The Fourth Option: Traditional Values in a modern setting?
A policy review for FOSIG

Produced by the Tavistock Institute for the Fourth Option Special Interest Group (FOSIG) July 2007
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1. INTRODUCTION

The need to secure further efficiency savings as a result of the current comprehensive spending review. The challenge of securing more devolved and engaged local government. The continuing emphasis on partnership working and a new relationship between Whitehall and localities.

These are three key challenges and opportunities currently facing local councils. Councils in shire areas face a fourth issue: the consequences of the wide recognition that the status quo in terms of governance in so-called two tier areas is not an option. Some areas face reorganisation and some are pursuing pathfinder status to improve two-tier working. The rest are also being encouraged to improve the way they work.

These challenges raise particular issues for those councils with a population below 85,000 which took advantage of the fourth option in the Local Government Act 2000 and operate with a streamlined committee system. (In this report we will refer to these councils as Fourth Option Authorities – FOA)

Some of these councils look set to be abolished as a result of reorganisation. Some may be encouraged to merge with their neighbours. Others will have to develop ways of collaborating more closely with other councils with different political structures. The pressure for more engagement and devolution will put the claim that FOAs are ‘closer to local communities’ at centre stage.

All councils in shire areas face change, and in these uncertain times the FOAs face two key tests:

- Can the Fourth Option model help to secure more engaged and devolved local government?
- Does the fourth option model hinder collaboration between councils vertically and horizontally and with partners?

This briefing note, based on research carried out by the Tavistock Institute for the Fourth Option Special Interest Group (FOSIG) of the Local Government Association, explores the position of FOAs in this context. It:

- Reviews their current performance against a number of indicators;
- Comments in more detail on the implications for them of the current context;
- Suggests some next steps for these councils to pursue in the context of the current policy debate.
2. HOW ARE FOURTH OPTION AUTHORITIES PERFORMING?

By definition FOAs comprise many of the smallest councils in England. They have very limited corporate capacity and are widely perceived to suffer from diseconomies of scale. They have decided not to pursue other forms of political management, such as the mayoral or cabinet models. These were promoted by the Government to generate more public involvement and engagement in local government by making the political leadership more transparent and visible.

In this context the Institute compared the performance of FAOs with other district councils (operating mayor or cabinet models) on the public satisfaction BVPI, the Audit Commission’s use of resources assessment and CPA scores. We also looked at electoral turn out. The comparisons are set out in Figures 1, 2, 3 and 4.

Figure 1: Best Value Performance indicators (BVPI) satisfaction 2006/07

![A comparison of the percentage range of BVPI overall satisfaction with Fourth Option authorities and larger (executive) district councils 2006/07]


Figure 2: Average voter turnout in Local elections 2003-04

Voter turnout in local elections 2003-04
Fourth Option Authorities - 39.3%
Larger District Councils (executive arrangements) - 38.3%

Source: Requested from the DCLG 2007

On public satisfaction and use of resources the performance of FAOs is broadly comparable with that of other district councils. This conclusion is more significant than it may at first appear. It suggests that the political structure these councils have chosen to adopt has not undermined their performance in two important areas. In addition, the electoral data for 2003-04 shows that these councils have had a slightly higher turnout than other district councils. This analysis may justify concluding “if it
aint broke don’t fix it”. But before doing so, it is important to consider the wider context.

**Figure 3: Use of Resources 2006**

![A comparison of Fourth Option and larger district authority use of resources scores 2006](image)

Source: The Audit commission (2007)

**Figure 4: Comprehensive Performance Assessment scores 2003/04**

![A comparison of CPA scores for FOA and larger (executive) district councils 2003/04](image)

Source: The Audit Commission website for the CPA (2007)

First the CPA results. There are concerns among FOSIG members that the CPA process does not reflect the particular nature of these councils, but the results do need to be taken seriously. They show that while the proportions of FOAs in the good, fair and weak categories are broadly similar to other district councils, there is a smaller proportion of excellent FOAs and a larger proportion of weak ones.

This is a warning note which FOSIG and its members should take seriously. One hypothesis is that FOAs lack the capacity and/or capability to improve from a very low base or to shift beyond competence into excellence.
Second, while the evidence undoubtedly suggests that these councils’ performance on two key indicators has not been undermined by their political structure, the evidence does not shed any light on whether the structure they have chosen positively supports their performance.

