



ENGLISH DEVOLUTION

LOCAL SOLUTIONS FOR A SUCCESSFUL NATION

AN OFFER OF PARTNERSHIP WITH GOVERNMENT

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EXECUTIVE SUMMARY

The new Government has set out a long-term agenda for economic and social reform. This paper sets out local government's offer of a new partnership with Government to tackle the big challenges facing our country and secure a bright future for all.

Through its proposals for devolution in England, the Government has already recognised the principle that national prosperity can be enhanced by vibrant local democracy, as councils work with residents and businesses in their communities to provide the services people need and expect. Residents are confident that local government can take on this challenge, with more than seven out of every 10 people saying they trust councils most to decide how services are provided in their area.¹

We have a strong track record to build on. City Deals and Growth Deals have boosted local civic and business leaders' ability to promote growth in their areas. Initiatives such as Community Budgets, Our Place, Troubled Families, and the Better Care Fund have shown that breaking down traditional public sector bureaucracies and instead focusing on residents, on what they need and how they need it, means a better service for them, at a reduced cost for the taxpayer.

It is now common ground that the people of all nations in the UK are due a stronger say in the decisions that affect their lives. The focus on new powers for Scotland and Wales recognises that the old way of centralised control is no longer appropriate; there are important questions being asked about what these changes mean for England in Westminster.

But to think solely in terms of the West Lothian question, or of only devolving power to Cardiff Bay, Holyrood and Stormont is to miss a huge opportunity. Proper devolution, shifting power beyond central control to the local level where it is closer to the people, will give us a far better chance of achieving our ambitions for the UK. In fact, it is the only way to make a reality of the stronger, more prosperous nation we aspire to in the context of financial constraints and increasing demand on our public services.

Over the past year, three independent commissions, made up of renowned business leaders, economists and other experts have taken a hard, dispassionate look at what needs to be done to ensure that Britain's economy stays globally competitive and public services are sustainable.² All three came to the resounding conclusion that devolution is the most effective way to create jobs, build homes, strengthen healthy communities and protect the vulnerable in all parts of the country. Together, they make a compelling case that the United Kingdom

stands to benefit from devolution to all places, from our great cities to the powerful engines of our economy in non-metropolitan areas. To that end, the Chancellor's offer to cities of greater control over local transport, housing, skills and healthcare and the extension of deals to towns and counties is a major step forward.

Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.

This paper therefore aims to open discussion on the shape and extent of an ambitious new local/central partnership. This should be based on clarified and mutually-respected roles and local government's offer to play its full part in creating a devolved solution that will realise the new administration's national vision.

The paper sets out:

- **Why devolution matters:** We outline the benefits of devolution for the democratic process, long-term prosperity, savings for the public purse and outcomes for residents.
- **The principles to sustain devolution:** We bring a unity of purpose from local government leaders from England, Scotland, Northern Ireland and Wales which sets out the renewed principles of British local democracy to which we can all aspire.
- **A road map to follow:** We detail the decisions over the course of the Parliament, including the first Queen's Speech and Comprehensive Spending Review to help deliver reform.
- **How to make devolution work well:** We set out proposals that will strengthen accountability and governance of any new system.

Our aim is to embark on this major reform agenda in partnership – to harness the power of local and national government for the benefit of our residents. Now is the time for bold solutions to help revive local democracy, strengthen our nation and deliver better and more efficient services both for the course of this next Parliament, and for the parliaments to come.

1: THE BENEFITS OF DEVOLUTION

By working together to strengthen our country from the ground up, central and local government can:

- **establish a fair settlement for England**
 - **reinvigorate our democracy**
 - **deliver £11 billion in savings for the public purse through radical reform**
 - **generate at least £80 billion in growth and 700,000 new jobs**
 - **build half a million new homes.**
-

The new Government has set out a long-term agenda for Britain. Amongst other aims it is committed to delivering a truly national recovery that benefits all parts of the country by building a northern powerhouse and improving connectivity. It plans to create two million new jobs and three million new apprenticeships, ensure that people can grow old in comfort and dignity by integrating health and social care and build more homes that people can afford.

This agenda must be set against the context of a challenging financial environment, increasing demand on public services and questions around civic engagement with the whole political process. Moreover, since the Scottish referendum, how and where decisions are made is now of much greater importance to the public. This is especially true in England.

