

## A Prospectus for Devolution – A draft for consultation

From now until the General Election in May 2015, we have the opportunity to present an offer for driving forward national economic growth, providing better targeted and more effective services to people that need them, whilst saving taxpayers significant sums of money. Without change, local government risks being no longer able to continue to provide services over and above the statutory minimum.

This prospectus is an offer to all political parties that may form the next Government – but is an offer dependent upon far-reaching reforms that will enable local councils to deliver the ambitious plans presented in this Prospectus.

The election of a new Government in May 2015, with the continued financial challenges and ever increasing pressures on services, will have a profound impact on the future shape and scope of public services provision.

This Prospectus offers a way forward.

Local councils have the scale and ambition to innovate and improve public service outcomes by focusing on the specific priorities of local communities; while at the same time securing further savings for the public purse. Alongside this, there is an opportunity for councils to better promote the region and to prevent the East Midlands further losing out on its share of resources needed for economic growth, jobs and the delivery of improved public services.

But to achieve these goals, a fundamental rebalancing of the national-local relationship is needed. Of all the western democracies, none has the centralised administrative arrangements as the UK. Councils call for a genuine transfer of power and accountability from national to the local level to allow those closest to the people who receive services, to have the freedom and flexibilities to effectively plan and deliver those services.

### Signatories:



Cllr Jon Collins  
Chairman



Cllr Martin Hill OBE  
Vice-Chairman



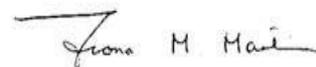
Cllr Neil Clarke MBE  
Vice-Chairman



Cllr Chris Millar  
Conservative Group Leader



Cllr Rob Parker  
Labour Group Leader



Cllr Fiona Martin MBE  
Liberal Democrat Group Leader



Mayor Tony Egginton  
Independent Group Leader

## **The Offer**

The UK continues to face significant financial challenges that will further impact upon how services are provided to local communities. At a time when the demand for services continues to grow, public services will need to become increasingly innovative - and councils are best placed to lead the further integration and to drive efficiencies across the wider public sector. However, the framework for this has to be a radical English devolution settlement for local areas.

Looking forward, councils know that times will continue to be tough and that public spending will be squeezed further. NHS spending is to be protected, that much is clear. Pensions, which make up over half of the welfare budget, are similarly 'off the table'. There is also likely to be little appetite to make any substantial reduction to the budgets for education and defence. Against this, the main political parties are unlikely to go into the election with a pledge to significantly raise taxes.

Councils accept the need for further public spending constraint. What they do not accept, however, is that local government should continue to bear a disproportionate share of spending cuts. Councils have managed spending reductions better than any other part of the public sector; savings have continued to be made, whilst ensuring essential services and support are provided to local communities. However, local government, the police and fire services are near the limit of what can be reasonably achieved. With further funding reductions an inevitability, a radical change is required to how we deliver and fund public services to ensure need is met, whilst at the same time ensuring councils can invest, support and promote local economic growth.

This Prospectus supports and is intended to bolster the proposals submitted by other organisations representing Local Government, particularly the Local Government Association, the Core Cities Group, and the County Councils and District Councils Networks. It sets out a radical, but achievable set of proposals that will deliver economic and employment growth, and savings for the taxpayer - ensuring services are delivered more efficiently and effectively for the benefit of the local community. The focus is on five key areas that councils in the East Midlands are confident will meet the objectives of Government and aspiration of local people:

### **1. Genuine devolution of responsibilities for funding and decision-making**

Now is the time for a genuine devolution settlement for councils that includes fiscal responsibility for greater tax raising (or reducing) and spending powers, and giving greater roles and responsibilities for local councils to expand their ability to prioritise and deliver services on behalf of their local community.

### **2. New approach to how local areas are funded**

Local councils to have genuine financial independence from central government; firstly, councils have the freedom to raise additional sources of income in their local areas; and secondly, HMRC should allocate local areas a share of the local income tax yield for councils to spend against local, not national priorities.

### **3. Greater control over local programmes that support growth and jobs**

To better focus local economic and employment programmes on local needs, councils call for the devolution of the Work Programme and the integration of Jobcentre Plus with council services; and all funding brought into a 'single pot' for local growth, infrastructure, employment and skills.

### **4. Narrowing the Housing Gap**

Councils need greater powers to bring forward housing development in accordance with their local plan. The delivery of greater housing supply, particularly affordable housing, can be significantly boosted by the lifting of the Housing Revenue Account debt ceiling, and the reform of current 'planning gain' arrangements including both Section 106 and the Community Infrastructure Levy.

### **5. Whole-community approach to adult social care funding**

Better planning and collaboration across the whole of the health and social care system is vital to the effective reform. We now have the opportunity to facilitate a transition towards fully integrated, place-based budgets for health and care, including contributions from housing, public health, environmental and leisure/cultural services.