In considering this issue it is important to acknowledge that a number of factors can influence the performance of a council. It is about more than structures; and it may well be that FOAs have characteristics other than their political structure which are influencing their performance.

As part of its research the Institute interviewed Chief executives and officers from a number of FOAs. As a result some factors which could be relevant to this issue were identified. They include:

- **The importance of effective managerial leadership**: some senior officers are skilled at working with and getting the best out of the streamlined committee system.
- **The importance of political leadership.** Three dimensions to this were highlighted in the Institute’s interviews:
  - The effectiveness of any committee hinges on the quality of the chairing; this is particular significant for the effective political management of FOAs;
  - The focus of councillors is critical: maintaining an outward focus, to local communities is crucial. How this is achieved without a clearly defined executive responsible for the political management of the council is a key issue;
  - The relationship between the political and managerial leadership is crucial in all councils, and different dynamics will be involved in FOAs compared with other councils.
- It is significant that a number of councils whose officers were interviewed by the Institute are **reducing the number of committees** they operate: they are becoming more streamlined.
- The absence in FOAs of a clear distinction between those members who are in the cabinet and those who are not means that the application of scrutiny to these councils must be different to those which have adopted the mayoral or executive model. But the **imaginative application of scrutiny** and overview to FOAs could well have an impact on their performance.

It is also important to acknowledge the arguments made in favour of the fourth option by its proponents. These are:

- That given the geography of many FOAs (sparse populations with many small communities) the direct link between each locality – each ward – and the decision-making process is important and is most easily met through the involvement of all councillors in the decision-making process;
- That the streamlined committee system is more transparent than the executive model. This view is challenged by the proponents of the executive model, but it is worth noting that:
  - A number of FOAs have no overall control administrations and a significant number of independent councillors: the fourth option model may be better suited to the dynamics of this situation;
  - A hard core of councillors – between 25 and 30% - are dissatisfied with whatever political structure their council has adopted.
3. **SO WHY CHANGE?**

There is a widespread perspective that those councils which adopted the fourth model did so because they are resistant to any form of change. This makes the answer to the question “if it aint broke, why fix it?” an important one.

In reviewing this question it is important to begin with the challenges and opportunities currently facing local government. They include:

- The forthcoming Comprehensive Spending Review. It will require further efficiencies from councils on a scale that cannot be delivered through “more of the same”.
- The emphasis on devolution beyond the town hall and on more engaged local government will continue. Putting the interface between frontline staff, local councillors and citizens-consumers at the heart of organisational design requires fundamental change.
- The notion of place-shaping as the primary task of local councils. This concept looks set to survive the government’s response to the Lyons report and, taken seriously, would involve the re-design of the local public service.
- The continued development of local area agreements, placing increasing weight on local strategic partnerships and public service boards, many of which are still fragile structures with difficult dynamics.

In addition councils in shire areas face the additional challenge of improving two-tier working. In some areas this will involve the creation of unitary authorities or improved working pathfinders. But the government has made it clear that the status quo is not an option – a view which is broadly supported by local councils and their partners - and councils in all two tier areas are tasked with the challenge of working together more effectively.

This set of factors have significant and particular implications for FOAs,

First, **the creation of unitary councils** will mean the abolition of some FOAs, The issue which these councils should be exploring is how their experience of working with communities at a local level can inform the design of the new councils and in particular the arrangements put in place for more devolved and engaged local government.