Crucially, the Government has recognised that more powers and responsibilities need to be devolved to English cities and non-metropolitan areas as a way of delivering its aims while addressing these challenges. We welcome this. It is important that both central and local

government jointly recognise that change is needed in the way in which public services are delivered, designed and commissioned. Devolution to sub-regional areas in England can also be the key to addressing the constitutional complexity of modern Britain.

Report after report over the last year has set out the range of benefits to the nation of greater responsibility and powers not just for our major cities, but also for our non-metropolitan areas. The voices of academics, businesses and communities are united in the view that devolution can deliver:

- more sustainable public finances
- a stronger economy and long term prosperity
- a fair settlement for all parts of the United Kingdom.

Sustainable public finances

We are now halfway through a decade of significant public spending reductions while service pressures continue to mount. Local and central government have worked hard over the past five years to manage austerity while protecting front line services. With the squeeze on public spending set to continue and increasing public demand for personal social services, the approach that has so far largely succeeded is no longer sustainable. Instead, there is an alternative to both protect services and use money more efficiently through local public service reform that brings together services at the local level based on local needs and choice.

The LGA's 'Investing in our nation's future' identifies costed proposals for £11 billion of savings to the public purse that could be realised over time only through a programme of devolution and service integration.³ By enabling public service transformation, our local areas could ensure better outcomes for people and the economy, including:

- building half a million new homes
- offering every child a place at a good school close to home
- halving the number of unemployed young people
- reducing long-term unemployment by a third
- supporting prosperous local economies
- supporting people to live independently at home
- ensuring more people live healthier lives.

Independent analysis reaches similar conclusions about the potential for protecting the public purse. Modelling by Ernst & Young showed that devolving more decisions to local areas would save between £9.4 billion and £20.6 billion over five years across local and central government.⁴ Key Cities has identified that devolution could save the Exchequer more than £12 billion over the course of the next Parliament.⁵ This was confirmed by Sir John Peace's Non-Metropolitan Commission which again identified £12 billion savings to the taxpayers projected from a locally led, more joined-up way of working across the public sector.⁶

A stronger economy and long-term prosperity

The UK economy has been growing, driven in large part by non-metropolitan areas providing 56 per cent of output in England and delivering a similar net increase in private sector jobs as in London and the major cities. But there is no room for complacency. There is still much work to be done to ensure that all parts of the country are delivering to their full potential.

The Government will need to grapple with a rebalancing of the economy. In 2013, London and the South East together accounted for more of the UK's economic output than the North East, North West, Yorkshire and Humber, South West and East of England combined.⁷

The Independent Non-Metropolitan Commission found that non-metropolitan areas are positioned

as a catalyst to deliver investment, tax revenue and jobs. Similarly, Key Cities have unique strengths in vital growth sectors that are contributing to UK PLC, helping to rebalance the national economy by closing the productivity gap between Britain's regions and by hosting and growing a diverse range of internationally competitive industries.

There is again clear evidence that devolution can help deliver economic growth and rebalance the economy, making clear the benefits to the nation of greater powers not just for our major cities, but also for our non-metropolitan areas.

The City Growth Commission chaired by now-Commercial Secretary to the Treasury Jim O'Neill and sponsored by the Local Government Association with other partners, found that devolution stood to generate almost £80 billion in additional economic growth⁸ if major city regions were freed to realise their full potential. Similarly, the County Councils Network has projected that comprehensive skills devolution to counties alone would be able to add £8.2 billion and 700,000 jobs to the economy.⁹

The LGA's own analysis has shown that a localised approach to supporting young people has the potential to reduce youth unemployment by 20 per cent and halve youth disengagement in three years. This would deliver savings of £1.25 billion every year to the Exchequer, adding up to an additional £15 billion to the economy over ten years.¹⁰

A fair settlement for England

The Scottish referendum campaign showed that public trust in the old ways of centralised control has eroded. The debate it ignited in communities across the UK demonstrates that this is true in England as much as it is in Scotland.

As set out in more detail in the next chapter, establishing another national Parliament is not the answer, for it misses a fundamental point and would let slip a golden opportunity. What people want is for more decisions about their futures to be made by those who live and work in their communities. Recent public opinion polling found that in every part of the country, eight out of 10 people of those surveyed supported giving more decision-making powers on issues such as tax, education and policing to local areas.¹¹

As the new Government prepares to set the legislative programme and its spending plans for the next Parliament, this is the prime opportunity to establish a new settlement for the communities of England which cannot be addressed through Parliamentary votes alone.