In return, councils confirm their commitment to work positively and constructively with Government in achieving the outcomes highlighted in this Prospectus.

## **1. Genuine Devolution to Councils**

Councils are best placed to lead integration and to drive efficiencies across the wider public sector. The framework for this has to be a radical English devolution settlement for councils.

The core principle that underpins this Prospectus is the need to 'rebalance' power from Westminster to localities. In other countries, a majority of state spending is administered by regional and/or local government; but in England 95% of all tax is collected by the Chancellor - and it is Westminster that largely decides where this is spent.

Recent developments arising from the Scottish referendum really do mean that the 'devolution genie is out of the bottle', and councils in the East Midlands stand ready to seize the opportunities, including the responsibility for effectively organising themselves to be in a position to 'receive' these powers, e.g. through establishing combined authorities/economic prosperity boards; and by highlighting to Government the benefits for 'letting go' of these powers.

This is not about devolution to nationally accountable quangos that will have no control over local taxation; these are in no way a credible transfer of power from Whitehall to localities. Nor is this about devolution through addressing the 'English Question' by giving English MPs a greater say over legislation that only affects England. Instead, this is a call for genuine devolution of powers to local councils that, by including responsibilities for the setting of local taxes and greater spending powers, will expand their ability to prioritise and deliver services on behalf of their local community.

Council tax benefit has already been devolved and local councils have put in place far more responsive and locally prioritised schemes than were in place before. However, councils have little influence over the circumstances of those in receipt of this benefit. What is needed is 'devolution of the benefits system' which includes the devolution of both benefits budgets and, within national minimum standards, the setting of local benefit levels. By giving councils responsibility for unemployment, housing and earnings-related benefits, local government would have significant incentives and opportunities to put in place locally-focused arrangements that get people into work, bolster skills, earnings and economic growth – and ensure local accountability for the delivery against agreed outcomes.

The devolution settlement is the foundation stone for the following proposals which relate to the economy, infrastructure and housing, adult social care and local government finance:

## **2. Loosen the Purse Strings - How the Local is Funded**

Much of the public spending in England is determined centrally, based on national policies that fail to adequately take into account specific local needs and opportunities. Local authorities operate under one-year budgets that restrict councils' ability to strategically plan and innovate to maximise investment returns that would make public services more sustainable. This uncertainty is inevitably passed onto those organisations that local government funds, e.g. the voluntary and community sector.

More political powers for local government will mean little without greater financial independence. At the very least, councils call for five year budget settlements that span the entire Spending Review period as a key component in giving councils the much needed budgetary certainty and flexibility to manage their finances over the medium term; and greater control and longer term financial commitments to increase the scale and efficiency of investment.

Alongside this, the roll-out of Community Budgets through fully integrating budgets and the removal of obstructive and unnecessary ring-fences to departmental budgets, will save money and make a real difference to outcomes.

In making these changes, the perverse outcomes of ‘damping’ must not be built back into any new system; whereby prosperous councils, such as many in the south-east, continue to receive disproportionate levels of damping protection that contrast sharply with councils such as Nottingham, Derby, Leicester and Lincolnshire, all with areas of significant deprivation, but experiencing large pound per head cuts as a result of damping protection.

This will improve the ‘status quo’; but there is the opportunity for a genuinely ambitious and radical settlement with the call for local councils to have genuine financial independence from central government. This means that; firstly, councils have the freedom to raise additional sources of income in their local areas, as appropriate to local need and with the mandate of their electorate; and secondly, HMRC should allocate local areas a share of the local income tax yield for councils to spend against local, not national priorities.

This should be underpinned by two important principles; that levels of the income tax share will be renegotiated whenever responsibilities for service delivery are transferred between central and local government; and existing equalisation arrangements will continue and be conducted through a process independent of central government, ensuring fairness and balance between local councils.

Scotland has been given these powers - for a population of a little over 5 million, spread over a large and diverse geographic area. The East Midlands has a population of over 4.5m. The population of other regions ranges from 7m people in the North West to 2.5 m in the North East – so there is every reason to justify the contention that councils, by working together and with partners like the LEPs, have the democratic authority, scale and competencies to manage similar responsibilities.

### **3. Flexibility for Growth**

The East Midlands, with its potential for significant growth, continues to be held back by the lack of investment and flexibility from Whitehall.

Recent growth funding decisions have highlighted the potential for greater freedoms and flexibilities with some LEPs having received indicative funding support for proposed projects, against which they will be required to monitor and manage accordingly; whilst others have received indicative funding against programmes. In further reinforcing the effectiveness of collective work between councils and LEPs, there are opportunities for passing control over

funding and powers down from Whitehall to councils rather than having to seek funding on an individual project basis from Government.