Second, **the pressures which look set to emerge from both the spending review and the need to improve two tier working** will lead to proposals for the merger of district councils in some areas. Where merger involves a FOA the new authority will have a population above the 85,000 threshold for the fourth option. This raises a number of questions:

- Should FOSIG be raising with the government the question of the applicability of the threshold in these circumstances, particularly where the FOA is performing well in comparison with the council with which it is merging?
- If this is pursued do FOAs have the evidence to support a case for the retention of the fourth option model by the new council?
- Or, if a new council pursues – or is forced to pursue – an executive or mayoral model, could the experience of the FOA council(s) inform the design of devolutionary structures within the new council?
Third, **FOAs will inevitably have to collaborate more with neighbouring councils and with partner organisations.** Sharing services is likely to become increasingly common and joint officer structures may be developed. The challenge for FOAs is to consider what implications the fourth option model has for these collaborations – how, for example, can councils with a streamlined committee system best link up with those with an executive model. Or – and this is probably a better question – how will the fourth option model need to be adapted to facilitate greater collaboration? Are there relevant lessons from those FOAs which have further streamlined their committee systems?
4. TWO KEY QUESTIONS

This analysis highlights the importance of the two key questions posed at the start of this paper:

1. Can the fourth option model help to secure more engaged and devolved local government?

2. Does the fourth option model hinder collaboration between councils vertically and horizontally and with partners?

The fact is that there is currently insufficient evidence to enable the Tavistock Institute or FOSIG to answer these questions. Yet the FOAs themselves are potentially in a stronger position. They have the potential to access evidence and to test new ways of working. Unfortunately, the limited use that many FOAs are using of the scrutiny process means that these opportunities, which could be crucial to the continuation of the fourth option, are not being exploited.

The overriding conclusions which can be drawn from the Tavistock Institute’s research and policy analysis are that FOAs should:

- Do more to share good practice in the use of the fourth option and test further refinements and adaptations of the model;
- Use the scrutiny process to examine the impact of these enhancements and to gather data to answer the key questions.

This creative use of the scrutiny process would have a further advantage. It would demonstrate that FOAs are prepared to adapt to changing circumstances. It would help to show that while they may be operating a traditional system, they are doing so in a modern setting.
5. APPENDICES

5.1. Appendix 1: Presentation to the FOSIG AGM June 6th 2007

Slide 1

The Tavistock Institute

Fourth Option Authorities: Traditional values in a modern setting
Perceptions and performance of the streamlined committee system

Phil Swann, Camilla Child & Julie Das
Introduction

• Our brief
• The empirical evidence
• Pressures for change
• Implications
• Discussion
Our Brief

- A better understanding of the perceptions and performance of Fourth Option Authorities (FOAs)
- To inform the development and the implementation of a strategy responding to the white paper
- Empirical evidence and telephone interviews with FOAs
The Empirical Evidence

- BVPI Satisfaction scores 2006/2007
- Electoral turnout 2003/2004
- Use of resources 2006
- The CPA 2003/2004
- Perceptions from the survey of councillors 2006
BVPI satisfaction

Overall satisfaction with the council 2006/07

A comparison of the percentage range of BVPI overall satisfaction with Fourth Option authorities and larger (executive) district councils 2006/07
## BVPI Satisfaction

### Similarities in other areas of satisfaction

#### 2006/2007

<table>
<thead>
<tr>
<th>2006/07 Average</th>
<th>Overall satisfaction with the council</th>
<th>Satisfaction with complaints handling</th>
<th>Satisfaction with cleanliness</th>
<th>Satisfaction with waste collection</th>
<th>Satisfaction with waste recycling (local facilities)</th>
<th>Sports/leisure facilities</th>
<th>Libraries</th>
<th>Museums/galleries</th>
<th>Theatres/concert halls</th>
<th>Parks and open spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BV 3</td>
<td>BV 4</td>
<td>BV 29</td>
<td>BV 30A</td>
<td>BV 30B</td>
<td>BV 119A</td>
<td>BV 119B</td>
<td>BV 119C</td>
<td>BV 119D</td>
<td>BV 119E</td>
</tr>
<tr>
<td>FOA Average</td>
<td>54.2</td>
<td>34.8</td>
<td>78.8</td>
<td>79.4</td>
<td>71.3</td>
<td>59.9</td>
<td>74.8</td>
<td>40.4</td>
<td>40.4</td>
<td>73.6</td>
</tr>
<tr>
<td>DC Average</td>
<td>54.4</td>
<td>34.8</td>
<td>68.9</td>
<td>78.8</td>
<td>71.3</td>
<td>59.9</td>
<td>74.8</td>
<td>40.4</td>
<td>40.4</td>
<td>73.6</td>
</tr>
</tbody>
</table>
Electoral turnout

- Voter turnout in local elections 2003-04 shows slightly higher/similar averages (DCLG)
  - FOA = 39.3%
  - DC = 38.3%

- The highest ranking Fourth Option Authorities 2003/04.