2: PRINCIPLES FOR DEVOLUTION ACROSS THE UK

A stronger England and United Kingdom will come from:

- **bringing power as close to people as possible**
 - **enshrining the position of local democracy in law**
 - **providing local areas the same fiscal tools and powers that our global competitors have.**
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At present, all the countries of the United Kingdom are at different points on the path toward devolution. Even within England, different places are moving at different speeds. It makes sense that the specific arrangements for devolution should be customised to the priorities and readiness of areas to assume responsibilities. But if the way that devolution is rolled out across the UK is to have coherence and make sense to people, there should be a set of underlying principles guiding the whole process.

A new settlement for England and the other nations needs to be built on the Government's commitment to pushing power out beyond Westminster, Cardiff Bay, Holyrood and Stormont. The Government is right to recognise that it is this approach that will make the United Kingdom strong and secure for the long term. Bringing power closer to people is fundamental to restoring faith in democracy and providing them with a genuine say over decisions that affect their lives.

The LGA has worked with its sister organisations in Scotland, Wales and Northern Ireland (COSLA, WLGA and NILGA) to establish three principles to ensure that devolution delivers better outcomes for people and places.

- **Subsidiarity:** Across a wide range of issues, there is compelling evidence that taking decisions closer to the people affected leads to better outcomes and saves the taxpayer money. Power should be transferred in such a way that decisions can be taken as close to residents as possible.
- **Legal standing for local government:**
For communities to have faith that the local lawmakers they elect have real power to enact their wishes, the legal position of local government needs to be secured and enhanced. We need to consider a defined set of powers and responsibilities for local government that strengthens and clarifies their ability to design public services to meet local need.
- **Fiscal autonomy:** Cities and towns in key competitor nations across the globe have access to a fuller range of financial powers than English local government. Greater fiscal autonomy, starting with fiscal retention, at the sub-regional level will enable more places to invest in the infrastructure needed to unlock growth and deliver public services that meet the needs of a twenty-first century society and economy. We recognise that the path towards full autonomy needs to be carefully planned, with proper consideration of fair funding and equalisation needs.

3: A ROUTE MAP TO 2020

Over the course of the next Parliament we have the opportunity to:

- **put in place a legislative framework to extend the benefits of devolution to all parts of England**
 - **use the Spending Review to ensure fairer funding for council services in this parliament while working towards fiscal autonomy in the long-term**
 - **agree how the process of devolution should move forward, with different places moving at different paces.**
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The next five years are, therefore, an opportunity to strengthen democracy in England and deliver real benefits to local people and communities. However, new legislation and funding arrangements are needed to take advantage of these opportunities.

There are practical steps that can be taken in the next Parliament to deliver manifesto pledges, through devolution, involving the following milestones:

- **2015** The English Devolution Bill laid before Parliament and a Spending Review settlement that enables local fiscal retention and the better integration of public services.
- **2017** New voluntary local governance arrangements in place across all of England.
- **2020** Comprehensive devolution of responsibilities and implementation of fiscal autonomy underway on a staged basis respecting local need and capacity.

The first Queen's Speech

The Government has committed to introducing a Cities Devolution Bill in the first Queen's Speech that would offer cities with an elected mayor new powers including transport, housing, planning, policing and public health. To make sure that the benefits of devolution reach every corner of England, this should be made an "English Devolution Bill" that offers devolution to all places that can demonstrate appropriate scale and governance in a form that is right for their area. Functions to be devolved in the English Devolution Bill would include:

- economic development
- transport and infrastructure
- employment support and skills provision
- housing and strategic planning
- public assets
- policing and public safety
- health and social care.

To really achieve its intended effect, the Bill needs to be as enabling as possible to ensure that further powers can be devolved on an ongoing basis, subject to negotiation. One of the lessons that has emerged, as areas have started to form combined authorities, is that legislation that is too prescriptive can hold back delivery as the statute has to catch up with advancements on the ground. To that end, it would also be useful to use the Bill to provide combined authorities and economic prosperity boards full discretion over their composition and functions.

The Annex sets out in more detail a menu of powers that could be made available to all places as the basis of negotiation. The menu draws on the lessons from the City Deals, Growth Deals and devolution agreements about the benefits of devolving functions that have traditionally been held nationally, including employment and skills support, transport planning, and health services.¹² These bespoke agreements between central government and local areas should allow for central government to specify the broader outcomes it is seeking, but provide for delivery to be a matter of local determination.