Councils call also for greater funding certainty to enable a more effective approach to programme and project prioritisation. The ability to effectively prioritise without certainty of the financial envelope risks the process resembling a national beauty contest where the projects need to catch the eye of a national judge. An indicative allocation and longer term funding settlements will provide more effective support to local partners, through LEPs, to make informed decisions on resource allocations and programme/project prioritisation.

LEPs are the partnership platform for delivering local growth, and they must engage and work effectively with councils in their area – but they cannot create the conditions for sustainable private sector-led growth by themselves. To deliver on local ambitions, all local economic and employment programmes should be effectively co-ordinated, focused on and adapted to local needs. This requires devolution of the Work Programme and the integration of Jobcentre Plus with council services; and the devolution of all funding into a ‘single pot’ for local growth, infrastructure, employment and skills through councils to LEPs, to enable focus on specific local priorities, rather than nationally micro-managed schemes.

#### **4. Narrowing the Housing Gap**

There is a housing crisis in this country and the overwhelming priority is to dramatically increase housing supply so that there are more homes for people to either rent or buy, in the areas where they are needed most, for both business and social reasons. The obvious problem remains that for many years this country has failed to build sufficient houses. In the East Midlands, the delivery of housing remains at only 50% of actual need; with the level of housing need at around 20-22,000 houses per annum, but delivery falling short at only 11,200 per annum.

Councils are fundamental to finding a solution but need greater freedoms and flexibilities to meet their local housing needs. Measures should include removing arbitrary Government targets for determining planning applications, freedom to set planning fees locally to enable Development Management to become a ‘cost neutral’ service for local council tax payers (not the ‘many’ subsidising the ‘few’), and the ability to designate local use classes to control the proliferation of activities such as betting shops and amusement arcades. More fundamentally, councils should be given greater powers to bring forward housing development that is in accordance with the local plan, both in terms of financial freedoms to invest and compulsory purchase powers.

By devolving full responsibility for housing capital budgets, we call on the Government to relax the rules that prevent councils building much needed housing. The delivery of greater housing supply, particularly affordable housing, can be significantly boosted by the lifting of the Housing Revenue Account debt ceiling, with its replacement by a sensible set of financial controls that apply already to other areas of council borrowing. In addition to increasing the supply of housing, it would also support skills and employment growth (e.g. construction jobs and apprenticeships) and ultimately stronger local economies.

Alongside this, changes are needed to ‘planning gain’ arrangements. Councils need greater flexibility to negotiate ‘Section 106’ agreements with housing developers in order to deliver

more affordable housing and other public benefits - particularly on smaller scale housing developments that are common in many of the more rural parts of this region. The Community Infrastructure Levy (CIL) should be reformed to reflect its original purposes – the delivery of larger than local infrastructure requirements. In particular, the so-called ‘Boles Bung’, by which up to 25% of CIL is passported to Parish Councils, should be revoked with councils having greater autonomy to set the level of CIL and to retain these funds to deliver the intended strategic infrastructure.

## **5. Health and Adult Social Care**

The bill for health and social care is one of the biggest components of council expenditure – and the costs risk tipping councils off a fiscal cliff. The current arrangements for adult social care are inadequate to meet the demand-led pressures facing adult social care that continue to rise as the population ages; with the East Midlands experiencing a 10.3% increase in people receiving services in 2012/13; being only one of two regions that experienced an increase. There is limited capacity and options for further savings; with over £335m savings across the region already secured.

With change required in the immediate term, we need to take a ‘whole systems planning’ approach to services – efficiency alone will not enable us to keep pace with demand! Partners agree that whole systems planning and collaboration is vital to the effective reform of the current system and we now have the opportunity to facilitate a transition towards fully integrated, place-based budgets for health and care, including contributions from housing, public health, environmental and leisure/cultural services.

Health and wellbeing boards must be at the forefront of reform with local areas having the responsibility for developing their own priorities for improving health and wellbeing and putting in place a range of support, services and information to meet their population’s needs. To meet this responsibility, the leadership and capacity of these boards must be genuinely ‘geared-up’.

We have the opportunity to implement radical reforms that will have real benefit for the health outcomes of local communities. This is not about structural reform, but an opportunity to deliver health and social care in a more orderly way with the NHS focusing on meeting people’s acute healthcare needs, while the ‘care’ service is locally commissioned and resourced.

## **6. Summary**

This is our offer to Government.

Councils are willing and able to meet the challenges ahead. To support this, the new Government in power after May 2015 must put in place far-reaching radical reforms that genuinely devolve power to the local level and include those powers and responsibilities highlighted in this Prospectus.

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