

Economy and Transport Board

Agenda

Thursday 28 March 2013
11.00am

Smith Square Rooms 1 & 2, Ground Floor
Local Government House
Smith Square
London
SW1P 3HZ

To: Members of the Economy and Transport Board
cc: Named officers for briefing purposes

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Economy and Transport Board

28 March 2013

The **Economy and Transport Board** meeting will be held on **Thursday 28 March 2013 11.00am** in **Smith Square Rooms 1 & 2**, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Please note that there will be a Lead Members' Pre-meeting at 9.15am in Meeting Room 6.

Refreshments will be available upon arrival and lunch will be at 1.00pm.

Apologies

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting, so that a substitute can be arranged and catering numbers adjusted, if necessary.

Labour: Aicha Less: 020 7664 3263 email: aicha.less@local.gov.uk
Conservative: Luke Taylor: 020 7664 3264 email: luke.taylor@local.gov.uk
Liberal Democrat: Group Office: 020 7664 3235 email: libdem@local.gov.uk
Independent: Group Office: 020 7664 3224 email: independentgroup@local.gov.uk

Attendance Sheet

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

Location

A map showing the location of Local Government House is printed on the back cover.

Contact

Virginia Ponton (Tel: 020 7664 3068, email: virginia.ponton@local.gov.uk)

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Economy & Transport Board - Membership 2012/13

Councillor	Authority
Conservative (8)	
Tony Ball [Vice-Chair]	Basildon DC
Andrew Carter	Leeds City
Philip Atkins	Staffordshire CC
Martin Tett	Buckinghamshire CC
Gillian Brown	Arun DC
Nick Clarke	Cambridgeshire CC
Ann Steward	Norfolk CC
Mike Whitby	Birmingham City
Substitutes:	
Heidi Allen	St Albans City and DC
Phillip Bicknell	Windsor & Maidenhead RBC
Arif Hussain JP	Wycombe DC
Bob Lanzer	Crawley BC
Labour (6)	
Peter Box CBE [Chair]	Wakefield MDC
Claire Kober	Haringey LB
Chris Roberts	Greenwich LB
Barrie Grunewald	St Helens MBC
Joan Dixon	Derbyshire CC
David Wood	Tyne & Wear ITA [Chair of ITA SIG]
Substitutes:	
Tony Page	Reading Council
Liberal Democrat (3)	
Roger Symonds [Deputy Chair]	Bath and North East Somerset Council
Heather Kidd	Shropshire Council
Colin Rosenstiel	Cambridge City Council
Substitute:	
Ian Stewart	Cumbria CC
Independent (1)	
Mike Haines [Deputy Chair]	Teignbridge DC
Substitute	
Peter Popple	Scarborough BC

LGA Economy & Transport Board - Attendance 2012-2013

Councillors	27.09.12	29.11.12	31.01.13			
Conservative Group						
Tony Ball	Yes	No	Yes			
Andrew Carter	No	No	Yes			
Philip Atkins	Yes	Yes	Yes			
Martin Tett	Yes	Yes	Yes			
Gillian Brown	No	Yes	Yes			
Nick Clarke	Yes	Yes	Yes			
Ann Steward	Yes	Yes	Yes			
Mike Whitby	Yes	Yes	Yes			
Labour Group						
Peter Box CBE	Yes	Yes	Yes			
Claire Kober	Yes	Yes	Yes			
Chris Roberts	No	Yes	Yes			
Barrie Grunewald	Yes	No	No			
Joan Dixon	Yes	Yes	Yes			
David Wood	No	Yes	Yes			
Lib Dem Group						
Roger Symonds	Yes	Yes	Yes			
Heather Kidd	No	No	No			
Colin Rosenstiel	Yes	Yes	Yes			
Independent						
Mike Haines	Yes	Yes	Yes			
Substitutes						
Phillip Bicknell	Yes					
Tony Page	Yes		Yes			
Peter Popple	Yes					
Heidi Allen		Yes				

Economy & Transport Board – Meeting dates 2012/13

DAY (2013)	DATE	TIME	ROOM / VENUE
Thursday	30 May 2013	11.00am – 1.00pm	Smith Square Rooms 1 & 2
Thursday	25 July 2013	11.00am – 1.00pm	Smith Square Rooms 1 & 2

Agenda

Economy and Transport Board

28 March 2013

11.00am – 1.00pm

Smith Square Rooms 1 & 2, Ground Floor, Local Government House

	Item	Page	Time
Part 1			
1.	Notes of the previous meeting	3	11.00am
2.	Chair's Report	7	11.05am
3.	Heseltine Review and 2013 Budget	11	11.10am
4.	Transport update	27	12.00pm
5.	New Model for Local Government - CONFIDENTIAL	35	12.20pm
6.	High Streets update	69	12.45pm

Note of Meeting 31 January 2013

Title: Economy & Transport Board
Date and time: 31 January 2013, 11.00am
Venue: Local Government House

Attendance

Position	Councillor	Political Group	Council
Chairman	Peter Box CBE	Labour	Wakefield MDC
Vice Chair	Tony Ball	Conservative	Basildon DC
Deputy Chair	Roger Symonds	Liberal Democrat	Bath and North East Somerset
Deputy Chair	Mike Haines	Independent	Teignbridge DC
Members	Andrew Carter	Conservative	Leeds City
	Martin Tett	Conservative	Buckinghamshire CC
	Philip Atkins	Conservative	Staffordshire
	Nick Clarke	Conservative	Cambridgeshire CC
	Ann Steward	Conservative	Norfolk CC
	Mike Whitby	Conservative	Birmingham City
	Gillian Brown	Conservative	Arun DC
	Claire Kober	Labour	Haringey LB
	Joan Dixon	Labour	Derbyshire CC
	Tony Page	Labour	Reading Council
	Chris Roberts	Labour	Greenwich LB
	David Wood	Labour	Tyne & Wear ITA
	Colin Rosenstiel	Liberal Democrat	Cambridge City

Apologies

Barrie Grunewald	Labour	St Helens MBC
Heather Kidd	Liberal Democrat	Shropshire Council

In attendance: Ian Hughes; Eamon Lally; Piali Das Gupta; Rachael Donaldson; Charles Loft; Thomas Coales; Russell Reefer; Kamal Panchal; Nick Porter; Virginia Ponton; Daniel Goodwin (LGA), Paul Hammond (Mott MacDonald)

Item	Decisions and actions	Action by
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The Chair welcomed Daniel Goodwin, the new Executive Director for Local Government Finance and Policy at the LGA.

1 Chair's Report

The Chair reported to members that councils had delivered well in the winter weather and that local authorities are well prepared with stockpiled salt, new equipment, wider-reaching community schemes and wider communications streams.

There had been a meeting of all Board Chairs with the LGA Chairman to discuss how to bring together all the important work that the Boards are doing to promote councils' role in growth. The LGA is currently consulting on a series of policy issues, looking at a New Model for Local Government, including councils' role in driving growth.

The Chair recommended the second [Hidden Talents](#) document and stressed the importance of ensuring MPs are aware of these documents.

2 Minutes of the last meeting

Decision

The minutes were agreed with a correction to the attendance list.

Action

Minutes to be corrected.

Virginia Ponton

3 Emerging practice in financing local government growth

Kamal Panchal introduced the item.

Cllr Nick Clarke presented, outlining the creation of the Cambridgeshire and Counties Bank, which is jointly owned by Cambridgeshire LGPF and Trinity Hall at the University of Cambridge. He drew out some of the lessons learnt and barriers in setting up the bank and saw the need to press the FSA to relax some rules and processes which seemed disproportionate for new banks and banks owned by local authorities. Going forward the key focus is how to ensure the bank is self-sustaining.

Paul Hammond, Projects Director (Economic and Social Research), Mott MacDonald said that there is no template for local growth and that solutions must be bespoke to local areas. There is a long list of possibilities for local government intervention, whose role it should be to create confidence, reduce bureaucracy and raise the profile of innovation. He highlighted the importance of working across boundaries, being less risk adverse and working with the private sector.

Members stated that they found the presentations very useful and were positive about the rewards that creating a local bank could provide. Members discussed:

- risk and scrutiny in making good investment decisions
- the potential for joint local authority banks

- FSA barriers to local growth and the need for the FSA to recognise local bespoke needs
- ensuring a focus on repayments, not only on funding and financing.

The Chair echoed Paul Hammond's message that there is a need for localism and bespoke local solutions. The Chair asked for a future item on financing local economic growth with a paper on the emergent picture rather than what already exists and a focus on lessons learnt. The Chair thanked Cllr Clarke and Paul Hammond.

Action

Officers to add an item to a future agenda on financing local economic growth.

Ian Hughes

4 Autumn statement and devolution of economic powers

The Chair introduced Piali Das Gupta, Senior Adviser, LGA who introduced the item and circulated the Centre for Cities paper on the City Deal's core package.

Members discussed the following:

- the capacity of LEPs in light of new responsibilities.
- the challenges of the competitive element and "one big idea" approach of Wave 2 City Deals.
- While there was concern over different levels of understanding, engagement and buy-in of government departments on City Deals and on the understanding of different tiers of local government, members also saw the need to be positive in order to build good relationships and dialogue with ministers.
- The government must pool and devolve pooled funding to local areas. Local authorities also need to work across boundaries for local authorities to work.
- Members were keen to ensure London boroughs were not marginalised in devolution of tools for growth.

As part of the LGA submission to the Treasury (pre-budget), members agreed to press ministers on Local Growth Deals for all councils and to ensure a coordination between the Heseltine and City Deals programmes.

5 Transport update

Charles Loft introduced the item.

Members discussed:

- concern over the rail franchising announcement, which hinders rail capacity improvements and investment, but also the opportunity to push for local authorities and Integrated Transport Authorities to have a greater input.
- the need to continue to press DfT on the messages around Part 6 of the Traffic Management Act and push the message that concessionary fares funding is not enough.
- Members supported the streetworks campaign.
- Members stressed that parking enforcement is a local issue.

In response to a query on whether the LGA would respond to a consultation on 'Examining the speed limit for heavy goods vehicles over 7.5 tonnes on single carriageway roads', Ian Hughes said that this had been delegated to the Technical Advisory Group (TAG) to respond as the technical experts.

Action

Letter to be sent to Secretary of State regarding concerns over Great Western franchise.

Charles Loft

Draft response to the public consultation on parking enforcement to be circulated to Lead Members for views.

Charles Loft

6 Councils' role in supporting International Trade and Investment

The Chair noted the excellent paper.

Members had mixed views on their experiences with UKTI. The Chair highlighted that they are keen to work with local government, which should be supported and encouraged.

7 & 8 Town Hall Summits and Growth and Infrastructure Bill – LGA activity update

Decision

Members noted the reports

Item 2

Chair's Report

Purpose of report

For noting.

Summary

This report sets out Group Leaders' activity between the Board meetings. This report is presented to the LGA's Councillor's Forum as a record of Board activity.

Recommendation

Members are asked to note the report and comment as necessary.

Action

Officers to take actions as directed.

Contact officer: Ian Hughes
Position: Head of Programmes
Phone no: 020 7664 3101
E-mail: ian.hughes@local.gov.uk

Chair's Report

Local Growth Campaign – Staffordshire CC Town Hall Summit

1. On 5 March I chaired a Town Hall Summit alongside Cllr Philip Atkins, Leader of Staffordshire CC to discuss the importance of transport and connectivity to economic growth. Staffordshire was especially chosen as a venue for this discussion, being the location for the i54 South Staffordshire business park where the county council and Wolverhampton City Council are investing £40 million to build a motorway junction onto the site. Jaguar Land Rover is currently building its new engine plant at i54 and this week announced it will be doubling the size of the plant to create 1,400 jobs. We were pleased that the Under Secretary of State for Transport, Norman Baker MP, was able to join us and stayed to listen to a good debate where the case for devolved decision-making that enables councils to work quickly with partners to seize growth opportunities was well made.