The first Spending Review

Financial sustainability for local government will be fundamental to realising the full benefits of devolution, as it is at the heart of our ability to grow local economies and improve the well-being of residents. The Independent Commission on Local Government Finance concluded that ultimately there is a need for fundamental reform of local government finance if local public services are to continue to meet the needs of residents and support the delivery of national policy. But there is no denying that to get from the highly-centralised and complex finance system that operates now to one that promotes greater autonomy and a more sustainable base for services will not be a quick journey. The Commission's call for a steady devolution of powers, funding and ultimately taxes to sub-national entities over a ten year period offers a prudent way forward.

This path starts with the first Spending Review, which is an early opportunity to support greater fiscal retention, with reforms that include:

- change to fairer funding for councils and sustainable funding for local services
- freedom to set council tax and council tax discounts and the retention of 100 per cent of business rates and business rate growth
- multi-year settlements to allow for better, longer-term financial planning
- the ability to raise additional revenue through relaxation of the rules on fees and charges.

And beyond

Ultimately, England's cities, towns and counties need to have the same financial autonomy as their counterparts across the world in order for the national economy to remain globally competitive. The London Finance Commission, the City Growth Commission and the Independent Commission on Local Government Finance have all pressed for more radical reforms that would enable local economies to be more productive and attractive to investors, including:

- single place-based budgets covering a full range of public services

- the opportunity to manage equalisation across a sub-regional area
- further council tax reforms including the ability to vary council tax bands and to undertake council tax revaluations
- newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- the establishment of Local Public Accounts Committees to oversee value for money across the totality of a place-based budget.

Admittedly, there are thorny considerations about redistribution and potential displacement of economic activity that have to be taken into account. Fear of the risks and complexity of fundamental reform has historically resulted in discussions about local fiscal autonomy getting parked in the “too hard to do” box. With the sustainability of public services and the rebalancing of the economy at stake, we cannot afford to park the debate. Consensus is growing within local government about the value of a two-staged approach, with a focus on promoting greater local fiscal retention and the pooling of public budgets for local services in this Parliament. At the same time, pioneer places could be given an opportunity to test more radical reforms, as recommended by the Finance Commission. A phased approach would allow detailed modelling, as well as consultation with business and other partners, to explore how to establish fiscal autonomy over the long term.

4: DELIVERING DEVOLVED POWERS

To deliver a balanced economy, healthier nation and better places to live will require change at all levels:

- **refreshing models for English local governance**
 - **renewing models of accountability and risk management**
 - **jointly agreeing a framework for readiness for devolution both locally and centrally.**
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The sharing of power and responsibility on the scale proposed will mean change for both local and central government.

In particular, local government with greater responsibilities across a wider area will need to have stronger governance arrangements with clear accountability and robust scrutiny arrangements for public spending and decisions. This chapter explores what these new arrangements might look like.

A new way of working

There has been a tendency in both local and central government discussions about devolution to focus on structures and models. But devolution should not be a transaction between levels of government. What will make devolution a success for the benefit of residents is a renewed relationship between councils, as well as between central and local government.

Local government has a long history of collaborating and sharing services, but devolution will require councils to challenge themselves to go much further. For devolution to deliver better results for communities, councils will have to be bolder about how they work across boundaries and become champions of a wider place.

This will mean taking a hard look at how we would:

- agree collective priorities with our neighbours
- make harder choices about policy and investment
- push power down further to citizens and communities
- harness business experience and knowledge
- bolster public engagement and participation
- build leadership and capacity in our communities.

But important though they are, changes in local government alone cannot fully deliver the benefits to our communities. Our national partners have an important role to play as a hub acting as a catalyst and enabler for local areas. There is an opportunity here to build on the change already being discussed in Whitehall and Parliament to make central government more agile and strategic.

New governance arrangements for devolution should be developed with the following questions in mind:

What scale and alignment is needed?

The three independent commissions that have assessed the conditions needed to deliver growth and better services concluded that the most appropriate geography for devolution is the sub-regional level.¹³ However, they caution against taking a 'one size fits all' approach.

On that basis, all areas should be given an opportunity to come forward with proposals on how they would strengthen governance to enable more functions to be devolved at the level of a functional economic geography. Supporting a voluntary approach would enable the establishment of sustainable governance arrangements where councils come together by consent to share devolved powers according to agreed objectives and outcomes.

Such discussions are complex and rely on a great deal of trust and the belief that both central and local government are committed to a new way of working. The first wave City Deal process with significant powers and funding on the table galvanised a move towards combined authorities in several parts of the country. By contrast, with less on the table for the second wave of City Deals, there was insufficient incentive for other places to explore new governance arrangements. We should all recognise that incentives can and do act powerfully to quicken the pace of change.

