



Society of Local Authority Chief Executives and Senior Managers submission:

Communities and Local Government Select Committee

Inquiry into Government's Devolution Bill

September 2015

The Society of Local Authority Chief Executives and Senior Managers (Solace) welcomes the opportunity to submit evidence to the CLG Committee's Inquiry into the Government's Devolution Bill.

Solace represents Chief Executives and senior managers at over 90% of local authorities across the UK. We have over 1250 members from all tiers and type of local government organisation. We are committed to promoting public sector excellence. We provide our members with opportunities for personal and professional development, and seek to influence debate around the future of public services to ensure that policy and legislation are informed by the experience and expertise of our members. Whilst the vast majority of Solace members work in local government, we also have members in senior positions in health, the police, fire authorities and central government.

The Solace evidence to the inquiry sets out the undeniable case for greater devolution and the measures necessary to strengthen the current approach.

The case for change

Only within a bold partnership can both the Government deliver its long term economic plan, and Council's continue to fulfil their statutory responsibilities and achieve the ambitions of local communities.

The first few months of the new Parliament has already signalled an appetite for a radical re-aligning of local public services. Many of the measures already announced will change the relationship between citizen and state, the way in which public services are both delivered and held to account. The budget also re-stated that the whole of the public sector remains under significant fiscal restraint and we remain cognizant of the fact that difficult choices are required to eliminate the UK's budget deficit. Whatever choices are made the next five years will see far-reaching changes to how local people experience local services.

Local government has already more than played its part in meeting the spending challenge. The income that local government has received from Central Government has been reduced by 43 per cent during the last Parliament and all councils' ability to generate income from other sources has been severely restricted.

While it might feel fair, it is also over simplistic to suggest that the burden of cuts should simply move elsewhere. While local councils can argue cuts to local government made in isolation of other wider public sector reform is now impossible, other local public agencies will also find a further fiscal squeeze not only devastating to their services, but will also result in increased demands on councils. The challenge will only be greater without greater devolution, collaboration and innovation.



In partnership with Government, Solace believes local government is now uniquely placed as the convener of key local public services. By utilising the experience, management skills and innovation already delivered across the last five years, it is now capable of leading transformative change across a wider range of local services.

Our profession's ambition is develop a 'place-based' partnership between local councils, combined authorities and Government to ensure we are able to make the necessary transformational change, and deliver the objectives of our local areas. The financial challenges facing the country can only be solved by a step change in productivity in the wider economy, matched by efficiency across the public sector, and local government is pivotally placed to achieve both.

It is clear that the current system does not function as it could, and much of this is due to: over-centralised governance; a confused set of financial incentives between local providers; and an over-reliance of national delivery models that constrain and over-regulate delivery at a local level.

The resultant failures created by the system include:

- A mismatch between the supply of skills and the needs of employers hampering growth in many local economies;
- Fragmented, inefficient and poorly sequenced public services which leave too many people trapped in a cycle of dependency, unable to access and progress through work to meet their potential and lead more productive and fulfilling lives;
- Many business struggling to access the right support and regulatory guidance at the right time to help them innovate because of the challenge of dealing with disjointed national, local, public and private business support;
- The inability of a siloed public sector to unlock the potential of sites for development meaning that the supply of new housing is running well below the 250,000 new homes per annum that forecasts suggest are needed to meet new demand;
- The hampering of efforts to stabilise the health and care system because of a hugely fragmented architecture and an inability to access the resources required to pump prime the investment in primary and community facilities that would enable to reconfiguration of local services;
- De-regulated local public transport services that constrain some areas' ability to market public transport as a consistent alternative to travelling by car and limiting authorities' ability to utilise revenues to meet its wider sustainable transport strategy; and
- The determination of priorities for the strategic road network at national level or through Highways England channels that fail to fully take account of local economic priorities or wider local consequences.



We would, therefore, argue that this Parliament provides an opportunity, through the Cities and Local Government Devolution Bill and other legislative changes, to establish a new deal with the whole local government sector aimed at delivering:

- Financial self-sufficiency across local government by 2025 enabled by incremental fiscal devolution;
- Devolution of local state spending responsibilities to clusters of local councils to drive productivity across all local public services;
- Devolution to clusters of local councils to deliver greater local economic growth and productivity.