Bristol Skills and Growth Roundtable

2. On 21 March, hosted by Bristol City Council, Cllr Mike Haines, chaired a roundtable discussion about the skills agenda and the link to economic growth. The meeting was arranged as part of this year's growth work programme and heard reports back from the skills pilot areas in Bristol, Wolverhampton, Derby and the Isle of Wight. The meeting heard how councils are bringing local partners together to ensure that local skills gaps are addressed and employment opportunities pursued. This information will be used to inform our on-going discussions with BIS about what further support councils and their partners need to address the skills mismatch in their local places and to inform a planned joint skills summit with BIS later in the year.

Meeting of all Board Chairs

3. I attended a meeting of all Board Chairs with the LGA Chairman at which we discussed how we bring together all the important work that the Boards are doing to promote councils' role in growth. As a result, the LGA is currently consulting on a series of policy papers looking at a New Model for Local Government. One of the key papers looks at the council role in driving growth. At the last Board meeting, we reviewed some of the thinking and whilst pleased at the direction of travel on economic devolution with a range of schemes from Heseltine's single pot to City Deals, we had a real concern about the fragmented initiatives which are developing. We need to be very robust and honest on this issue and ensure that we offer a more coherent approach to the current outbreak of "initiative-itis".

City Deals

4. On 18 February, the Government announced that it will enter negotiations with all 20 cities who had been invited to bid for Wave 2 City Deals. The Government will now work closely with cities to develop the proposals in more detail and to negotiate a final deal. They will aim to complete deals in three rounds over the next year. The new deals are due to be signed on a staggered basis: in the next few months, the second in the autumn and the third by the end of the year/early 2014. Meanwhile, the Cities Policy Unit have been undertaking work to develop a core package/menu of options that cities will be able to draw down from to support and enhance their bespoke part of the deal. The menu of

options is due to be published in March. We have submitted a joint proposal with the Centre for Cities which puts forward a comprehensive proposal for the core package which maximises councils' ability to drive growth.

5. I responded to the announcement saying, "The announcement is very positive and reflects the Government's increasing recognition that local areas are best placed to drive economic growth. We need to accelerate the pace and scale of devolution and make deals available to all areas that want them. The Heseltine Review identified £58 billion of Government funding for growth that could be better used if localities made the investment decisions rather than civil servants in Whitehall. There is clearly varying degrees of buy-in from different government departments. We hope that the March Budget will carry through the promise of the Autumn Statement by confirming that all of the tools and levers needed to drive local growth will be made available to councils, local businesses and their partners."

Budget and Spending Review

6. In the run up to the Budget, we have also been meeting with officials from a range of government departments to press for the devolution of growth-related funding on the scale recommended by Lord Heseltine through the single pot and to signal the roll-out of local growth deals to all areas that want one. The LGA's outline submission for the next Spending Review, which is intended to be sent to Government ahead of the Budget, reinforces the case we have been making for a new deal on local growth.

High Streets

7. Cllr Mike Haines has been discussing with the National Association of British Market Authorities (NAMBA) the LGA's support for the national "Love Your Local Market" campaign. This campaign runs over the coming months in the lead up to a Love Your Local Market Fortnight in May. He has also accepted the invitation of Department for Communities and Local Government (DCLG) Minister, Mark Prisk, to represent the LGA on DCLG's High Streets Forum.

Cycling All-Party Parliamentary Group

8. Cllr Roger Symonds gave evidence to the [Cycling All Party Parliamentary Group](#) (APPG) as part of the APPG's inquiry titled "Get Britain Cycling". Further information on the inquiry can be found [here](#). The LGA's written evidence to the inquiry, focused largely on the benefits for cycling which could be delivered if the Department for Transport were to implement Part 6 of the Traffic Management Act 2004 (TMA). Cllr Symonds called for a culture change to tackle intolerance of cycling and raise awareness and highlighted the need for political will and financial investment. He encouraged the APPG to back the LGA's call for implementation of Part 6 of TMA, which could help councils improve safety levels for cyclists through better enforcement of, for example, cycle lanes.

Item 3

Heseltine Review and 2013 Budget

Purpose of report

To update on recent Government announcements.

Summary

On 18 March the Government published its response to the Heseltine Review, which included a commitment to make Local Growth Deals available to all areas through Local Enterprise Partnerships and establish a Single Local Growth Fund.

The Chair of the Board responded to the announcement as follows: “This is a step in the right direction but we won’t know how big a step until funding is announced. In order to make a significant difference to the economy the measures have to be backed-up with the kind of money proposed in Lord Heseltine’s report. The Chancellor needs to make sure all Whitehall departments support the drive to deliver growth.”

Two days later on 20 March, the Chancellor of the Exchequer delivered the 2013 Budget, which did not set out any further detail on Local Growth Deals or the single pot but did contain some new growth-related announcements on employer allowances and funding for industrial strategies.

LGA briefings for both the Heseltine Review and the Budget are attached at **Appendices A and B**. Further detail is expected in the coming days and there will be a further briefing at the meeting on any new detail and an analysis of the impact of these announcement on Board lobbying priorities and local ambition for economic growth.

Recommendation

For information.

Action

Officers to provide updates as further developments emerge.

Contact officer: Piali Das Gupta
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Phone no: 020 7664 3041
E-mail: piali.dasgupta@local.gov.uk

Local Government Association (LGA) briefing on the Government's response to the Heseltine Review

19 March 2013



Background

On 31st October 2012 Lord Heseltine made 89 recommendations in his report “*No stone unturned in pursuit of growth*”, looking at all aspects of government policy that affect economic growth. (See the LGA’s on the day [briefing](#).) Lord Heseltine supported the LGA view that we need a more place based approach to drive economic growth in England and stated that too many decisions are taken in Whitehall.

On 18 March, HM Treasury and Department for Business Innovation and Skills published the Governments’ response to the Heseltine review¹ confirming their agreement with the case for decentralising economic powers from central government to local areas and leaders.

The Government accepted in full or, in part 8, of the 89 recommendations from the Heseltine Review. It will address another three at the spending round in June 2013 and five recommendations were rejected, decisions which the LGA agrees with.

LGA key messages:

- The LGA has long been making the case for devolution of growth-related powers and levers, so this announcement that the Government shares our vision that decentralisation can unleash the growth potential of local economies is positive.
- The Government has described its response to the Heseltine report as a “*first step*” and much of the response either reaffirms current national policy or makes new devolutionary proposals for 2015, with any budgets dependent on future reviews. We would urge a faster delivery timetable to support local ambition for growth.
- We are pleased that the Government has responded to our call for Local Growth Deals to be made available to all areas through a negotiated process. We believe that this approach will help ensure that all local partnerships with ambition and innovative ideas are able to drive economic growth.
- However, the viability and success of Local Growth Deals will be contingent on the strength of the spending review’s Single Local Growth Fund.
- Lord Heseltine has identified between £58 to £70 billion in funding streams currently held nationally that could be put to better use if they

¹ Available at http://www.hm-treasury.gov.uk/d/PU1465_Govt_response_to_Heseltine_review.pdf

Briefing

Tom Coales, Senior Public Affairs and Campaigns Adviser
Local Government Association, Smith Square, London, SW1P 3HZ
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Telephone: 0207 664 3110

were devolved. We would be very disappointed, and would question the viability of this proposal, if the single pot fell short of Lord Heseltine's ambition.

- We are supportive in principle of the commitment to align European Union Strategic Investment funds with the Single Growth funds, but it is critical that all Departments commit to the EU Growth Programme model, and not fund the majority of provision through separate national contracts/programmes outside of this model, which would undermine the notion of alignment against local priorities.
- We have a concern about the disjuncture between future Local Growth Deals for Local Enterprise Partnership (LEP) areas and the current City Deals for city regions. We would like early discussions with BIS to ensure that future economic geography is not further complicated.

Key announcements within the response

Local Growth Deals

- From 2015, the Government will negotiate Local Growth Deals with each LEP that will cover their allocation of a new Single Local Growth Fund and new levers and flexibilities to support growth.
- These deals will be developed through a process of negotiation on the basis of LEPs' strategic growth plans.

LGA view

- We have been calling for Local Growth Deals to be extended to all localities so this is a major win for the LGA's member authorities.
- We are very disappointed that some areas of England, especially counties, will have to wait until 2015 for such deals. There is a clear case for those localities with innovative ideas for growth to be allowed to negotiate their deals immediately.
- We are pleased with the recognition that Deals are best developed through negotiation rather than bureaucratic bidding processes.
- We need urgent discussions with BIS to ensure that the development of LEP Deals and City Deals do not complicate English economic geography further.

Local Single Growth Fund

- The Government confirmed its commitment to creating a Single Local Growth Fund and identified three areas as being critical to its success: Skills, Transport and Housing.
- Full details of the size and content of the Single Local Growth Fund will be announced alongside the Spending Round later this year.
- Access to the Single Local Growth fund will be via the strategic plan developed and negotiated with government by the LEP.
- The Single Local Growth Fund will be allocated through a process of negotiation with an element of "competitive tension" that appears likely to inform each LEPs' share of the Fund.

- Funds will then either be paid to a lead local authority or to a combined authority and it is expected that local authorities or other bodies (rather than LEPs themselves) will deliver programmes and projects to ensure there are proper democratic and financial accountability structures in place.

LGA view

- The acceptance of the Heseltine recommendation that a single local growth fund be developed is a positive step but ultimately local areas will judge the success of the fund by its contents.
- Lord Heseltine has recently upwardly revised his recommendation of the amount of funding that should be devolved to local areas to £70 billion. We would support the devolution of all of these funds through the Single Fund and believe that the onus is on Government to demonstrate why any fund would achieve better outcomes by continuing to be held centrally.
- In recognition of business opinion that certainty is critical to inspiring investor confidence, we would question the need for any competitive element to the allocation of resources.
- The LGA supports the proposal to channel the funding through local authorities so they can act as the delivery agents for the LEPs. This will be essential to ensure a democratically accountable and financially transparent delivery system, which LEPs can only provide if their local authority partners take on this role.

Role of Local Government

- A clear role is set out for local government, as is the importance of democratically elected councillors being responsible for ensuring proper use of public resources.

LGA view

- The Government has rightly acknowledged the role of local government in driving growth. Councils already work effectively with their LEP partners to drive growth and we will want to have an honest discussion with Government to ensure that there is capacity and resources at a local level to drive the devolved agenda.
- It must be acknowledged that local economic development is a discretionary service which could be undermined by further reductions in local government funding.
- From 2013/14 local authorities will retain a share of business rates collected locally. The government should consider increasing this share and allow the sector to retain the proceeds of growth in the business rate without a corresponding reduction in grants from central government.

EU Funds

- The Government will also seek to ensure that EU Structural and Investment (SI) Funds are aligned with the Single Local Growth fund

through streamlining their management and aligning priorities on the basis of the plans led by LEPs.

LGA view

- We are supportive of the proposal to join up EU funds but will need to make a further assessment once the detail has been considered.
- For the spending of EU funds to be locally responsive in practice, it will be critical for all Departments to commit to the EU Growth Programme model and not fund the majority of provision through separate national contracts or programmes outside of this model, which we feel is a risk.

Planning

- The Government confirmed a number of previously-announced reforms to the planning system to reduce costs and bring speed and certainty to business.