<table>
<thead>
<tr>
<th>FOA</th>
<th>% of voter turnout 03/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craven</td>
<td>54.1%</td>
</tr>
<tr>
<td>Wear Valley</td>
<td>51.8%</td>
</tr>
<tr>
<td>Mole Valley</td>
<td>50.7%</td>
</tr>
<tr>
<td>West Lindsey</td>
<td>48%</td>
</tr>
<tr>
<td>Penwith</td>
<td>47.3%</td>
</tr>
<tr>
<td>Daventry</td>
<td>47%</td>
</tr>
<tr>
<td>South Shropshire</td>
<td>46.5%</td>
</tr>
<tr>
<td>Tandridge</td>
<td>46.3%</td>
</tr>
<tr>
<td>Purbeck</td>
<td>45.3%</td>
</tr>
<tr>
<td>Corby</td>
<td>44.7%</td>
</tr>
</tbody>
</table>
Use of resources

Similarities in the ‘use of financial resources’ (DCLG) 2006

A comparison of Fourth Option and larger district authority use of resources scores 2006

<table>
<thead>
<tr>
<th>Score</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FOA %</td>
</tr>
<tr>
<td>2</td>
<td>DC %</td>
</tr>
<tr>
<td>3</td>
<td>FOA %</td>
</tr>
<tr>
<td>4</td>
<td>DC %</td>
</tr>
</tbody>
</table>

Key

4 = well above minimum requirements – performing strongly
3 = consistently above minimum requirements – performing well
2 = at only minimum requirements – adequate performance
1 = below minimum requirements – inadequate performance

Score

0 10 20 30 40 50 60
1 2 3 4
Percentage (%)
The CPA

CPA 2003/04, FOAs have less ‘excellent’ and more ‘poor’ but are similar in the other scores

A comparison of CPA scores for FOA and larger (executive) district councils 2003/04
‘Perceptions’ from the survey of councillors

Mixed results – 25-30% of councillors were dissatisfied with all types of executive changes

Table 2.13: Councillors’ views on the working of the new arrangements, by type of constitution

<table>
<thead>
<tr>
<th></th>
<th>Mayoral authorities</th>
<th>Leader-cabinet authorities</th>
<th>Alternative arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Significant improvement</td>
<td>6</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>The new system is a significant improvement</td>
<td>18</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>The new system is to some extent an improvement</td>
<td>17</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>The new system has made little difference</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>The new system has some disadvantages</td>
<td>18</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td>Introducing the new system was a regressive step</td>
<td>30</td>
<td>26</td>
<td>35</td>
</tr>
<tr>
<td>No experience</td>
<td>11</td>
<td>24</td>
<td>11</td>
</tr>
</tbody>
</table>

Note: Base: 661 (79), 670 (77%), 679 (76), 658 (76), 75
### BVPI Satisfaction Top 20 2006/07