Fiscal devolution

Fiscal devolution will free Whitehall of the bureaucracy of proportioning much of its income to local public services and will consequently transform the accountability and responsiveness of public services, and place more influence in the hands of local taxpayers.

Self-sufficiency across the local government sector is a challenging objective. The inequality of economic performance across the country means that both the residential and business related tax base from which local services currently draw much of their income is unevenly distributed. It will therefore take significant changes to redistribution mechanisms, inter-authority collaboration and growth incentives to ensure that self-sufficiency can be done fairly.

Making councils more 'independent' and less reliant on central government funding simply by cutting the revenue support grant is not uniformly sustainable and requires measures to temper its uneven impact if local services in areas hit the hardest are to not fail. The distribution of income into local government has changed significantly during the past Parliament. As these changes continue to play out, so the scale and type of risk is also altering. This change in profile needs to be recognised and appropriately shared to ensure the sectors financial future remains viable.

Despite its difficulties we do believe self-sufficiency is an important goal, and should be a more explicit objective of this Government and of the devolution policy. De-centralised decision-making improves efficiency and effectiveness, and in the long term saves the taxpayer money. But it also has a social dimension that increases choice and transparency enabling taxpayers to take an active role in their government and the decisions that affect their daily lives.

In order to deliver these benefits, we would like the Government to legislate to:

- Award local government a minimum of rolling three year budget settlements during the transition period to self-sufficiency
- Take the important first step of removing all council tax restrictions in acknowledgement of the legitimate financial decision making authority of local democratically elected politicians
- Enable all council tax discounts to be set locally

- Enable local flexibility on the banding of council tax to ensure taxation adequately reflects both the cost of local services and the taxpayers ability to pay
- Enable the setting of all fees and charges locally to enable councils to be responsive to local needs, speed up the planning process and remove the subsidies that distort local markets
- Move to a model of business rate administration based on a self-assessment model which is more efficient and appropriately shares the risk of re-evaluation between the public and private sector
- Over time increase the locally retained share of business rate income to 100 per cent for all areas
- Ensure all additional revenue from the pay to stay policy for social housing is allocated to local councils and housing associations for investment in new local housing

Devolution to improve public sector productivity

Devolution of local spending decisions in areas such as health, welfare and public sector assets will, through whole systems integration, the rationalisation of assets and processes, and more intelligent commissioning, improve public sector productivity and provide more effective and sustainable local services.

The interdependence of local services means that organisational boundaries and contradictory financial incentives stifle innovation and slow productivity. The degree to which collaboration within local government and with partners is enabled has been a fundamental element of local government's financial strategy. Shared services and community budget pilots, in particular, have demonstrated the potential that greater collaboration brings. While collaboration between public services enables significant efficiencies to be made, separate budgets and commissioning processes still inhibit the extent to which these benefits can be maximised. In some policy areas, however, integration provides the opportunity to go further with reform. Government would increase the financial benefits of integration if they legislated to:

- Ensure the full force of Government is brought to bear on creating a Local Public Service Fund which enables a place-based budgeting approach for all local public services nationwide by 2025
- Performance manage and create financial incentives and freedoms across Whitehall departments to entrench the place-based budget model and ensure that HM Treasury is able to lock in the generated savings
- Provide sufficient grant funding to close the social care funding gap
- Expand the Better Care Fund or create an equivalent programme fund of £2 billion per annum with the intention of fully integrating health and social care budgets overseen by Health and Wellbeing Boards or combined authorities by 2020, to ensure efficiencies, prevention and early intervention benefits are realised across the whole system
- Provide for the local management and disposal of public sector assets to create 'one public estate' and enable local agencies and partners the same ability to co-ordinate

local investment decisions for assets in their area to ensure the most efficient use is made of public sector investment

- Give councils the power to direct the strategic development and sale of publically owned sites and are able to retain receipts from sales of surplus central government land for local investment
- Enable clear and longer term investment agreements which are more efficient, encourage early intervention and the sharing of benefits across all local partners
- Prioritise a place-based budget approach to children and young people's services with, in particular, a more flexible and responsive approach which enables dedicated schools grant to contribute to the funding of school transport and early intervention
- Devolve the commissioning of Universal Credit Support Services to local clusters of councils accountable for outcomes achieved

Devolution to support productivity improvement in local economies

The devolution of powers around skills, transport and other infrastructure will enable more responsive decision making across these areas that will better reflect the needs of local economies and develop a more balanced tax base across the country to in turn move local services towards greater self-sufficiency.