LGA view

- Councils are supportive of the removal of unnecessary bureaucracy in the planning process and are therefore pleased that government has reversed its original opposition and accepted our proposals to make it easier to streamline Local Development Orders.
- With 400,000 homes with planning permission that have yet to be built by developers, it is clear that the planning system is not the main barrier to unlocking development. More upheaval and fundamental reform of the planning system will hinder, not help the drive for growth.
- Through the Growth and Infrastructure Bill, the Government is creating a centralised target driven process for major applications that will focus on speed rather than quality, undermine local democratic decision making and require an increase in resources at the Planning Inspectorate that would be better spent on services locally.
- 87% of all planning applications were approved in 2011/12, representing a 10 year high. Targets on speed of decision making could risk reducing the level of approvals if councils cannot take the time to get the right decision.
- Where problems exist, these will be most effectively dealt with through supporting improvement in planning services and the LGA has argued for councils to be given the opportunity to improve their performance before decisions on major applications are removed from the local democratic process. The Planning Advisory Service (PAS) is a key part of that sector led response. The LGA and DCLG have agreed new governance arrangements for PAS that will allow for stronger leadership from the sector in shaping a support offer to councils that will be responsive to councils' needs.
- We also support a faster appeals process. However we are concerned that the additional caseload placed on PINs by the Government's proposals will add burdens to the system and could detract resources from work to approve local plans. We will continue to work to support councils in achieving best value for public sector assets and on increasing the use of planning performance agreements.

Skills

- The Government believes that including an element of skills funding within the Single Local Growth Fund is important in order to give LEPs the ability to influence provision, particularly for local small and medium sized enterprises (SMEs).
- It will also examine closely the options for aligning employment support programmes with LEPs and the Single Local Growth Fund.

LGA view

- While we are pleased that an element of skills funding will be included within the Single Local Growth Fund, we are disappointed that the Government is not seizing the opportunity to reform the skills system on a more ambitious scale, as set out through our Hidden Talents project².
- We would be keen to support further radical thinking on how to unlock value by aligning employment and skills programmes within LEP areas.

Transport

- The Government indicated that it believes that there is a case for elements of the transport budget (such as the funding for major local transport schemes) to be included as such spending is integral to economic development.

LGA view

- While we welcome this recognition from the Government, local major transport funding has already been devolved (although there is still some concern about the impact of creating a multiplicity of local governance arrangements by establishing Local Transport Boards in addition to LEPs).
- We are disappointed that the Government response does not adequately recognise that decisions about major national transport projects also have an impact on local economic development and as such, local areas need to have more of an influence over those projects as well.

² Further information is available at <http://www.local.gov.uk/hidden-talents>

Budget 2013 20 March 2013

Today the Chancellor published the Budget which sets out the position of the national finances and announces a number of measures that the Government will be taking forward with the aims of protecting the public finances, encouraging growth and promoting fairness.



LGA Key Messages

- The prospect of new cuts to funding for local services in 2014/15 and beyond is extremely worrying. Reducing the money available for local services would be a false economy which diminishes those services, leads to higher costs in other parts of the public sector and limits the role councils can play in promoting growth.
- Councils are already dealing with a 33 per cent cut in funding from central government. This has led to reductions in local services. Any new cuts next year and beyond will have a significant negative impact, particularly as the rising demand for and cost of services such as adult social care and changes to National Insurance are already guaranteed to soak up an increasing share of local government funds.
- The Government needs to reconsider its approach ahead of the 2015/16 spending round. The only way of maintaining public services in the face of the proposed long-term cuts is by undertaking a radical transformation of the way they are provided and paid for. This has to be based on the idea of allowing local areas to design services around the needs of people and communities. Extending the Community Budgets programme to other local areas is a major step.
- The Government confirmed its intention to take forward Lord Heseltine's recommendation on the creation of a Single Local Growth Fund. This is a positive step and something the LGA has called for. Lord Heseltine identified up to £70 billion in funding streams currently held nationally that could be put to better use if they were devolved. We strongly support this level of ambition.
- The Government has confirmed its plans to introduce a new funding model for adult social care based on the recommendations of the Dilnot Commission. Central government needs to work closely with local authorities and the NHS on its timetable for implementation and ensure that any costs associated with the capped-cost model are fully funded.
- The housing proposals include measures aimed at increasing the supply of new housing through equity loans and mortgage

Briefing

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guarantees. However, the Chancellor has missed a golden opportunity to boost growth in failing to use this Budget to remove the unnecessary cap on councils' investment in new housing.

This briefing covers:

- Public finances and the Spending Review
- Whole-Place Community Budgets
- Local growth
- Adult Social Care
- Housing
- Child care
- Pay

Public finances and the Spending Review

The Chancellor confirmed changes to the spending plans with reductions in departmental expenditure limits of £1.1 billion in 2013-14 and £1.2 billion in 2014-15. The equivalent of a 1 per cent reduction for most government departments. In the short-term, these funds will be used to support housing. Local government and police will be exempt from a further cut in 2013-14. The impact of further reductions in 2014-15 on local government is not yet clear. Protection for schools, health and international development will continue.

The small business rate relief will be considered at Autumn Statement 2013.

Today's Budget confirms the timing of the Spending Review which will set out departmental spending plans for 2015-16. It announces that Government will:

- Make savings from current spending of £11.5 billion in the spending review for 2015-16.
- Move funds from revenue to capital of £3 billion a year from 2015-16.
- Exercise public sector pay restraint of 1 per cent (the local government budget will be adjusted accordingly).
- The themes of the spending review will be growth, efficiency and public service reform, including localism and fairness.
- The Government will publish analysis of the distributional impact of the spending round.
- The Department for Education will carry out a schools efficiency review. This is due to be published alongside the Spending Review on June 26th 2013.
- It has been confirmed that total spending in 2015-16, 2016-17 and 2017-18 will continue to fall in real terms at the same rate as during the Spending Review 2010 (SR 2010) period. The overall spending envelopes for Total Managed Expenditure for the three years are set at £745 billion in 2015-16, £755 billion in 2016-17 and £765 billion in 2017-18.
- Introduce a firm limit on a significant proportion of Annually Managed Expenditure (AME) including areas of welfare reform.

LGA View:

It is welcome that local government is exempt from a further reduction in 2013-14. However, the position on 2014-15 is not clear yet and subject to confirmation by the Secretary of State for Communities and Local Government. An additional cut in 2014-15 (on top of the 2 per cent reduction made in the Autumn Statement) is unsustainable without impacting on services. A further round of cuts will hurt local government's ability to promote growth and deliver services.

This year's spending review needs to accelerate progress on a joint place-based approach to public sector transformation through community budgets, create an ambitious single pot for local growth as proposed by Lord Heseltine, at least maintain NHS investment in social care, enable councils to build more affordable homes and ensure schools work with

councils to support early intervention. The LGA has submitted [proposals](#) to the Treasury in advance of the Budget setting out our recommendations for the Spending Review.

Further details on the Spending Review can be found in the Red Book, [Budget Report](#), paragraphs 1.51-1.59.

Whole-Place Community Budgets

Following the successful development of whole-place business plans for community budgets in four pilot areas (Essex, Greater Manchester, Tri-borough and West Cheshire); the Budget confirms that the Government will support other places to take similar approaches to local public service transformation.

The Government will establish a new multi-agency network, which the LGA will be part of, to drive the transformation of local public services. The network will spread innovation from the Whole-Place Community Budget pilots and What Works Centres to support other places at key stages to provide advice and support on co-designing local public service transformation. The Government has also committed to extend the approach across the country as part of the 2015-16 spending round.

Full details can be found in the Red Book, chapter two, [Budget Policy decisions](#), paragraphs, 1.58 and 2.31.

LGA View

If the local public sector is going to be smaller, it is going to have to be radically transformed to focus on better collective working and on investment in reducing demand and preventing failure. To achieve that, public services need rewiring based on people and places, and the whole-place community budget pilots have demonstrated the savings and improvements in outcomes that can result.

The Government's confirmation in the Budget that it will support other places to take a whole-place approach is a major development. We hope it will lead to a real widening and acceleration of the whole-place approach. Councils will inevitably be at the centre of that. Every place that wants to take this approach must now feel free to take this forward and, even if it cannot be directly supported by the new Network, must benefit from the full political and managerial backing of central government.

We look forward to discussing with the Government how the spending round can entrench the approach across the country; we believe the way to do that may be to develop a new way of budgeting for the totality of public service across a place.

Local growth

The Government confirmed the intention to take forward Lord Heseltine's recommendation on the creation of a Single Local Growth Fund, devolved to the local level through new Local Growth Deals, with the Fund expected to be operational by April 2015.

LGA View

We are pleased that the Government has responded to our call for Local Growth Deals to be made available to all areas through a negotiated

process. We believe that this approach will help ensure that all local partnerships with ambition and innovative ideas are able to drive economic growth.

However, the viability and success of Local Growth Deals will be contingent on the strength of the spending review's Single Local Growth Fund. Lord Heseltine has identified up to £70 billion in funding streams currently held nationally that could be put to better use if they were devolved. We would be very disappointed, and would question the viability of this proposal, if the single pot fell short of Lord Heseltine's ambition.

Local Growth Deals should also recognise the value of placed-based approaches to bringing forward more investment and supporting export activity. The LGA is committed to working with Government to support better co-ordination and engagement between UK Trade and Investment (UKTI), local authorities, business and Local Enterprise Partnerships (LEPs) on these issues.

Employment allowance

Businesses and charities will be given an entitlement to a £2,000 Employment Allowance per year towards their employer National Insurance contributions bill from April 2014.

LGA View

This incentive to support businesses, particularly Small and Medium Enterprises (SMEs), to take on new employees is a positive step. However, it will not address the more fundamental problems with the skills system that have created a mismatch between the work readiness and skills of young people and needs of local employers.

We have already proposed to Government a set of reforms to cut the number of young people out of work by 20 per cent in three years and save £1.25 billion a year to the taxpayer. This would be achieved by councils and their local partners targeting learning and employment schemes linked to what local businesses actually need.

Industrial strategy

The Government will provide £1.6 billion of funding to support strategies in eleven key sectors: automotive, aerospace, life sciences, agri-tech, professional business services, information economy, construction, education, nuclear, oil and gas, and offshore wind. Each strategy will set out actions for both industry and the Government, such as bridging skills gaps or strengthening supply chains.

LGA View

We are keen to work with the Government to ensure that these strategies take into account local economic intelligence and circumstances, in order to capitalise on the good work that is already being done by local authorities and their partners in local areas to position the UK as a global leader in these sectors.

You can read further detail in the [Budget Report](#), paragraphs 1.86 and 1.139.

Adult social care

Under the Budget theme of 'fairness', the Government has confirmed its plans to introduce a new funding model for adult social care based on the recommendations of the Dilnot Commission. The Chancellor confirmed two of the key features of the proposed new system: a cap of £72,000 on the costs an individual has to pay to meet their eligible care and support needs; and an extension to the asset threshold in the financial means test for residential care from £23,250 to £118,000. The date for the new system going live has been brought forward a year to 2016.

This issue is covered in the Red Book, [Budget Report](#), page 56, from paragraph 1.194.

LGA view

We recognise that the Government has taken a significant step in committing to reform adult social care funding. However, bringing implementation forward a year to 2016 makes for an even more challenging timetable. Government needs to work closely with local government and the NHS to develop a timetable for implementation and ensure that any costs associated with the capped-cost model are fully funded.

Funding reform is just one part of the solution to reforming care and support and needs to be taken forward alongside a commitment to:

- Putting the system on a sustainable financial basis.
- Improving the individual's experience of care and support by simplifying the system, giving the individual greater choice and control, and driving up quality through a diverse and responsive provider market.
- Using all local resources to optimum effect by ensuring care provision is appropriately aligned with health, housing and benefits".

