

Social Research Association Summer Event 2012:

Analytical Issues Posed By Localism

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June 2012

Localism / decentralisation at the heart of Coalition programme: Every domestic department taking forward localist reforms



Neighbourhood Policing



Introduction of Free Schools



Setting up Neighbourhood Councils



Local Enterprise Partnerships

But what does it mean?

Localism

Is the ethos...

Doing everything at the lowest appropriate level and only involving central government if absolutely necessary

Big Society

Is the vision...

A society where people, neighbourhoods and communities have more power and responsibility and use it to create better services and outcomes

Decentralisation

Is the process...

Giving away power to individuals, professionals, communities and local institutions

Need to establish a common understanding of what is meant by process of decentralisation

There are 4 types of decentralisation:

- Political
- Administrative
- Fiscal
- Economic

Combination of 4 types normally required

The six essential actions of decentralisation



What are potential benefits?

Improving efficiency

Better local tailoring; greater context sensitivity; avoiding wasteful provision; increasing choice and competition.

Boosting growth

Improving the provision of public goods that drive growth; providing new incentives; removing local obstacles to growth; building social capital.

Improving well being

Revealing what people need and value; increasing the power to participate and exercise voice; ensuring accountability.

Stimulating innovation

Enhancing autonomy; increasing experimentation; providing a more resilient and permissive environment for trial, error and discovery.

Evidence from academia (e.g. CURDS study), economic theory (e.g. Stiglitz, Oates, North) and domestic/international experience (e.g. Personal Budgets and Swedish Schools)

And what are the potential risks?

Externalities and spillovers

If decentralisation is taken too far, costs and benefits for some groups could be ignored and optimal outcomes not achieved (e.g. transport and planning).

Diffusion of accountability / loss of VfM pressures

If accountability becomes misaligned from control over resources, pressures to secure value for money may be removed.

Provider failure

Greater choice and competition could lead to exiting providers creating unacceptable disruptions to public service delivery.

Geographic Variations

Localism may mean variations across communities in how services are provided, sometimes referred to as 'postcode lotteries'. However, there are various mitigation measures that can be used to counter this.

Loss of economies of scale

Centralised systems can harness economies of scale through standardisation, bulk purchasing, etc. that may be lost under decentralisation.



If the benefits are to be realised and risks minimised, a number of issues need to be addressed

If localism and decentralisation are to be implemented successfully, four key issues need to be addressed



1. Subsidiarity: Determining the lowest appropriate level at which decisions should be taken or services provided

2. Accountability: Maintaining accountability to ensure power and responsibility are aligned and pressures exist to deliver value for money

3. Incentives: Putting in place the incentives needed under localism to ensure growth and the delivery of efficient and effective public services