The strength of a local economy will impact on the fiscal robustness of local public services in the same way that the national economic performance determines Whitehall's fiscal health. An unbalanced national economy therefore implies an unbalanced fiscal position locally, and without the levers to promote growth and productivity, a local area's public services will never become self-sustaining.

To remedy this, the Government needs to:

- Introduce an expansive local growth fund for capital spending by combined authorities within devolution deals, that includes local transport, flooding protection, digital, business support and skills related allocations such as apprenticeships, Job Centre Plus support and 16-19 funding and ensures that the size and scope of the pot is sufficient to make the investment in co-ordination proportionate
- Align European Union funding with the single local growth fund and include the decentralisation of the European Regional Development and Social Funds within this pot
- Simplify and pool existing incentives for growth to create a separate 'growth incentive fund' allocated to individual local authorities to manage the impact of growth on local communities and vary the level of incentive to reflect the ability of an local area to attract investment and allow for targeted incentives that enable national re-balancing
- Allow councils to retain 100 per cent of receipts from the sale of their assets, including housing, to enable reinvestment and the building of more new homes
- Rationalise expensive governance arrangements for economic growth and transport funding with a focus on building sustainable consistent partnerships between business and local representatives

- Abolish the Skills Funding Agency and create a central-local government partnership to promote strategic oversight of locally delivered skills and employment initiatives
- Give all areas powers to use local taxation, through levies and new local taxes, to more effectively fund infrastructure investment

Improvements to strengthen the current approach

The three elements of devolution outlined within this response are symbiotic and it will be important that progress is made early in this Parliament against all three if Government and taxpayers are to realise the full benefits. For example, self-sufficiency is not possible without a more balanced economy delivered through locally designed infrastructure development, or without the proper funding of social care supporting greater integration with health.

SOLACE believes that by prioritising these reforms, the Government will be able to deliver its medium term financial plan, but also able to reform how local services are funded to ensure they a place on a more responsive, accountable and sustainable long term footing.

Progress has been made across some of these areas in some places. The troubled families programme provides a model example of how strategic place-based co-operation between agencies can deliver significant positive outcomes for families and save the taxpayer money. However, we believe there a still much potential that remains untapped and seek to create a deal with Government that drives forward transformation at greater scale and pace.

The approach to devolution to date has been piecemeal and opportunistic and there has been a failure from both Government and local government sector to set out a clear and consistent vision for what a devolved future might look like, or to set out how the process of devolution might progress across the whole country after this autumn's spending review-linked negotiations. Indeed, the very linking to the spending review might suggest that the current process is designed as a passing down of financial liabilities, rather than a transformation of how local public services are managed and held to account. While the financial imperative is strong, the process should also recognise the wider benefits of subsidiarity.

This is not to say that all local public services have the capacity or capability to transform at the same time, or that we expect to see a uniform set of powers placed at a local level at some point in the future. However, we do see this as an opportunity to agree the fundamental principles that need to underpin devolution and sector change, and to set a gold standard to which all should aspire. But as each area and organisations will start from a different place, they will also progress at differing rates, but we feel it is important that they all - with Whitehall - share high ambition.

The process this summer has pitched local council against council, LEP against LEP, in a competition to gain the attention of Ministers and their senior officials. The fear being that if your devolution proposition is not faster or bigger than your neighbours, you might miss out in this first round and only to be left with a few remaining scraps once Whitehall attention has moved on to something new.

While the troubled families programme provides us with an example of how much can be achieved when local organisations cluster around a clear, common objective. The city deals process provides an example of how a positive, forward thinking programme can falter and



lose impetus after initial success when the long term nationwide objective is not clear and high level political focus moves away onto other matters

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