Housing

The housing proposals include Help to Buy, a package of measures aimed at increasing the supply of new housing by providing an equity loan worth up to 20 per cent of the value of a new build home; and providing a mortgage guarantee of up to 20 per cent to those with small deposits. Government has widened eligibility by removing income and first time buyer constraints.

Government will look at ways to simplify the Right to Buy application process, reduce the qualifying period before tenants become eligible for Right to Buy from five years to three years; and from 25 March raise the maximum discount cash cap in London to £100,000.

The Build to Rent fund has been expanded to £1 billion to support the development of more homes in England; and the existing affordable homes guarantee programme has doubled, providing up to an additional £225 million to support a further 15,000 affordable homes starting in England by 2015.

LGA response:

The LGA has argued that it is lack of finance to build and to buy new

homes, rather than the planning system, that is the main obstacle to housing development. The extension of equity loan and mortgage guarantee schemes is a positive step to helping more people to access new homes and stimulate development.

Increases in loans to build more homes to rent and the guarantee for more affordable homes will also help provide finance to build new homes, however the scale of the shortage in housing means we need to unlock every opportunity to invest in affordable housing. It is disappointing therefore that the Government has missed the opportunity to remove the housing borrowing cap which would have allowed councils to build up to 60,000 new homes in the next five years.

On the changes to Right to Buy, centrally controlling the discounts and restricting councils in how they can reinvest money from right to buy homes is likely to leave some areas unable to afford to replace the homes that are sold off. It is unwise of Government to expand this before it has even assessed the impact of the original policy.

The best way to give tenants the opportunity to own their own home without reducing availability of social housing would be to allow councils to set the right-to-buy discount locally and give them the full freedom to reinvest all of the receipts into new affordable housing.

This is covered in the Red Book, [Budget Report](#), paragraph 1.98-1.117.

Child care

From 2015 households where both parents work will benefit from a new tax free child care scheme to cover 20 per cent (£1,200) of the costs of childcare up to £6,000 per child up to the age of five. Government plans to extend this to all children up to 12 by 2020, through an online voucher scheme.

Full details can be found in the Red Book, chapter one, [Budget Report](#), paragraphs 1.179-1.183.

LGA View:

Rising childcare costs are often cited as the number one reason why parents cannot return to work. With childcare costs rising at more than double the rate of inflation any support to help make these costs more affordable so that parents can go back to work are a step in the right direction.

We welcome the proposal that, unlike the previous scheme, this will not rely on employers to opt in. This support should also be available to the self-employed and those on the minimum wage which will help more families.

However, we have concerns that until 2015 families will continue to struggle with spiralling childcare costs. We are also concerned that households where one parent cannot work due to caring responsibilities, studying to increase their employment prospects, or where a parent has suddenly been made redundant or is looking for work, they will not be able to receive this much needed financial support. We would therefore like to see the vouchers being made available to non-Ofsted registered providers such as grandparents and informal arrangements between local parents.

Pay

The Chancellor announced further public sector pay restraint for 2015/16 limited up to 1 per cent and the local government budget will be adjusted accordingly.

LGA view

A number of councils have already moved away from pay structures involving time-served increments and many others are looking creatively at ways to better link pay to contribution. Pay progression is an important way of recognising the acquisition and use of skills, though it must operate within a framework of transparency, affordability and flexibility for councils to make their own decisions over what works best. Over 50 per of local government staff earn less than £18,000 per annum so the approach to pay will need to balance fairness to taxpayers with fairness to our workforce. The threat of a blanket additional cut for the sector linked to pay progression will seriously undermine the ability of the sector and councils within it to implement creative approaches to pay. You can read further detail in the [Budget Report](#), paragraph 1.198.

Further Information:

For further information on this briefing paper please contact Lee Bruce, Public Affairs and Campaigns Adviser, on either 020 7664 3097 or lee.bruce@local.gov.uk

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Transport update

Purpose of report

For discussion and direction.

Summary

This paper provides updates on the Streetworks Summit, Highways Maintenance, the Staffordshire Town Hall Debate on Transport and Growth and the Parking Inquiry.

Recommendation

Members are asked to note the report and comment as necessary.

Action

Officers to take actions as directed.

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Transport update

1. LGA is currently dealing with three significant transport fronts:
 - 1.1. Streetworks - following up on the successful summit with utilities.
 - 1.2. Highways maintenance - responding to the Annual Local Authority Road Maintenance (ALARM) survey.
 - 1.3. Parking - preparing for the Select Committee inquiry into council parking enforcement.

Streetworks

2. A streetworks summit was held on 14 March. The summit resulted from the LGA publication of [Holes in Our Pockets – how utility streetworks are damaging local growth](#). At the launch of the report, at the House of Commons in December 2012, Cllr Peter Box, Chairman of the Economy and Transport Board made the commitment to call the major utility companies to a summit so that the issues raised in the report could be addressed.
3. The major utility companies across electricity, water, gas and telecommunications, responded to the call and attended the summit.
4. Business representative organisations, Louise Ellman MP, Chair of the Transport Select Committee and the Transport Minister Norman Baker MP also attended. The Board was represented by Cllr Peter Box who chaired the meeting and by Cllr Nick Clarke. The full attendee list is set out at the end of this section.
5. The summit focused on the issues of coordination of streetworks and the poor quality of reinstatements and sought to address the following questions:
 - 5.1. How are we going to improve streetworks organisation and reinstatements?
 - 5.2. How can we work together to better inform business of the works being carried out and of compensation schemes?
 - 5.3. How can we work together to ensure contractors do a better job?

Outcomes from the summit

6. The summit was a success. Utility companies acknowledged the issues that were being raised and readily agreed to work with the LGA to improve matters. The summit highlighted that there is a need for:
 - 6.1. A clear and common understanding of what “good” looks like in the organisation and delivery of streetworks and how this is managed and delivered.

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- 6.2. A means of assessing and challenging the performance of contractors engaged in streetworks.
- 6.3. Better communication on planned streetworks and relevant compensation schemes to businesses.
7. The utility companies agreed to establish a joint working group with the LGA to look at these issues and develop a plan for action in the next three months. The working group will set out a protocol covering the above issues. It will be important for the membership of the working group to include a representative from the Economy and Transport Board as well as senior executive from the utility companies. Officers are now working with utility representatives on the establishment of the working group.
8. Officers' initial assessment of what "good" looks like is that:
 - 8.1. There are fewer works as a result of coordination and fewer works that take place after resurfacing by local authorities.
 - 8.2. Works are reinstated correctly.
 - 8.3. Major works are combined with maintenance and pothole filling where appropriate.
 - 8.4. When major planned works are carried out a relationship is established between contractors and local businesses that results in minimised disruption.
 - 8.5. Works are not left unattended (e.g. over weekends).
 - 8.6. Contractors know what they are supposed to do, how to do it and take responsibility for their work.
 - 8.7. Poor contractors do not get work for utilities or highway authorities.
 - 8.8. Businesses are aware of and understand compensation schemes and how to access them.
 - 8.9. Best practice is understood and adopted by both highway authorities and utilities.
9. Members are invited to express a view on this list.
10. The Department of Transport's (DfT) Highways Maintenance and Efficiency programme has expressed an interest in funding work on streetworks. A proposal is being developed to go to their board and will be circulated at the meeting.
11. The summit discussed developing a protocol which would include ideas on how we communicate better to business on planned work timetables and compensation schemes and how we can collect data to assess contractor performance.

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12. In addition to the positive response from the utility companies, the Minister, Norman Baker MP, announced at the summit that the DfT will no longer seek to remove the need for streetworks supervisors to have the relevant qualifications. This is a significant achievement following extensive lobbying by the LGA and the utility companies.

Full attendance list at the Streetworks summit

Electricity North West
National Grid
Scotia Gas Networks
UK Power Networks
United Utilities
Western Power Distribution
BT Open Reach
Affinity Water
Anglian Water
Northumbrian Water
Severn Trent Water Limited
South West Water
Thames Water
Wessex Water
Yorkshire Water
National Joint Utilities Group

Scottish Power sent its apologies

Highways Maintenance

13. The [Annual Local Authority Road Maintenance \(ALARM\) survey](#) was published on 14 March. It shows that last year highways teams fixed 2.2 million potholes, 500,000 more than the year before. However, despite their best efforts, the backlog in repairs is growing longer, now estimated at £10.5 billion, and one-in-five roads are classed as being in 'poor condition'. The average English authority was £6.2 million short of what it needed to properly maintain its roads, up from £5.3 million in 2011. It also found the road damage cost to councils of last year's flooding was £338 million.
14. Compounding matters is the spiralling cost of compensation to drivers whose vehicles get damaged by potholes. Councils paid out £32 million last year, 50 per cent more than 2011.
15. The LGA's response was conveyed on television (ITV Daybreak) by Cllr Tony Ball and widely reported in the media. The key message was that if council budgets were to be cut further the roads would deteriorate further and that without more money for road maintenance councils are doing the best they can.
16. On the same day, the Future of Highways Delivery Conference was held at the Oval Cricket Ground in London. The focus of the conference was how highways services can

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improve customer responsiveness and meet the priorities of local areas at the same time as securing efficiency savings.

17. Cllr Tony Ball, spoke and took questions in a panel alongside Graham Pendlebury, Director of Local Transport DfT, Alan MacKenzie Chair of the Asphalt Alliance Industry and Carmel McKeough, Deputy Chief Executive, Blackpool Council.
18. Cllr Ball highlighted the impact that years of underfunding and recent severe winters have had on highways and reiterated that the LGA has been calling on government to invest money in resurfacing.

Staffordshire Town Hall Debate on Transport and Growth and the Strategic Road Network

19. The Staffordshire Town Hall Debate on Transport and Growth was hosted by Staffordshire County Council and took place on 5 March 2013. The debate was chaired by Cllr Peter Box. .
20. The debate was an opportunity for local business representatives and councillors to discuss the role of transport in supporting and generating growth. The important role that councils play in creating the environment for growth was stressed and Cllr Philip Atkins, set out what Staffordshire County Council and Wolverhampton Council had done to invest in infrastructure aimed at securing business investment.
21. The Transport Minister, Norman Baker MP, outlined the government's investments in transport, its recent devolution of Local Major Transport Scheme funding and the creation of local transport boards.
22. An essay from Localis, [The Road to Growth](#), commissioned by the LGA was launched at the Staffordshire event. The essay looks at examples from Europe to demonstrate the benefits of greater local control of transport decision-making. The essay also calls for greater local authority influence over decisions on the strategic roads network.
23. Future investment in the strategic roads network, and the organisational structures needed to support investment, will be the subject of the roads strategy and the government's feasibility study into future funding for the strategic roads network. It is expected that any publication will be part of the spending review in the summer.
24. As roads reform is considered it will be important for local authorities to continue to make the case for increased influence over all transport decisions including those relating to the strategic roads network. A position paper on local government and the strategic roads network was discussed by the Board in November 2012 and this continues to form the basis of our discussions with government.
25. There is recognition within DfT and the Highways Agency that the agency's approach to planning must reflect the need for growth and sustainable development. The DfT is currently consulting on a draft Circular 'The Strategic Road Network and the Delivery of Sustainable Development' which:

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- 25.1. places more emphasis on the highways agency's role as a delivery partner to growth.
 - 25.2. removes the expectation that the traffic impact on the Strategic Road Network as a result of development should be mitigated so as to be no worse off after the 10 year review period.
 - 25.3. provides that where proposals would take a road or junction over-capacity after impact reduction measures, mitigation will only be required to the extent that capacity is adequate at the time of opening, thus removing the requirement to cater for future background growth.
 - 25.4. eases restrictions on new access/junctions on motorways to enable delivery of strategic growth where this is identified as appropriate.
 - 25.5. simplifies policy for signed roadside facilities.
 - 25.6. removes minimum spacing requirements between signed roadside facilities.
26. The changes outlined chime with the call by local government for the Highways Agency to be more responsive to local growth requirements. Views are sought from members on the proposed proposals.