4. Evidence-based decision making: Ensuring local decisions are taken with due regard to the evidence base

Determining the lowest appropriate level rests at the heart of decentralisation



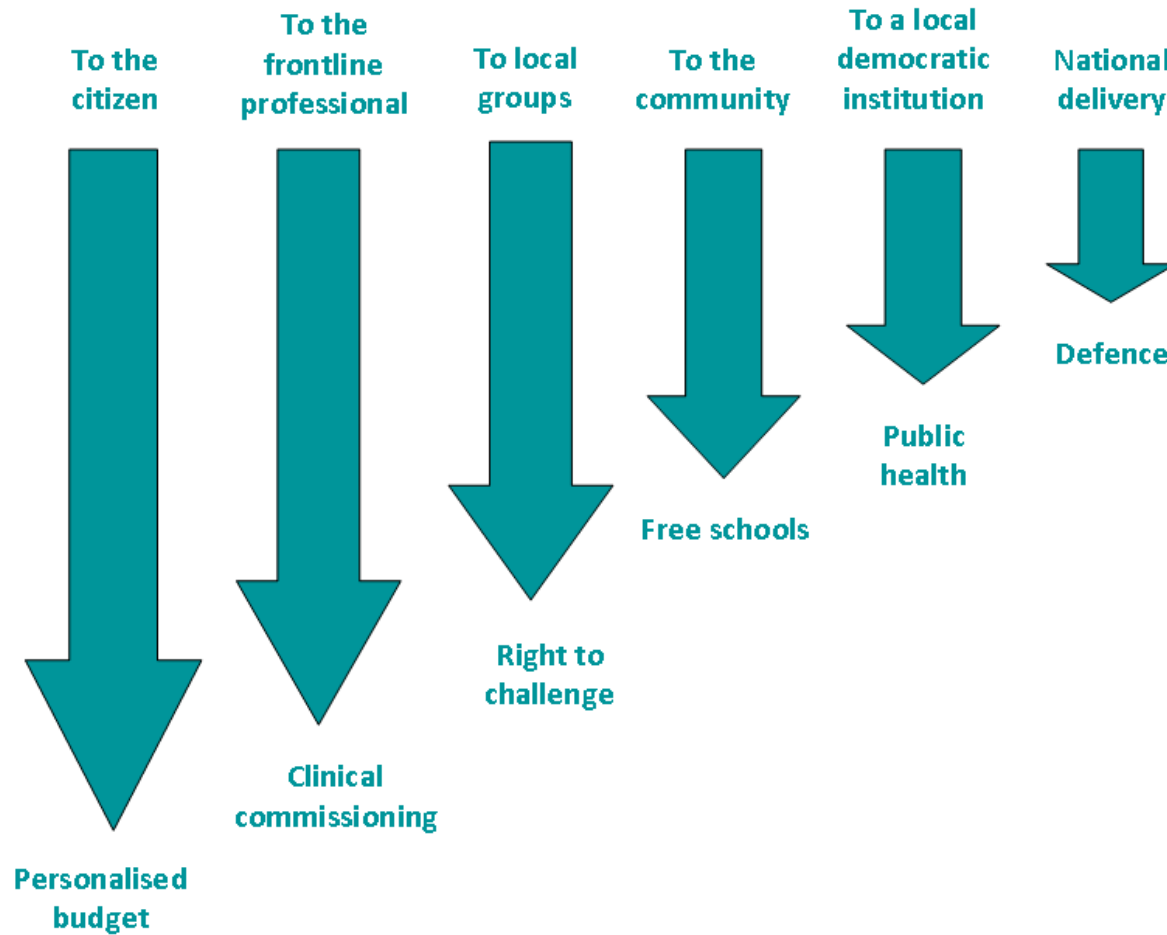
1. Determining the lowest appropriate level at which decisions should be taken or services provided (the subsidiarity question)

Power and accountability should always be aligned at the same level, so that responsibility comes with the power to act and vice versa.

Levels may be different, in different parts of the country, for different services, and for different aspects of the same service.

Need to trade off advantages of local proximity and accountability, against spill over effects of costs and benefits across areas (e.g. Local Enterprise Partnerships)

A range of different levels can be decentralised to:



Source: Open Public Services White Paper

If value for money is to be secured, decentralisation needs to be accompanied by strengthened local accountability



2. Maintaining accountability under localism - ensuring power and responsibility are aligned and pressures exist to deliver value for money

Evidence shows accountability can be shifted to lower tiers of government when it is well publicised and there is a name and face to 'absorb' responsibility.

Transparency is essential – benefits include informed public services choices, better debate, identifying waste, and a deterrent to fraud and corruption.

For choice / competition to be effective: Users must be aware choice is available; have access to information on providers; and have the capacity to choose. Providers must have the right incentives to attract users, have an effective rationing mechanism if there is excess demand and be able to enter and exit.

Overall it is the interaction of local accountability mechanisms that is key to securing value for money, rather than a single lever operating in isolation.

In the absence of top down controls, new incentives to ensure growth and efficient outcomes will be essential

3. Identifying the incentives needed under localism to ensure growth and the delivery of efficient and effective public services

The characteristics of a good incentive can be grouped into two broad areas: 1) effective at changing behaviour and 2) minimising distortions.

Incentives need to use measures that providers can influence, reward decisions on the margin, and minimise opportunities for output distortion.

Measured outputs need to take account of differences between users to avoid “cream skimming” where people are selected with high levels of target outputs, rather than those who would benefit most.

4. The implications of localism for evidence based decision making / the role of analysts

System design: Designing localist systems that maintain a focus on value for money and ensure central and local accountability.

Putting in place national frameworks to support local evidence-based decision-making: Collecting and disseminating data, helping local areas understand what works and making sure analysis is used efficiently (i.e. collect evidence once and use many times).

Acting as a critical friend: Providing support, advice, capacity and capability to locally led work and initiatives.

To tackle the issues colleagues from across departments, professions and disciplines are coming together:



E.g. How to ensure value for money under localism and the appropriate design of incentives



E.g. What evidence exists on how localism can change behaviours once central controls are removed



E.g. How more open information and data can be used to promote transparency



E.g. Helping build links to research bodies and develop / revive established research networks



E.g. Working with senior policy professionals on localism through engagement with the Director General Group on Localism

For further information contact:

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