

## **Public Policy Challenges in 2012**

### **Purpose of report**

For discussion and direction.

### **Summary**

1. The Government announced they would conduct a 'social policy review' of their current public policy agenda in the wake of the recent riots to ensure that they are geared towards fixing "broken society". This has recently taken a back seat with the increasing problems in the European economy, but retuning the relationship between citizen and state remains a key priority for the Coalition.
2. It is likely therefore that much of the public-policy debate for the next twelve months will focus on this, in counterpoint to continued global economic turbulence. This paper sets out potential opportunities for future LGA campaigns.

### **Recommendation**

That the Leadership Board comments on and provides a steer to officers on the issues set out in the report.

### **Action**

Officers to proceed as directed.

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## **Public Policy Challenges in 2011**

### **Background**

1. The coalition agreement, whilst in place for five years, only contains at best 24 months of public policy commitments and will need to be “renewed” within a year. Some have suggested the 2012/13 legislative agenda will only last for a single year and will cover the current list of draft bills and any legislation introduced in the current session which needs to be carried over.
2. The Government announced they would conduct a 'social policy review' of their current public policy agenda in the wake of the recent riots to ensure that they are geared towards fixing “broken society”. This has recently taken a bit of a back seat with the increasing problems in the European economy, but retuning the relationship between citizen and state remains a key priority for the Coalition.
3. It is likely therefore, that much of the public-policy debate for the next twelve months will focus on this, in counterpoint to continued global economic turbulence.
4. The recent Autumn Statement has also presented the Government with difficulties in managing major public-policy announcements. Further spending cuts in departmental budgets to fund national infrastructure investment will limit the ability of the Government to spend this money on major new initiatives. Without a change in the national receipts for the Exchequer the Government only retains this ability of transferring money within existing revenue/capital budgets as a way to pay for new initiatives.
5. The Prime Minister’s decision to “veto” changes to European treaties presents a challenge for Conservative-Liberal Democrat relationship but having survived this issue, most political commentators believe that the coalition Government will last for the full five years. For local government, though, this presents an opportunity to use the Liberal Democrat assertion that they “act as a brake” on the Conservative Party.
6. Meanwhile, with regards to the Opposition, it is likely that the current Labour Party policy review will continue throughout 2012 but will not report on specific outcomes. This again presents a further opportunity for the LGA to influence public-policy development on that side of the Westminster village.

### **The economy and jobs**

7. This issue will dominate public-policy debate in 2012. The UK economy entered its worst recession since the Second World War in 2008 and despite growth of 1.2 per cent and 0.8 per cent in the two quarters following the 2010 General

**Item 3**

Election, shrank by 0.5 per cent in the fourth quarter of 2010. In 2011 the UK economy has only grown by 1 per cent.

8. Recently the Bank of England warned that the UK economy had stalled and was likely to stagnate until the middle of 2012. Whilst the 2012 Olympics will provide a boost to the economy, growth for 2012 was expected only to reach 1 per cent nationally, the Bank said.
9. UK unemployment rose by 129,000 between July and September 2011 (hitting 2.62 million) and the unemployment total for 16-24 year olds hit a record high of 1.02 million in the last quarter, a jobless rate of 21.9 per cent. As a percentage of GDP, capital spending was predicted to have halved by 2015 compared with the levels witnessed in 2008. The Office of Budgetary Responsibility is predicting 710,000 job losses in the public sector by 2017. The LGA's prediction of 145,000 local government job losses in the first year of spending cuts was accurate.
10. *Opportunity: Demonstrating that local government has a key role to play in stimulating local economies and generating jobs and growth is a priority for the LGA and there are a number of milestones throughout the year – the Spring Budget, and Queen's Speech for example – which we can use as a focus for a number of campaigns on this issue. The focus on local government as employers will continue*

**Financial pressures on local government**

11. In December 2010, the LGA analysed the future of local government funding with respect to the pressures on council budgets. This work showed that, by 2014-15, a combination of cuts in government grant and rising demand pressures on local services could leave an annual gap between spending and funding of about £20 billion, if no changes were made to the way public services are delivered.
12. It was predicted that the problems could be much worse if inflation continued to rise and if steps weren't taken to address the impact of key demographic changes in the UK population.
13. One of the biggest impacts will be on adult social care, where local authorities currently spend £14.4 billion p.a., an amount predicted to rise to £20 billion by 2015 due mainly to demographic change. The burden of adult social care costs are already becoming acute for many authorities and this is now coupled with the potential of more legal challenges from the public and voluntary groups as eligibility criteria get narrower due to budget cuts. The challenges facing adult social care and those trying to deliver it are an increasingly regular item in mainstream news media and the issue will continue to dominate 2012.