Parking Inquiry

27. Members will be aware of a forthcoming inquiry by the Commons Transport Select Committee, looking at local authority parking policy. A written submission to the inquiry is being agreed through the Board Lead Members and will be available at the Board meeting.

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New Model for Local Government – Policy Papers

Purpose of report

To seek comments from the Economy and Transport Board on the initial draft set of policy papers which underpin the LGA's work to develop a new model for local government to be debated at the annual conference in Manchester in June.

Summary

The March meeting of the LGA Leadership Board received a report and initial draft policy papers on the following:

- a) Growth
- b) Good adult social care
- c) Future children's services
- d) Welfare reform
- e) Sustainable future funding
- f) Independent Local Government.

The report and policy papers are **attached** at **Appendices A - F**. They are brought to the Economy and Transport Board to enable members to be briefed on this important piece of work and for the Board's comments and observations. Any contributions will be used to inform this work as it progresses.

Recommendations

Members are asked to review the attached policy papers and provide input to assist discussions and steer further progress.

Action

As directed by officers.

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New Model for Local Government – Policy papers

Background

1. At its meetings of 9 January and 23 February, the LGA Leadership Board considered reports setting out a proposal for a New Model for Local Government. The proposal's purpose was threefold:
 - 1.1. Developing a clear case for the future national role of local government in order to inform party manifestos in the run-up to the next general election.
 - 1.2. Setting out Local Government's offer in order to inform the expected 2015 spending review immediately after the election.
 - 1.3. Providing the LGA national conference with a practical explanation of the above and informing its longer term planning processes.
2. The LGA Leadership Board agreed with the proposed work in broad terms and asked that it be developed further. It saw value in wide national communication of the work before conference in order to ensure that voices across the sector could be heard.
3. The Leadership Board agreed that there should be a number of specific in-depth discussions about the various themes set out in the paper and that initial drafts of policy papers should be developed to provide the foundation for the work. The Leadership Board asked Group Leaders to nominate members to review them. Policy papers have been prepared on the following key priorities:
 - 3.1. Independent Local Government
 - 3.2. Growth
 - 3.3. Good adult social care
 - 3.4. Future children's services
 - 3.5. Welfare reform
 - 3.6. Sustainable future funding.
4. On 23 February the Leadership Board decided that there should be a more detailed discussion on the content of the policy papers at their March meeting. Copies of the papers discussed at the March Leadership Board are **attached** as **Appendices A-F**. The March meeting of Councillor's Forum also discussed the New Model work stream.

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5. A range of other supporting activities are either under way or planned to develop debate on a new model of local government, including the following:
 - 5.1. Review of the papers by small group members nominated by the political groups.
 - 5.2. Presentation of relevant papers to Boards and Panels.
 - 5.3. Discussion of the idea of the New Model at Regional Roadshows.
 - 5.4. Detailed discussions on the individual subject areas at specific 'Deep Dives'.
 - 5.5. Other events where there is an opportunity to develop the initiative further.
6. The purpose of discussions at the Economy and Transport Board is to help inform the debate at an early stage, to comment on the ambition of the attached papers and to help develop more radical proposals.
7. A verbal briefing on the latest position on this initiative will be provided at the meeting. Further reports will be submitted to future meetings of the LGA Leadership Board to provide updates on progress and to seek formal endorsement of later iterations of these papers. The purpose of discussions at the Economy and Transport Board will be to help inform discussions at the events and activities outlined above.
8. The objective is to present a discussion paper at the LGA Annual Conference, offering a New Model of Local Government.

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Economic Growth and Jobs

Driving economic growth will continue to be a priority for local and national government. This note sets out how we could take forward the work across the LGA within the “manifesto” for local government.

Aims and challenges

Within the context of continued public concern about jobs and recession, our objective will be to:

- Present a powerful proposition for the local government role in driving growth and jobs.
- Advocate the achievement and successes of local economic leadership.
- Articulate the challenges faced by different local economies and the support they need.

There are many risks and challenges that we need to consider:

- Whilst local leadership can influence both business decisions and residents’ job opportunities, international markets and national economic policy will drive our future prosperity. We can articulate a clearer role for local partnerships, but we must also acknowledge the boundaries of local action and the limits of our responsibilities.
- England still has an “unbalanced” economy so we need to articulate different needs and opportunities to reflect local differences.
- Our sub-regional economic governance is developing and we need an honest debate about the ability of new LEP partnerships to deliver.
- The positive direction of travel on economic devolution in England cannot be taken for granted. We must also be prepared to advocate for further devolution and to retain what we already have.

A practical proposition

Our work to date has been led by a call for greater economic devolution. As many economic levers have been localised, we need to move the debate on, pushing boundaries further and providing a clearer narrative on what local economic leadership has delivered and what it could deliver in the future.

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In order to do this we need to articulate the council role in growth in a clearer way. This needs to be an ambitious story setting what can and could be achieved through local leadership.

Four important roles are suggested for focus:

The council as a leader of local economic growth.

Whilst the market will determine future prosperity, councils have a clear role in facilitating local growth and rebalancing the economy. We have existing powers (such as planning) and we have the offer of greater local (LEP) influence over skills, transport and infrastructure projects. Our ambition and record needs to be promoted through:

- A clear narrative on the leverage that can be achieved through good local leadership that is “open for business” and using its devolved powers to maximum effect.
- Advocacy of achievements through existing devolution, such as the Jaguar Land Rover investment in W Midlands.
- Working with the grain of current policy, seeking the best of the devolution offered through Heseltine, City Deals, EU funds and community budgets, demonstrating the better outcome that can be achieved through a single policy of devolution, rather than a series of initiatives.
- An examination of what more the sector can do to stimulate new demand in the economy – for example councils’ development of a “living wage”; the development of local bonds.
- The challenge from international case studies showing how devolved economies create faster national growth (Germany, Chicago, etc).

The council as an economic advocate for local residents

Councils are the natural point of leadership for local growth. They have a long-term track record in ensuring that economic growth opens opportunities for local residents. This was first promoted by Chamberlin’s Birmingham who recognised that whilst the market delivers growth, this may not equate to local employment opportunities. Planning gain, local labour clauses and skills deals have been useful tools to influence the market over the years. At times of recession, the councils have had a more direct role in supporting the long-term unemployed where the market fails to deliver. The council role in employment and skills now has traction through City Deals and Heseltine. Our ambition needs to be promoted through evidence of successful local delivery, advocacy of new ideas and evidence of what more councils could do.

The council as a regulator

Good regulation is an important prerequisite for local growth. Whilst we protect consumers from shoddy goods and poor business practices, businesses complain about “council health and safety” stifling growth. Yet in some areas, business is calling for greater council regulation (for example, on street-works).

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We need to find a balance between high risk activities that pose the greatest threat to residents, better regulation to protect business activity (such as street-works powers) and freeing businesses from red tape. We need to articulate this balance to place ourselves at the heart of growth.

The council as the “local Chancellor”.

Councils are already developing new relationships with their large and small business as a result of business rate retention. As more taxation is raised and spent locally, the relationship between business and local government will have growing significance to national economic prosperity. We need to deepen the relationship between councils, business organisations and social partners at a national and local level so that we take the opportunity to shape a long-term and stable business environment which is vital for future growth and jobs.

What councils actually want

Most councils are prioritising their role in growth and understand that growth will lead to more public resources. So support from the LGA is an imperative.

We need to consider how membership demands will differ from place to place. In some areas, it will involve providing existing services (such as planning and housing) well, grasping new powers and responding to growing business demand. In others, there will be the failure of the market to replace public service jobs. Indeed, in such places, the council role in helping to rebalance the national economy will need to be articulated and detailed.

Local government needs to promote a clearer picture of its generic role, whilst ensuring that diverse local economies are supported individually. This will be a balance of advocating localism, supporting individual places and ensuring networks of similar local economies can be easily facilitated.

There will also be a question about capacity. LEP areas are emerging as distinct delivery vehicles (for EU funds, for example). Whilst we have advocated local delivery, there is a serious issue about the capacity to deliver growth services at both a LEP and council level. The report from Tony Travers also indicated that further reductions in local government spend will hit discretionary services such as economic development hard.

Councils will want more edge to their local leadership role. From this demand, the LGA will need to consider how it acts as a challenger to other national sectors (such as higher education, business organisations and UKTI) to engage better in local economic advocacy. This may require public challenge.

What we can do

In order to pursue this work, we need to crystallise the role that councils do and could play in economic growth. We will need to:

- Develop and test with local practitioners and national players the ambitious story about the role of councils in driving growth.

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- Commission (through internal and external work) the evidence of success, international comparators and the other policy issues considered above.
- Re-new the support offer available to councils on growth, especially the work to build local capacity – testing how far we can offer advocacy and improvement support for differing local economies and aligning this work with the support offered by business organisations such as the LEP Network.
- Test the challenge upon other sectors to be better local players.

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Manifesto: Good social care

Resolving the future of adult social care is a key priority for both local government and the LGA. It is important not just for the thousands of people who rely on council commissioned services, but also for the financial sustainability of the local government sector as a whole.

Key requirements

Local government will have five main objectives for social care in the future. These are to:

- Put the care and support system on a sustainable financial basis as a pre-requisite foundation for wider reform.
- Improve the individual's experience of care and support.
- Establish a system that is stable and predictable and encourages individuals to take a longer-term view of (and responsibility for) their own wellbeing.
- Ensure the best use of the totality of local resources.
- Keep local government at the heart of a local care and support system.

Key challenges

- Demography
 - The system is facing (and is projected to face) significant increased demand as our population ages. This is not simply an issue about a burgeoning population of over-65s – it includes younger adults with a learning disability.
- Funding
 - We estimate that in 2010-11 a total of £120 billion of public sector funding was spent on supporting people with a health, housing, disability, or social care need. Of this, only approximately £14 billion, came from local authority social care budgets. Whilst this is a snapshot it reflects a fairly consistent split in how different parts of the wider support system are funded.
 - On top of this inequitable ratio social care funding has not kept pace with demand. This has inevitably led to a degree of short-termism in using the limited levers (principally eligibility setting) to manage demand.
 - Adult social care has not been immune to the impact of the 28% reduction in council budgets. Adult social care budgets have been reduced by £1.89 billion over the last two years – the majority of which has come from savings and efficiencies which cannot be repeated.

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- Councils have sought to protect frontline services from the impact of this reduction. According to the 2012 ADASS Budget Survey £688m of the planned reductions are secured through service redesign and efficiency, £77m through increased charging, and only £113m through service reductions.
- The level of savings achieved to date cannot be sustained going forward.
- Between 2010 and 2030 the population aged over 75 is set to increase by 64%, compared with an increase in the population as a whole of 15.6%. Over the same time period, expenditure on adult social care is expected to increase by 84%, from £14.5 billion to £26.7 billion.
- Navigation
 - The range of assessments, means and needs tests, charges, eligibility, and interactions with other systems makes the care system incredibly confusing for the individual. Piecemeal legislation since 1948 has also made it confusing for practitioners.
- Political will:
 - Part of the puzzle around social care reform is what the government will do with the Dilnot Commission recommendations. Even if the Coalition does proceed with the capped-cost model, there are still a number of questions that need answering – both for individuals and councils.