Incentives

Two incentives could be offered.

Firstly, as part of the English Devolution legislation of 2015, all places, including non-metropolitan areas and London boroughs, should be offered the opportunity to draw on a menu of powers as set out in chapter three. Local partners need assurance that if they are prepared to support a body that can take binding decisions over their area, it will have real powers in order to deliver substantially better outcomes.

Secondly, where partners can deliver better results by aligning the geographic footprints for other services more effectively (for example health, policing and strategic transport), they should be able to bring forward proposals for negotiation. There are currently a number of bodies making decisions about local services, including Local Enterprise Partnerships, Police and Crime Commissioners, Clinical Commissioning Groups and Health and Wellbeing Boards. While the organisations involved are valued partners, residents and businesses often find this complexity confusing and would welcome greater clarity about accountability.

There is a risk that in some areas authorities will not be able to come to voluntary agreement. Careful consideration will have to be given to how to resolve a potential impasse, bearing in mind that it has been suggested that such areas may also be vulnerable to a solution being imposed on them.¹⁴ The Government's pledge not to let anyone impose artificial regions on

England with its recognition that our traditional towns, boroughs, cities and counties are here to stay is reassuring and helpful. It will enable local partners to focus their discussions on what more can be achieved through stronger partnership and could help assuage concerns about a potential erosion of local sovereignty and democracy.

What governance structures are most appropriate?

Whilst combined authorities have emerged as the favoured model for sub-regional governance, they may not be appropriate for all areas. We would suggest that there should be a range of options that can be adapted to build on existing partnerships and the nature of the functions under consideration for devolution,¹⁵ including:

- **Combined authorities:** Expanding their scope from those currently set out in legislation to cover a broader set of public service functions.
- **Statutory Joint Committees:** Building on the non-statutory model that exists in many places, this would be a body with legal personality but more limited in scope than combined authorities.
- **Public service boards:** Comprising representation from all public bodies who would jointly come up with a service strategy and investment plan.
- **Enhanced Health and Wellbeing Boards:** Existing Health and Wellbeing Boards (HWBs) remaining the key building block for joining up local health and social care services with potential to consider how they can work with other HWBs and Clinical Commissioning Groups over a wider footprint.

What does good governance look like?

Devolution to new sub-regional structures will also require enhanced arrangements for democratic engagement and oversight. The adoption of elected mayors has been put forward as one of the conditions of substantial devolution, but there is no evidence that good governance can be delivered only by a single model. Indeed, the three independent commissions concluded that robust accountability and scrutiny for devolved arrangements cannot be delivered through a 'one size fits all' approach.¹⁶

Principles of good governance

Rather than beginning with structure, we believe that principles of good governance should be set out and function as tests for proposals that areas bring forward. The Centre for Public Scrutiny has developed the following principles of governance that serve as a basis for discussion:

- clear and effective decision-making to give the citizens confidence in the effectiveness of the administration's ability to deliver on their public commitments
- clarity about lines of responsibility and accountability for the different levels of decision-making, that is, what is determined at the sub-national level, what remains with the councils and what remains with other public services
- a unified and streamlined system of governance to avoid duplication of resources and /or the potential for responsibility or accountability to be denied or confused between one part of the system and another
- robust internal challenge to give government confidence in this new model of delivery and decision-making.

What is the right accountability model?

There is no public appetite to create new tiers of government that will generate unnecessary costs or bureaucracy.

Primary consideration should be given to what powers and functions are to be devolved and the degree of local autonomy being provided, in order to determine the right type of governance arrangements that could be put in place, including whether indirect or direct accountability is needed. For the package of powers to be made available to all areas in a future English Devolution Bill, as proposed in the previous chapter, as a first step, indirect accountability arrangements building on current governance arrangements would be appropriate. Where significant tax and revenue-raising powers are involved, it may be necessary to consider more direct accountability, and there are a number of models that could be considered.

Accountability models

- Directly-elected mayor with total executive power, supported by an advisory board drawn from constituent member councils.
- Directly-elected mayor or leader with limited executive power, with decisions taken by a cabinet made up of constituent member councils.
- Indirectly-elected leader with limited executive power (appointed by the constituent councils).
- Leader for a multi-county area, supported by an advisory board drawn or cabinet from all constituent members.

