. This series will be broken into the following six areas:

- Challenges to the Local State (April 2006)
- Strategic Leadership of Public Services
- Local Political Accountability
- Guarantees for Devolution
- Funding Autonomy, Innovation and Improvement
- Final Recommendations

These papers will be available in various format. Please visit [www.nlgn.org.uk](http://www.nlgn.org.uk) for further information.

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