What local government wants to see in the future

- Sustainable funding that is directed to best effect. This means:
 - Councils taking the longer-term view and being supported to invest in prevention and early intervention.
 - Funding to offset the pressures from demographic change and the rising costs of care for those in the system.
 - Funding for the proposals set out in the draft care and support bill and the Dilnot Commission that carry a cost implication for councils.
- We must improve the individual's experience of care and support. This means:
 - Securing a clear system that is easy to navigate and understand, including how the system interacts with health, housing and benefits.
 - Having a range of providers who are responsive to individual and community needs, with a commitment to on-going market development.

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- Choice and control for the individual in respect of co-producing a care plan and identifying how needs will be met.
- Quality services founded on dignity and respect and underpinned by a clear framework on safeguarding.
- Putting in place a system that is stable, predictable and encourages a longer-term view of wellbeing. This means:
 - Clarity about the responsibilities of the individual and the state – particularly in respect of contributions to care costs.
 - Reducing/removing the risk that individuals have to sell their homes to pay for care, and instead have a range of viable options for funding care in the future.
 - A comprehensive universal offer for citizens focused on prevention and general wellbeing to help keep people out of the care system.
 - Sign-posting to, or the direction provision of, information and advice.
 - A system that gives people the confidence that their needs will be met wherever they live.
- Ensuring the best use of the totality of local resources. This means:
 - A system that best aligns care and support with health, housing and benefits to enhance the individual's experience of public services.
 - Recognition of the contribution made by informal carers and support for them in their caring role.
- Keeping local government at the heart of a future system. This means:
 - Striking the right balance between national inputs (i.e. portable assessments) and local inputs (i.e. local decision-making on services to meet need).
 - Health and Wellbeing Boards taking a “whole system” view in the interests of the individual and influencing wider services effectively [linked to our sector-led improvement offer].
 - Effective relationships between councils and care partners, such as the NHS, regulators, the third sector, and providers.

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What do we need to do?

- Articulate a vision for the future.
 - The type of system that is roughly sketched out above could be turned into a more comprehensive think piece on the future of care and support. This could include an analysis of how money would flow around the system, linking in to the work the LGA has already commissioned in this area. As part of this we could consider lessons learned from the community budget pilot areas and explore how they might apply to adult social care. This approach might help address the gap in funding and could further cement the importance of taking an integrated approach to social care and health, and focussing more on prevention and early intervention. Establishing the appropriate links with housing could also be a feature of this work.
 - The vision could also consider the balance of provision and funding between domiciliary care and residential care. Recent NHS Information Centre statistics show that the number of people receiving services in 2011-12 was 1.5 million. This breaks down as 1.2 million receiving community-based services, 212,000 receiving residential care, and 86,000 receiving nursing care. The shared policy aspiration between government and the care sector is to support people to live independently at home and it would be useful to explore what this means at a practical level [Drafting note: we will be putting some financial statistics against these figures].
 - As part of this we may want to explore the impact of bringing housing assets into the domiciliary care means test so there is consistency across care settings. This was an issue Andrew Dilnot raised in his report, suggesting it was a further way to make the system clearer and fairer.
- Evidence, research and analysis will be crucial as we head into Spending Review discussions and make the case for the changes we want to see. This may include, for example:
 - Figures on the 'funding gap' in social care.
 - Costings for the implications of the draft care and support bill (such as securing a greater emphasis on prevention and early intervention).
 - Costings for the implications of the Dilnot Commission recommendations (such as the proposal for a universal deferred payment system).
 - Evidence on the impact of 'that little bit of help' – low level prevention – both for improved longer-term outcomes for individuals and cost savings for the public purse.

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Immediate activity

- Roundtable to discuss Dilnot Commission recommendations with DH and council Chief Executives.
- Commissioning research to understand the impact of the Dilnot cap (potentially at £75,000) on councils, including exploring the regional effect of home ownership levels and house prices. Ideally this will be a joint commission with ADASS and SOLACE. Timings are to be confirmed but would hope to have this within 6-8 weeks.
- Ongoing work as part of the Show Us You Care Campaign (guide to adult social care for the public, ten top tips for the public, funding analysis (referred to above)).
- Commissioning modelling of an integrated system and the benefits in terms of outcomes and savings – this is underway and we expect the work to be completed in 4-6 months.
- Short-term work [subject to agreement of funding by LGA] commissioned by ADASS to estimate spending on preventative measures to estimate volumes and trends in preventative and early intervention work.

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Manifesto: Children's safeguarding and care

Children's social care is a vital front line service to protect children from harm, which – alongside other services – plays a crucial role in supporting vulnerable children and families to achieve positive outcomes and life chances. Whilst these services support only a small proportion of the population they deliver wider benefits to society and the public have high expectations of care and safeguarding. The reputational risks of failure in this area are high and it has a great deal of attention from the public and government.

Children's social care costs over [£4.8bn] per annum and the costs are rising.

Key requirements

Councils have substantial statutory duties in this area to safeguard and look after children, as well as a wide range of duties to support the education of children and young people, and specific duties for those with special educational needs and disabilities. Councils also provide a range of family support and early intervention services for families, children and young people based on local needs and priorities. The LGA lobbies to ensure that changes to statutory requirements and new policies are appropriate and fully funded, and supports Lead Members for children's services in their statutory role, and the Children's Improvement Board and a wider set of activities support councils to deliver children's services effectively.

Key challenges

- Safeguarding pressures
 - There has been a very substantial increase in referrals and numbers of children coming into care over the last few years. There was a 51% increase between 2007/8 and 2011/12 in children becoming the subject of a child protection plan. Whilst this trend appears to be levelling out, the Secretary of State argued in December 2012 that still too many children are being allowed to remain in situations of neglect, and the trend to bring children into the care system sooner appears to be continuing. Increasing public and professional awareness of sexual abuse and sexual exploitation may also serve to increase referrals.
 - The impact of welfare reform has yet to be seen, but there is a risk that it could put additional pressure on families which are struggling, exacerbating the risk of crisis or neglect, and increasing pressures on the system still further. Domestic violence is an increasing factor.

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- Funding
 - In addition to overall cuts to council funding, cuts to the Early Intervention Grant have been very substantial over the last 2 years, and the £150m topslice for 2013-14 is being re-badged to support adoption, and £50m of this will be ring-fenced. Whilst increased adoption should over time help to reduce the number of children looked after by the local authority, this further restriction on funds will make it harder for councils to invest in early intervention to prevent problems within families from escalating, potentially increasing the pressures on safeguarding and care still further.
- Rapid reform
 - Councils are coping with rapid and radical changes which have an impact on children's services, including:
 - Councils are taking new responsibilities for public health. But there are wider concerns that some NHS bodies may not be well equipped to deliver their own safeguarding responsibilities during this period of rapid change; and the reforms are fragmenting responsibility for commissioning children's health services which could make it even harder to join up.
 - Radical reforms for children with special educational needs and disabilities, and changes to funding for high needs pupils, a relatively high proportion of which will also be vulnerable or looked after.
 - New local authority duties to support the raising of the participation age, on top of existing duties to re-engage young people not in education, training or employment. Both are particularly challenging for vulnerable young people. Councils' ability to have an impact is being made more difficult as funding and levers are being increasingly centralised.
 - In addition, the impact of welfare reform on families has yet to be felt but is likely to increase the financial and possibly other strains on some vulnerable families. It is possible that particularly in those areas which currently have a high proportion of families on benefits – there may be a further increase in the numbers of children who need protection or to be looked after by the local authority.
 - Ofsted's changing and increasingly interventionist approach to inspection of children's services and schools risks exacerbating this picture: if councils continue to face falling resources, ever-higher expectations and reduced flexibility to manage their services effectively the conditions are being created for a "perfect storm".

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What local government wants to see in the future

- Enough flexibility to manage pressures effectively: government must stop meddling in the detail of the safeguarding and care system and consult us properly on changes; councils need to be able to take advantage of their unique position to ensure that services work together to focus on the interests of the child.
- Some protection / predictability of resources to avoid squeezing out crucial non-statutory services which support early intervention. Those councils which have seen a reduction in safeguarding pressures tend to cite effective early intervention as the reason – that takes strong strategic leadership and good partnerships, but also investment.
- Enough space to deliver our vision for a better safeguarding and care system – to embed the Munro reforms which rely on greater local leadership and professional judgment, to improve adoption services and commissioning, and deliver a shift to effective early intervention and a care system which really delivers good long term outcomes for children. This vision includes links to wider reform agendas to improve the ways in which services listen and respond to children and young people and personalise their approach, wider use of personal budgets, and the need for a more integrated approach across health, social care, education and wider services; and to support the transition into adulthood.

What do we need to do?

- Develop a strategy to deliver system reform led by local government which is focused around the needs of children and young people;
- We have some strong bases on which to build this:
 - The Children's Improvement Board (CIB) is well respected and its work is well developed, giving us – with sector partners – a good understanding of what "good" looks like and how to improve safeguarding and care.
 - The Early Intervention Foundation is about to be set up, based in LGA House, and will provide a strong evidence-based focus for guiding local investment in really effective early intervention. This can draw on learning from Community Budget pilots and the Early Years and Munro Demonstrator projects led by the Children's Improvement board.
 - We are conducting action research, led by OPM, into how to improve the commissioning of children's homes.

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Immediate activity

- The spending review project is underway and will articulate more clearly current pressures and to develop our understanding of the mitigations which authorities are putting in place.
- OPM action research into commissioning of children's homes will provide an interim report in the spring with a final report in the summer.
- Joint project with Solace and ADCS to improve the pace of adoption, and adopter recruitment in particular – to be agreed in the next few weeks and work to begin by April, possibly supported by the CIB.
- Lobbying on the Children and Families Bill which will implement many of the reforms noted above, due to be published in early February.

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Welfare Reform

This note sets out a proposed way forward on welfare reform in the context of our proposed Manifesto.

Aims and challenges

We have two objectives:

- to help councils as they support their residents through the changes the government's welfare reform programme will make; and
- to influence the government's decisions about councils' future role in the welfare system.

We have two challenges:

- neither the government nor councils knows enough about the likely effects of welfare reform, or even about the exact pace at which change will happen and decisions will need to be made; and
- welfare reform is likely to be extremely contentious; yet our ability to influence outcomes will depend on maintaining effective partnership with central government, and our ability to do or say anything at all as the LGA will depend on maintaining political consensus.

Helping councils support residents

The annex to this paper outlines the main welfare reform changes and when they are expected to take effect. As that shows, it is far too early to have anything more than forecasts and guesses about the actual impact of the changes. The government's view is that behaviour will adjust so that claimants seek work and housing supply adapts to reflect the rent levels which the benefit system is willing to pay. Many councils – and indeed most other observers - think housing supply is far too rigid for that market to adjust easily and that they and housing providers will face higher levels of arrears and increased homelessness, while claimants will be more likely to get into debt and face other problems that councils will have to try and address as best they can at the council tax payer's expense.

Against this background, it should be our job to:

- round up the available evidence on what is likely to happen;
- assess the global impact on residents and councils;
- raise awareness of how councils can and will help residents; and

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- engage with the government about changes it might make that will make any problems that emerge easier to manage.

But we cannot do this as things stand because, for now, speculation outweighs the evidence and all the available predictions – it is too kind to call them forecasts – are likely to be motivated. We need to put a good evidence base in place as soon as we can.

The future role of councils

The introduction of universal credit and pension credit, and the redefinition of council tax benefit as a discount, in principle ends councils' formal role in the benefit system altogether. But – precisely because of the need to support claimants discussed in the previous section – it is unlikely to be the end of councils' engagement in welfare delivery.