There should also be scope for a model of shared governance between the Mayor of London and borough Leaders in respect of the new London devolved settlement. This needs to reflect the fact that both will be mutually indispensable players in integrating a range of the capital's public services at the local, sub-regional and pan-London level, but also respects the existing roles and powers of both the Mayor and boroughs.

How can decisions be challenged and scrutinised?

Councils have always been leaders in accountability and transparency. Almost all decisions are made in public. Decisions are subject to challenge and oversight by the public, media and council scrutiny committees. Councils consult and engage with the communities they serve far more than other parts of the public sector.

As responsibility for significant new public spending is devolved, the overview and challenge function will also need to evolve and strengthen. Indeed, if more public budgets are pooled and devolved to local areas, there will be a real opportunity to deliver a step change on the current patchwork of different accountabilities, lines of reporting and funding streams that make genuine openness, transparency and accountability for public spending in an area challenging.

How can risks be managed?

We recognise that devolution carries potential risks, but those risks are not necessarily greater than those that come with maintaining the status quo. Certainly, any devolutionary arrangements should involve a robust risk assessment, with an emphasis on developing joint risk management strategies between central and local partners, recognising that both sides will have expertise to offer to make devolution a success.

History shows this can be done well. The successful transfer of public health from the NHS to local government shows us that where Departments are prepared to play an active and positive role in supporting devolution, it can be achieved with minimal disruption on the ground, with every indication of delivering the intended objective of better public health outcomes and greater efficiency in future.

How do we determine readiness for devolution?

Given that devolution involves transferring responsibility for decisions that have an impact on residents and businesses, it is right that places demonstrate their capacity to deliver. To assess readiness, local government is offering to work with government to develop an objective and rigorous set of criteria to assess and implement specific proposals for devolution. These criteria would draw on advice from other strategic partners such as the business and voluntary sector, GPs, and police. They could include an assessment of whether local places have

- appropriate governance arrangements in place
- a sound risk management strategy
- leadership able to make hard choices about policy and investment
- strong relationships across the private, public and voluntary sectors
- a solid evidence base to support their case.

One option could be to use peer review methodology, which has been an effective approach to sector-led improvement, to judge an area's preparedness for devolution. Devolution peer reviews would also have the ability to understand the capacity improvement needed by an area as new devolved services were developed. We suggest that such reviews include both local and central officials so that both Whitehall's and local areas' capacities be assessed fairly.

CONCLUSION

Through this paper, we are offering a new partnership with Government to manage the risks and harness the opportunities of the next five years.

Local government's offer to the new Government is simple – give local communities the freedom and powers to play their full role in economic and social prosperity. There is tremendous potential just waiting to be unleashed.

Without radical reform, there is a real risk that the story of the next five years could be economic uplift while public services decline. We do not believe that this needs to be the case. Our offer to Government would improve the outcomes for local people, families and communities, maximise the value for money of public spending and strengthen democratic accountability for public services.

We are certain that by working together, we can provide the foundations on which the country's success can be built.

ANNEX: THE BASELINE FOR DEVOLUTION

This section sets out more detail on what responsibilities and functions should be devolved to all places in order to achieve the following objectives:

1. Shared prosperity
2. A skilled and dynamic workforce
3. Affordable homes
4. A healthy nation
5. Safer communities

The recommendations below draw on the lessons from the City Deals, Growth Deals and devolution agreements about the benefits of devolving functions that have been held centrally. However, the process for negotiating devolution agreements should enable places to customise deals and go further. For example, many places can make a case that they would be able to deliver better outcomes than those resulting from nationally-led programmes in areas such as bus franchising, energy efficiency and foreign direct investment. There should be a presumption in favour of devolution, subject to the criteria set out in chapter four.

Shared prosperity

There is still much to do to make sure people in all parts of our country have a share in the nation's rising prosperity. Experts have warned that the imbalance in England's economy, exacerbated by the economic downturn, could be damaging to the UK's global competitiveness in the long-term. For example, the concentration of foreign investment in London and the South East may come to make the UK less attractive to investors than countries such as France and Germany, which are seen to have more balanced regional portfolios.¹⁷

Raising the economic performance of some areas does not need to come at the expense of others. Independent research has identified strengths and assets across England that provide a strong foundation for generating additional growth, including world-class universities, major multinational headquarters, and globally competitive firms in high-value sectors.

Nevertheless, all areas face challenges, including major gaps in digital and transport connectivity. They are also hostage to an inefficient system for funding local economic growth and regeneration. LGA analysis shows in 2013/14 alone, £22 billion in central government funding was funnelled through over 120 pots.