<table>
<thead>
<tr>
<th>Top 20 FOAs</th>
<th>Overall satisfaction with the council %</th>
<th>Top 20 larger DC authorities</th>
<th>Overall satisfaction with the council %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christchurch Borough Council</td>
<td>72</td>
<td>Rushcliffe</td>
<td>73</td>
</tr>
<tr>
<td>North Cornwall District Council</td>
<td>67</td>
<td>Bally</td>
<td>69</td>
</tr>
<tr>
<td>Alnwick District Council</td>
<td>66</td>
<td>Erdington</td>
<td>68</td>
</tr>
<tr>
<td>Purbeck District Council</td>
<td>65</td>
<td>Guildford</td>
<td>68</td>
</tr>
<tr>
<td>Runnymede Borough Council</td>
<td>65</td>
<td>Derbyshire Dales</td>
<td>67</td>
</tr>
<tr>
<td>Brentwood Borough Council</td>
<td>64</td>
<td>New Forest</td>
<td>67</td>
</tr>
<tr>
<td>Adur District Council</td>
<td>63</td>
<td>Salisbury</td>
<td>67</td>
</tr>
<tr>
<td>Bracknell Borough Council</td>
<td>63</td>
<td>Canterbury</td>
<td>66</td>
</tr>
<tr>
<td>East Dorset District Council</td>
<td>63</td>
<td>West Dorset</td>
<td>66</td>
</tr>
<tr>
<td>Mole Valley District Council</td>
<td>63</td>
<td>West Oxfordshire</td>
<td>66</td>
</tr>
<tr>
<td>Rickle Valley Borough Council</td>
<td>63</td>
<td>Reigate</td>
<td>65</td>
</tr>
<tr>
<td>Rochford District Council</td>
<td>62</td>
<td>Nuneaton and Bedworth</td>
<td>65</td>
</tr>
<tr>
<td>Tandridge District Council</td>
<td>62</td>
<td>South Norfolk</td>
<td>65</td>
</tr>
<tr>
<td>Waverley Borough Council</td>
<td>63</td>
<td>Mid and West Berkshire</td>
<td>65</td>
</tr>
<tr>
<td>Tynedale District Council</td>
<td>61</td>
<td>Wychavon</td>
<td>65</td>
</tr>
<tr>
<td>Craven District Council</td>
<td>60</td>
<td>Basingstoke and Deane</td>
<td>64</td>
</tr>
<tr>
<td>Epsom &amp; Ewell Borough Council</td>
<td>60</td>
<td>Broadland</td>
<td>64</td>
</tr>
<tr>
<td>Forest of Dean District Council</td>
<td>60</td>
<td>Cambridge</td>
<td>64</td>
</tr>
<tr>
<td>North Warwickshire Borough Council</td>
<td>60</td>
<td>Exeter</td>
<td>64</td>
</tr>
<tr>
<td>Ryedale District Council</td>
<td>60</td>
<td>Taunton</td>
<td>63</td>
</tr>
</tbody>
</table>

The full list of FOAs and comparisons with 2003/4 scores has been sent to Lawrence Serewicz (FOSIG).
In the main the alternative arrangements do not hinder performance but there is no evidence to suggest they improve it
But the hard data hides the fact that….

Many factors affect performance generally:

• Effective management
• Quality of leadership
• Socio-economic context makes a difference
• Political context makes a difference
• Fewer committees frees members to undertake community based initiatives (with training)
• The CPA results might be a warning bell
• Scrutiny can be under used or not taken seriously
On the other hand..

The Fourth Option Authorities
• may provide transparency – fewer closed doors
• works in large sparsely populated areas as it provides equal representation for different wards localities and communities
• recognises the locality and its uniqueness
• all members have a stake in policy development and decision making – avoiding the executive versus the backbench issue
So if it ain’t broke, don’t fix it?
However

“The status quo is not an option”

Ruth Kelly et al.
Pressures for change

Reorganisation:
- The shift to unitary authorities in some areas means that some Fourth Option Authorities will disappear
- Good experiences from FOAs could help develop new arrangements in two tier reorganisation
Pressures for change

• There are expectations for improved two tier working
• CSRO7 may require efficiencies that can’t be made by ‘more of the same’
• Expectations for more engagement and devolution
• Place shaping agenda
Implications

This is likely to lead to:
• Mergers – 85,000 threshold
• Partnerships
• Shared services
• Streamlining committees further
Implications for Fourth Option Authorities

Two key tests:

• Can the Fourth Option Authority model help deliver more engagement and devolution?

• Will the FOA model hinder collaboration between councils (vertically and horizontally) and with partners?
Recommendations for FOSIG

- More research evidence needed to increase understanding of the two key tests
- Share best practices
- Be prepared to make some changes now (use of pilots)
- Demonstrate a willingness to use scrutiny creatively, proactively and as a policy development tool
Discussion of the key tests & recommendations
Discussion points

- Can the Fourth Option Authority model help deliver more engagement and devolution? (How can FOAs exploit the notion of equal representation to deliver more engagement and devolution?)
- Will the FOA model hinder collaboration between councils (vertically and horizontally) and with partners?
- Do FOAs encourage leadership by having a number of committee chairs in a way that the executive/cabinet model does not?
- Are there already examples of using scrutiny creatively, proactively and as a policy development tool?
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