It is easier to engage with government about the future role of councils in welfare because that is a debate driven by policy and legislation which is being developed now. We are well ahead on that agenda, and our current top priorities are:

- getting greater clarity for councils about how and when the transition to universal credit (and pension credit) will take place, what the operational consequences will be for benefit processing, and what that means for staff (including an important live debate about their TUPE rights);
- developing a potential role for councils in leading local support to universal credit claimants; a draft framework is due to be published by the end of January to which the sector will need to respond; and
- establishing stronger and better national-level liaison with DWP: a new standing arrangement involving the LGA and others is currently on the point of being agreed, and we are also working on political links at LGA chairman/leader/ministerial level.

Our job is to continue to take these discussions forward and get the right deal for the sector.

Next steps

Over the next few months, as we develop our Manifesto for local government, we need to develop our welfare reform work in the following ways:

- to give us the evidence we need to discuss the effect of welfare reform on communities, we should produce a thorough piece of expert analysis and forecasting that models the interaction between the different benefit changes and – in particular – the housing market, and use that to develop an estimate of the need for action to mitigate any negative impacts on claimants or housing supply as a result of the welfare changes; in order to carry out the

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analysis involved, this may require us to commission a consortium of providers; and in order to ensure that it has authority and can carry political consensus, we might partner with other organisations to sponsor it;

- we might aim to have that analysis ready in the late Spring in the first instance to inform internal discussion; but it would benefit from drawing on a few months of actual data after the April 2013 benefit changes, and might therefore be best seen as a potential publication for the LGA Conference;
- we should use the evidence to develop both a showcase for the action councils are taking, and a menu of policy options to help mitigate any negative effects which we could discuss with government and the national political parties; and
- we should continue to pursue the discussions with government about the council role in universal credit, and we can expect these to become denser and more high-profile over the coming six months.

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ANNEX

TIMING OF THE MAIN WELFARE REFORM CHANGES

April 2013	Local council tax support schemes introduced Local Welfare Support in place Benefit cap roll out starts Bedroom cap applies Universal Credit 'pathfinder' begins in Greater Manchester PIP introduced
September 2013	Benefit Cap roll out complete
October 2013	Universal Credit phase 2 starts
April 2014	Universal credit extended to more areas
2014 – 2017	Existing clients transferred from legacy benefits to Universal Credit

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A NEW MODEL FOR LOCAL GOVERNMENT: SUSTAINABLE FUNDING

Aims

Last year the LGA identified the local government funding gap resulting from falling budgets and rising demand for services up to 2020. The priority looking ahead is on solutions to the gap. Adequately funding the services local people want is a major concern for councils. For many, it is their principal concern.

Given the government's fiscal projections and degree of consensus around deficit reduction, this is likely to be the dominant financial theme for the rest of the decade.

Key requirements

Local government has the following financial objectives, although getting sector wide agreement on some of the detail could be a challenge:

- a fair and stable local government spending settlement, in particular for social care, children's service and waste;
- independent local taxation including de-regulated council tax and fully localised business rates;
- local influence, principally through community budgets, over the allocation of the totality of public resources at the local level;
- the ability to innovate and make use of new financial mechanisms.

Taken together the achievement of these objectives could put local government finance on a sustainable footing.

Challenges

The next significant opportunity to reform local government finance will be the Spending Review following the next election.

Any future reform of local government finance faces four major challenges:

- Local government finance is complicated and poorly understood by the wider public. There is a high sensitivity to increasing local tax liabilities, from both households (council tax) and business (business rates);

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- Any movement towards greater local revenue raising requires re-distribution (or equalisation) to take account of the wide variation in local tax bases;
- The Treasury treats local government like a government department subject to a control total, in-year re-allocations, top slices, short-term and late settlements, and all the other devices Treasury historically rely on to maintain public spending control; and
- Any concrete proposals for financial reform create winners and losers amongst councils, making it difficult to establish consensus amongst LGA members. They also shift control and risk between national and local levels making it difficult to get political agreement between national and local leaders.

Notwithstanding these challenges, the LGA has consistently argued that local government should be able to raise more of its own revenue and simultaneously reduce the dependency on central grant.

Where local government is now

At present:

- local government is subject to a 33% real terms cut over the SR10 period, (which includes additional cuts introduced since October 2010); the localisation of financial risk (for example on council tax support); the holding back of some Early Intervention Grant; late settlements and so on;
- there are a range of cost pressures, some are service specific, for example on social care resulting from an ageing population, others relate to workforce for example equal pay;
- the whole place community budget pilots have illustrated through their hard-edged business cases that it is possible to reform public services to reduce cost and improve outcomes;
- the recent reforms to council tax support and business rates are steps towards independent local taxation, although they do not command universal support in local government. They have also introduced greater risk and uncertainty into local government finances. There have been other measures that exert greater central control, for example council tax freezes and referendum; and
- there is an embryonic social investment market and early work on other innovative forms of finance (for example, bonds).

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What local government wants to see in the future

The need for financial sustainability lends the case for financial reform greater urgency. Looking ahead to the 2015 Spending Review, we need a full consultation and debate in the local government sector about the future model of local government finance including:

- a principled and fair longer term spending deal, with agreements on timetabling, in-year stability, de-regulation (for example, removing ring-fences to allow resources to be allocated to locally determined priorities. The recent settlement reduced the welcome trend in removing ring-fences by introducing new ring-fences in the children's services budgets);
- a sustainable funding position for adult social care, children's services and waste;
- place-based funding reforms to integrate services, intervene earlier and re-invest savings in services wired around people and places. The 2015 Spending Review could be the first such review to include a place-based element;
- the de-regulation of council tax discounts;
- a wider review might look at the case for more council tax bands at the higher levels and re-valuation;
- the full localisation of business rates including removal of the cap on the local share and local rate setting (although we need to consider approaches to equalisation within such a system);
- there has been little sector appetite to raise new taxes or levies¹. But notwithstanding the challenges of getting a local mandate to raise them, some communities could be attracted to levies on tourists, or to nudge people away from (or towards) certain behaviours (such as betting, fast food, re-cycling and so on). A local decision to spend on certain local services could help build consent;
- encouraging more councils to innovate financially and behave entrepreneurially for example, to develop asset backed vehicles, community interest companies, charitable trusts, invest in income generating assets and so on;
- the development of a social investment market. Some councils have already identified a pipeline of social investment projects that require both the investor and provider market to develop; and

¹ There is also a debate about their relevance given that in 2017-18 council tax and business rates (in total) will exceed local government spending.

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- a market in municipal financial mechanisms and instruments. Local Partnerships are leading work on the development of a collective agency for local authority bond finance offering an alternative source of finance to the Public Works Loan Board.

In the medium term, these ten reforms above (a ten point plan) could:

- offer local people, more resilient and effective local services;
- reward councils who promote growth and reduce welfare payments;
- enhance democratic accountability and strengthen the link between the local vote, local taxation and local services;
- make the sector much more independent, for example sector consent for more independent taxation would require some form of equalisation that could be sector-led.

Our sights could be set on a new local government finance deal at the time of the next Spending Review (2015).

What do we need to do?

We need to encourage a debate on the future model of local government finance. The elements set out above provide a starting point for that debate.

In the run up to the annual conference, we could develop with the sector, through the road shows and other events a set of proposals (and the supporting evidence) for debate that could diversify funding sources, enable more local control and command consensus. Our funding gap paper commanded attention last year. This could be an equally authoritative piece that pitches our solutions.

There are strong links to all the other elements of the model each of which will have a financial dimension, for example an independent local government campaign is likely to include local financial autonomy as a key dimension.

Immediate activity

Our immediate focus is this year's spending round. We have provisionally identified blocks of work setting out:

- how local government has reduced its spending;
- the cost pressures (particularly on adult social care, children's services and waste); and
- the changes in the policy framework that have introduced greater uncertainty and risk.

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In the short-term, given government is maintaining its spending trajectories into 2015-16 we need short-term mitigating measures to help councils manage their contribution to deficit reduction.

We should begin to lay the foundations, particularly in our evidence base, for a new future approach to local government finance in this year's spending round.

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Independent Local Government

This note suggests that we should take forward the LGA's Independent Local Government campaign in the context of a wider local government "Manifesto", positioning a future constitutional settlement for councils as the answer to the "English Question" within the wider UK devolution settlement.

Aims and challenges

Our objective is to articulate an ambition for independent local government that is simultaneously:

- a practical proposition;
- backed by a compelling political case; and
- reflects what councils actually aspire to be and do.

This future model of Independent Local Government would also embrace and reflect the sum total of our proposals for the future of care, of funding, of councils' role in promoting growth and reforming the welfare state set out in the other chapters of the New Model work.

Our challenge is that the rhetoric of local government independence commands more consent among councils than any single proposition about what it should mean in practice, and some models of autonomy would not serve what some councils see as their residents' best interests. So we need to exercise care in choosing what we wish for on behalf of our members, because it might happen.

There is a subsidiary challenge that the idea of independence is potentially in tension with our related objectives for local public service reform through an organisationally-neutral integration. Our model of independent local government needs to be consistent with a model of interdependent public services.

A practical proposition

In our work so far, we have identified five main planks of independence and have a sense of the degree of support they have among councils. Any of these justifies a think piece of its own, but in summary and in order of popularity they are:

- financial autonomy: this is the most popular element of independence among member councils; what we say here would be another embodiment of the chapter of the New Model work on sustainable future funding;
- boundaries: many councils welcome the idea of restricting the ability to change council boundaries or governance models to the council itself, working with the Boundary Commission on boundary questions, and so taking away the power of Ministers or Parliament to impose reorganisation;

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- a Total Place power: this would build on the General Power of Competence to define councils as the default provider of public services in a place (this mimics the place of local government in some other countries' constitutions); that would help to bridge the gap between the idea of council independence and the need for public service interdependence;
- deregulation: a wholesale cull of statutory powers for central government to intervene, direct, or second-guess councils; to achieve this, there is no legal alternative to a very large quantity of line-by-line repeals legislation; that raises questions about its Parliamentary feasibility; and
- constitutional entrenchment: giving the independent status of local government – whatever its detailed components – a degree of protection that puts it on a constitutional footing and requires more than an ordinary Act of Parliament to reverse. This could be done either pragmatically, by an addition to the only explicitly constitutional UK law, the Parliament Acts, or as part of the wider debate about the need for a constitutional convention or written constitution.

These elements make up a reasonably coherent package. They might be set out in a Local Government Autonomy Bill whose main provisions could look very like the single page attached to this note as **Annex A**. The least deliverable part of this would be the huge repeals annex required to deregulate the sector.

Such a package would describe the terms of a different relationship between central and local government, too: one that is more mature and mutually respectful, based not on direction and regulatory interference but partnership. It would need to be constructed with regard to the conclusions we reach at the same time about future funding, the devolution of funding and powers relevant to growth, and about the place of community budgets as a model for local public service reform.

At the same time, we need to recognise that councils, taken collectively, are not yet ready for independence. To thrive in a world of independence, they need to refocus the political and managerial energy they are currently obliged to devote to looking upwards to Whitehall, or complying with imposed obligations, back onto their relationships with their communities, their partner organisations, and their local government neighbours. Their ability to do this – particularly when it comes to whole-place leadership of public service – is arguably not helped by local public sector structures, and it will be hard to make the independence case to the full without having answers to some familiar and difficult questions about structure and cooperation.

A compelling political case

It would be wrong to think that local government autonomy currently has political traction outside the town hall. To win any arguments, we would need to construct and communicate a case that is not yet part of the political mainstream.