Proposals

Places need to have the agility to make investment and policy decisions to promote growth as a whole package responsive to local conditions and opportunities. This will involve:

- channelling all central government funding for local growth and regeneration through a single investment fund
- devolving all bus subsidies including Bus Service Operators Grant to councils and giving them the option to franchise services
- co-producing plans for strategic roads with Highways England
- adopting a strategy for future digital infrastructure which radically overhauls the current model of funding and commercial viability.

A skilled and dynamic workforce

Despite recent falls, unemployment still stands just below 1.9 million, with significant amount of the working population in low-skilled, low-paid, unstable or part-time work. If we continue to deliver in this way, a third of all young people will still be out of work or underemployed by 2018 and by 2022 between 16 and 25 per cent of growth could be lost by not investing in skills: up to £374 billion.

Reform of the status quo is urgently needed to meet the employment demands of the future, ensure growth and reduce welfare dependency. Our current system is just not positioned to deliver the integrated approach needed, with £13 billion employment and skills support being channelled annually via 28 programmes and through budgets spanning multiple departments.

Proposals

We can reduce long-term unemployment and the number of young people out of work, and target support far better than our current system.

- We can get more people into work, help low-paid people progress in work, and address the skills demand for achieving local growth through the introduction of 'Local Labour Market Agreements' between groups of councils and central government across England by 2016/17.
- We can promote a shift in national focus to help the most disadvantaged by replacing the

£620 million Work Programme with two new programmes to be devolved to local areas. One would deal with long-term Jobseeker's Allowance claimants and the other 2.55 million disadvantaged claimants.

- We can support and enable all local employers to help create the 3 million apprenticeships for future generations.
- We can work with Jobcentre Plus to locally coordinate a new youth offer giving all 14- to 21- year olds the advice, experience and skills to earn and learn after leaving school, delivering the ambitions of the Youth Allowance.
- We can help local areas better gear the skills system to the needs of businesses by devolving skills funding and commissioning for all ages.
- A National Employment and Skills Partnership should bring together central and local government, business, voluntary and community sector and other stakeholders to drive efforts to enable integrated funding and services to put people and places first, rather than institutions.

More detail on these proposals are set out in our report, 'Realising Talent: a new framework for devolved employment and skills'.¹⁸

Affordable homes

The shortage of houses in this country is a top priority for people and buying a home is increasingly out of reach for many. Over the last two Parliaments the number of people under 45 who can afford their own home has fallen by a fifth. More than three million adults aged 20-34 are now living with their parents; house prices are rising faster than average earnings and there are 1.7 million households on waiting lists for affordable homes across England.

The private sector cannot and will not alone deliver on the scale required to tackle this crisis (it has averaged 130,000 completions a year over the last 40 years) nor will it deliver the full range of housing people need. Councils have a leadership role in shaping a vision for housing development in their areas, identifying and unlocking land suitable for development and encouraging more businesses into house building. Although many councils are developing long-term plans for investment in housing and establishing new models for financing and delivery, there are many opportunities to unlock their full potential.

Proposals

Councils could be freed to invest in and build more homes directly, and in partnership, through greater control over finance, simplifying and streamlining funding for housing and infrastructure, and more effective use of public land.

- We can free councils to invest in new affordable homes under the same rules that apply to any other council borrowing by removing the Housing Revenue Account borrowing cap.
- We can enable funding to be targeted more effectively, better align investment to local priorities and lever in private finance by pooling and devolving all funding pots for housing and infrastructure into a single local funding pot.
- We can incentivise house building by enabling councils to retain any savings from the Housing Benefit Bill where this can be attributed to increased levels of house building.
- We can help councils invest in replacing homes locally bought under the Right to Buy without complex rules that currently restrict them by allowing councils to set Right to Buy discounts and ensuring that they retain all receipts from sales of council properties.
- We can ensure a joined-up approach to decision-making and use of public land and assets by giving councils the ability to direct the use of surplus public land and retain a proportion of the receipts to reinvest in the local area.

A healthy nation

Catering for the health and care needs of our growing and ageing population must be a national priority. Our country is seeing massive changes in the make-up of the population, with the number of centenarians projected to rise sevenfold from 13,780 in 2013 to nearly 100,000 in 2035. As well as these demographic changes, we are seeing more people with complex and long-term conditions. Population changes are adding £400 million to council social care budgets every year; adult social care makes up £1.9 billion of the £5.8 billion funding gap councils are tackling between March 2014 and April 2016.