The main planks of such an argument might be these:

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- (i) this is the answer to the “English Question”: no post-2015 devolutionary settlement can survive if English voters do not achieve the kind of accountability available to voters in Scotland and Wales. That means serious English decentralisation; (this is actually at its most powerful as an argument for devolving responsibility for local taxation, and for services – how absurd, for example, to pretend that the NHS can be properly accountable and economic for a population of 5 million Scots or 3 million Welsh but not for – say – 7 million Londoners or 2.7 million Mancunians – although service devolution is not a core part of a local government independence proposition and relates more closely to our case on service reform and on the economy);
- (ii) this is a key driver of democratic renewal and reenergised citizen engagement in politics; more people want to engage in democracy when it is about something; more local variety, more local decision-making, and more local democratic accountability will, as surely as night follows day, mean more people going to the local ballot box because something more will be at stake;
- (iii) central government has run out of money and has a shrinking tax base: incentivising local government to align local spending and the local tax base and take full responsibility for what happens locally is necessary to make the public sector sustainable again;
- (iv) countries that have autonomous local government also have stronger economies outside the capital city than England;
- (v) autonomous local government is the global norm in democracies; and
- (vi) the way local government behaves demonstrates that it is ready to use independence well.

What councils actually want

We know that the overall campaign for council independence is widely supported by LGA members: nearly 70 councils submitted evidence to the Political and Constitutional Reform Select Committee on the subject. There is a gradient in the detail of what they support, though.

Most councils that have expressed a view have put fiscal independence top of their wish-list and more constitutional aspirations lower down. But we also need to consider those who have not expressed a view, either because their day-to-day concerns are too pressing to worry about their independence, or because they are happy with the status quo. Some will regard localising tax as a distraction, especially after seeing the Treasury draw the teeth from the existing localisation of business rates. Others do well out of a dependent relationship with Whitehall – or hope to – and see no need to change the model. If we intend to make a hard-edged pitch on this theme with election manifestoes in mind, we should exercise due diligence with our members about what we wish for.

Confidential

Proposed next steps

Over the coming months, we should do the following:

- (i) circulate our draft Local Government (Autonomy) Bill among member councils, accompanied by an explanation of how we have arrived at it and what its effect would be, and seek to arrive at a core of components of “Independent Local Government” that command the maximum support among councils;
- (ii) take a sighting on views within government by discussing with DCLG and the DPM’s office how the government proposes to respond to the Independent Local Government report of the Political and Constitutional Reform Select Committee;
- (iii) publish a refined version of the LG (Autonomy) Bill in the Spring, and seek an MP or Peer who might propose it or components of it as a private member’s bill; and
- (iv) but, most importantly, we should seek to normalise the use of the phrase Independent Local Government, divorced from specific consideration of its components, as a description of what we aspire to in speeches and publications.

Our objective for the next six months might be that, by annual conference – at which we should aim to stage a debate structured around the political case set out above – we should be able to headline the debate “Independent Local Government – the solution to the English Question” and have 75 per cent of conference attendees identify this as a campaign they recognise and something they aspire to before attending the debate.

If we meet that objective, we will be in a position to judge whether this campaign has sufficient momentum for a manifesto conversation with national parties that might form the next government.

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ANNEX A LOCAL GOVERNMENT (AUTONOMY) BILL

1. Councils are accountable to their electorates and not to Ministers of the Crown. The statutory provisions set out in Schedule 1 requiring councils to report to Ministers of the Crown are repealed.
2. Councils' electoral boundaries are for councils to decide on recommendation of the Boundary Commission. The statutory provisions set out in Schedule 2 [which give Parliament and the Secretary of State a role in local boundary decisions] are repealed. Schedule 3 sets out the process which councils and the Boundary Commission shall follow to consult local electors about boundary changes.
3. Without prejudice to the General Power of Competence, councils shall have power to discharge the function of any other statutory body in their area except where a minister of the Crown shall reserve the function to the other body. Schedule 3 sets out consequential repeals and amendments.
4. Councils shall decide their own governance model from the statutory models available. Schedule 4 sets out consequential repeals and amendments.
5. (1) Councils shall retain in full the proceeds of the following taxes:
 - (i) council tax
 - (ii) non-domestic rates.

(2) The rates at which those taxes are set in each area shall be determined by councils.

Schedule 5 sets out consequential repeals and amendments, [and provides for a system of redistribution of income between councils administered by an independent body mandated by councils themselves collectively].

6. Where in the opinion of the Secretary of State another legislative provision prevents the operation of this Act, the Secretary of State shall by regulation amend it to bring it into line with this act.
7. This Act shall only be amended after councils have been consulted on the proposed amendments and a report on the proposed amendment shall have been laid before both Houses of Parliament by a Joint Committee of both Houses in whose discussions elected representatives of local government shall have been included.
8. The Parliament Acts 1911 and 1949 shall be amended as follows:

In Section 2(1), after the words "five years", insert "or an amendment to the Local Government (Autonomy) Act 20xx"

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High Streets update

Purpose of report

For information and comment.

Summary

This report provides an update on the work on high streets and town centres and upcoming activities for the LGA.

Recommendation

Members are asked to note the report and comment as necessary.

Action

Officers to take actions as directed.

Contact officer: Ivor Wells
Position: Advisor
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High Streets update

Context

1. National attention on the country's high streets is growing. Town centres have hardly been out of the headlines recently, particularly as large retailers such as HMV, Jessops, Blockbuster and JJB Sports go into administration or close altogether. Meanwhile, work continues on the Portas Pilots which began last year and continue to attract media attention. During this time, Channel 4 has been filming a documentary following Mary Portas and her team in Margate, Tower Hamlets and Liskeard. An exact broadcast date has yet to be confirmed but it is expected to air sometime in early spring.
2. Many national commentators are pointing to plummeting retail spending in town centres as the beginning of the end for high streets. But councils are thinking more positively about the challenges our town centres face, moving beyond a focus on shops and considering social, community and cultural economies.
3. Understanding what lies behind the unprecedented changes occurring in our town centres is also vitally important for local authorities. For example, the Organisation for Economic Cooperation and Development (OECD) recently highlighted that 6 out of 10 British adults now use the internet to buy products such as food, clothing, music or holidays. This is twice the OECD average, making Britain the biggest online shopping nation in the developed world. According to KPMG and the British Retail Consortium, shopping malls have also seen an increase in visitors by over 30%.
4. Councils need to provide thought leadership on how town centres can respond to these wider, structural shifts in their local economies. In supporting councils to respond creatively to these and wider challenges, the LGA is working with government, business and other national and local partners to promote practical solutions to revitalising high streets.

What is government doing?

5. In response to the Mary Portas review of the future of the high street, the government continues to support 27 'Portas Pilots', as well as over 330 Town Team Partners with particular emphasis on responding to the changing ways in which consumers shop. In parallel to this is the government's High Street Innovation Fund, which is supporting 100 localities across the country to implement long term changes in town centres.
6. Local Growth Minister, Mark Prisk has invited the LGA to be represented on a new national Future High Streets Forum, bringing together leaders across retail, property and business to better understand the competition town centres across the country face. The forum will advise the government on the challenges facing high streets and help develop practical policies on issues of critical importance. The LGA will be represented on the forum by Cllr Mike Haines.

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What is the LGA doing?

7. The LGA's response to the Portas initiative has been to encourage wider debate on the future of high streets, with a focus on long-term solutions that take into account the significant economic, social and technological trends that are changing the face of town centres.
8. The LGA is working with the Association of Town & City Management (ATCM) and a variety of other knowledge networks to access the latest intelligence on changes in consumer spending, development financing, investment cycles and online retail trends which are challenging the traditional high street.
9. Cllr Mike Haines will represent the LGA at the new national Future High Streets Forum, which meets for the first time on 25 March.
10. From the 15-29 May the National Association of British Market Authorities (NABMA) will be running "Love Your Local Market Fortnight" with a particular emphasis on connecting communities with local markets. During last year's campaign over 400 markets participated resulting in 2000 new traders and, in participating town centres a 10% increase in footfall.
11. The LGA is promoting the Love Your Local Market campaign this year and over the coming weeks will be actively encouraging councils to support the campaign locally. Through the LGA's representation on the government's working group on retail markets, it will also be supporting where possible, local and national efforts to boost market trading in town centres, particularly around creating skills opportunities for young people.

What are local authorities doing?

12. There are many examples of good practice at a local level, with councils supporting high street development. For example, Birmingham City is currently focussing its attention on areas with high levels of empty high street properties in order to free them up to enable use for cultural and creative means and reenergising high streets where retail has ebbed away. The council is developing a bid for the Single Pot which would enable a join-up between skills development funding, business support and access to finance to be facilitated by the council via the temporary suspension of business rates. The scale of this would be much larger than is possible through current funding streams.
13. In Altrincham, Trafford Council has provided a £350,000 interest free loan fund to assist businesses to set up in vacant town centre units and this has been boosted by £100,000 from the High Street Innovation Fund. This scheme was put together with the input of the town centre representative business organisations and is part of a bigger £750,000 Town Centres Investment Fund, including environmental improvements in Trafford's town centres and Altrincham Market.
14. Wychavon Council took part in a joint venture with Waitrose to acquire land and build a supermarket in a previously run-down high street with an out-of-date 1970s precinct. Waitrose had been having problems with land acquisition and the joint venture resulted in

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the approval of a new site, refurbishing a car park providing 340 spaces in the heart of the town centre, attracting more vibrant shops and increasing visitor numbers to the town.

15. Councils are continuing to think outside of the box in reenergising their high streets, which is reflected in the five point plan for reviving high streets, which the LGA called for in response to the government's high street review:
 - 15.1. Working with partners to create a unique sense of place around a cultural and economic hub that local communities can enjoy.
 - 15.2. Seeking better ways of funding regeneration and business support activity, and calling for greater flexibility to reinvest business rates back into town centres to boost local economic growth.
 - 15.3. Making high streets more accessible, lobbying for greater local control of transport services and maintaining high quality and fair car parking.
 - 15.4. Calling for radical reform of the planning system and the freedom for councils to shape their area in accordance with local wishes, such as preventing clustering of particular types of shops.
 - 15.5. Keeping town centres safe and clean but also calling for greater freedom to set licensing fees locally to support community ventures and lifting restrictions so that income from late-night licenses can be spent on a wider range of local services.

What do the public want?

16. According to an LGA poll conducted last year, more than three quarters of local residents want councils to have more control over high street improvement. When it comes to shops, nearly 8 out of 10 local people want to see a diverse range of local shops, believing that local producers such as butchers or bakers are critical to the future success of their high streets. Post offices, libraries and dry cleaners scored highly, alongside newsagents, restaurant and cafes.
17. Councils have been pushing for more entertainment and leisure facilities on high streets to provide them with greater long-term security. Polling shows that young people in particular recognise the importance of entertainment, with over half of 18 to 24-year-olds seeking facilities such as cinemas and bowling alleys. Thirty-eight per cent of the same group believe that sports centres can contribute towards the future success of high streets.

LGA location map

Local Government Association

Local Government House
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London SW1P 3HZ

Tel: 020 7664 3131

Fax: 020 7664 3030

Email: info@local.gov.uk

Website: www.local.gov.uk

Bus routes – Millbank

- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at www.tfl.gov.uk

Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at Local Government House. Please telephone the LGA on 020 7664 3131.

Public transport

Local Government House is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are

St James's Park (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone.

For further details, please call 0845 900 1234 or visit the website at www.cclondon.com

Car parks

- Abingdon Street Car Park (off Great College Street)
- Horseferry Road Car Park
- Horseferry Road/Arneway Street. Visit the website at www.westminster.gov.uk/parking