Health budgets are also under increasing pressure. Everyone agrees that to improve the lives of people in this country, and to afford health and care services for those who need them, significant changes must be made to the current ways of funding, commissioning, and delivering health and care services. Rightly, people expect care to be focused around individuals, not institutions. Reforming our care and support system is vital for us to be able to meet this challenge.

Proposals

- A permissive local approach based on agreement between councils and their health partners to be locally-led, not dictated by Whitehall or NHS England.
- An expanded pooled budget for health and social care, overseen by Health and Wellbeing Boards, with greater local control over the planning footprint, governance and wider joint commissioning arrangements.
- We can enable areas to plan budgets and expenditure confidently by introducing clear five-year settlements aligned to the NHS settlement.
- We can ease the impact for acute health providers on the transition to community-based and preventative services by creating a separate and additional transformation fund.
- We can better respond to the longer term care needs of people with long-term conditions by seeking a clear commitment to encourage NHS bodies away from the current activity based national tariff payment system and towards a system which incentivises integration and prevention.

Safer communities

Rightly, people want to live in communities where they feel safe. Further reductions in crime will only come from addressing behaviours that lead people into crime and treating the mental health, substance abuse, educational attainment, employment, housing, and other issues that are often behind reoffending. Local partners need to be provided with the budgets and devolved flexibility that enable councils, the Police, health services, probation and others to put in place the range of programmes and initiatives that allow them to intervene early to prevent people committing crime. Where they do, to reduce re-offending and allow them to respond to new threats like cybercrime.

Proposals

- Allow combined authority areas and councils to decide on the most appropriate form of police governance in their area.
- Provide local areas with the flexibility to merge the Police, fire and rescue and ambulance services and create combined governance arrangements.
- Extend councils' scrutiny and accountability role to cover the Crown Prosecution Service and the Courts and Tribunal Service.
- Devolve funding from the National Offender Management Service (which runs probation and prisons) to councils or combined authorities so they commission medium and low risk probation services.

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3. LGA, Investing in our nation's future: the first 100 days of the next government. June 2014: <http://www.local.gov.uk/documents/10180/6341755/LGA+Campaign+2014+-+100+Days/8255560f-7c96-432f-bbfe-514d3734a204>
4. EY, Whole Place Community Budgets: A Review of the Potential for Aggregation, January 2013, http://www.local.gov.uk/c/document_library/get_file?uuid=29b7253f-3132-4617-be79-88ada11cf5e0&groupId=10180
5. Respublica, Power, People, Places: A Manifesto for Devolution to Britain's Key Cities, May 2015, <http://www.respublica.org.uk/wp-content/uploads/2015/05/Key-Cities-Final.pdf>
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7. ONS, Regional Gross Value Added (Income Approach), December 2014, table 1.1
8. City Growth Commission, Unleashing Metro Growth, October 2014, <http://www.citygrowthcommission.com/publication/final-report-unleashing-metro-growth/>
9. County Councils Network www.countycouncilsnetwork.org.uk/
10. LGA, Hidden Talents II, January 2013, http://www.local.gov.uk/c/document_library/get_file?uuid=b2e6afe9-d005-4f57-ad5f-c722c4daa7d4&groupId=10180
11. ComRes poll for BBC, November 2014
12. See the LGA's Devolution Register at: http://www.local.gov.uk/localism/-/journal_content/56/10180/6922098/ARTICLE
13. City Growth Commission, Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England and Independent Commission on Local Government Finance
14. City Growth Commission, Unleashing Metro Growth, October 2014, <http://www.citygrowthcommission.com/publication/final-report-unleashing-metro-growth/>
15. It should be recognised that some local authorities such as Cornwall Council have already achieved the appropriate geographic footprint to take on devolved powers through earlier reorganisation.
16. Their findings are borne out by recent American research which looked at 1600 cities across the US with a range of governance models. Researchers found that structure had almost nothing to do with whether municipal government is considered responsive to public will, that is, seen as truly democratic and accountable. http://www.ctausanovitch.com/Municipal_Representation_140502.pdf
17. EY, No room for complacency, 2013 [http://www.ey.com/Publication/vwLUAssets/Ernst-and-Youngs-attractiveness-survey-UK-2013-No-room-for-complacency/\\$FILE/EY_UK_Attractiveness_2013.pdf](http://www.ey.com/Publication/vwLUAssets/Ernst-and-Youngs-attractiveness-survey-UK-2013-No-room-for-complacency/$FILE/EY_UK_Attractiveness_2013.pdf)
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