**Item 3**

14. Related to this, the transfer of public health responsibilities from former NHS Primary Care Trusts to local government is also likely to put pressure on council budgets. Much work has already been done ensuring the terms and conditions for the transfer of these functions will not simply saddle local councils with more problems, but the challenges of delivering on public health for a whole set of new people – amid the changing demographic landscape and economic squeeze – will be considerable.
15. Increases in the number of school age pupils, higher numbers of child protection referrals in the wake of the death of Peter Connelly and public-policy reforms regarding the provision of housing for lone homeless 16 and 17 year olds are predicted to add £5 billion to the cost of children’s services by 2015. The issue of a lack of timely fostering and adoption for children in care has been much highlighted and is seen as priority issue for the Prime Minister.
16. And waste collection was predicted to cost local authorities an additional £1 billion a year by 2014/15. Equal pay and pension liabilities are also likely to remain significant pressures –the eventual cost to local authorities in equal pay settlements could be up to £4 billion alone.
17. There are also the as yet unknown pressures on local government resulting from the Government’s process of welfare reform. These could include reductions in the amount individuals can receive for housing benefit, changes to ‘affordable rent’ rates and ‘under-occupancy’ rules, and benefit caps.
18. *Opportunity: The LGA and local government are well placed to be able to highlight the financial pressures on public services in a cross-party manner. The previous audit of the pressures on local government could be revisited for example, and other individual campaigns could focus on the impact on hard-working families and other ‘doorstep’ issues due to the financial pressures on local government*

**Crime and policing**

19. Funding cuts to police forces by 20 per cent over the next four years are likely to return to the forefront of political debate in the coming year as crime figures continue to rise. The previous 16-year fall in overall crime in England and Wales started to reverse in October 2011 – and these figures only covered the period up to June 2011 and therefore not the summer riots.
20. Previous records suggest that property crime and robbery all rise during times of economic hardship. Whitehall has made much of reducing the impact of reductions in funding by eliminating red tape and transferring staff from the back office to the frontline.

**Item 3**

21. As local government knows from experience, these kinds of efficiency savings can only help reduce the impact of funding reductions by a small amount and there remain concerns within ACPO and amongst senior police officers that the numbers of active police officers on the street will be reduced.
22. The introduction of directly elected police commissioners is likely to feature in this debate and we are less than a year from the election of the first police commissioners. As we get closer to the beginning of official campaigning, the media will concentrate their focus on the suggestion that this represents the politicisation of the police services and the potential for further political disagreement over funding and the maintenance of police officer numbers.
23. *Opportunity: The LGA has already begun working up options to be the membership body for Police Commissioners. A campaign to support the democratic accountability of the police would therefore fit in well for the 2012 party conference season, given its proximity to the first elections for Commissioners. [To be expanded in more detail during the Board meeting.]*

**City Mayors and constitutional reform**

24. Implementing the Government's commitment to twelve city mayors will mean that eleven local authorities (Leicester has already moved to a mayoral model) will hold a referendum on 3 May 2012. The Government believes that mayors "provide strong and visible local leadership, increase accountability for local decisions, enhance their city's prestige and maximise the potential for local economic growth."
25. Moves to establish mayors in the twelve largest English cities will be supplemented by the 'cities deals' prospectus issued by the new Cities Policy Unit in the Cabinet Office. Individually negotiated deals with city regions will see transport, regeneration, skills and economic development powers devolved to individual councils or groups of councils.
26. Discussions have been held with Graham Allen MP, Chairman of the House of Commons Constitutional and Political Reform Committee, regarding his proposal to establish a codified relationship between central and local government. This would establish financial autonomy and operational independence from central Government.
27. Reform of the House of Lords has been proposed to introduce an elected or partially elected Upper Chamber. The number of Peers will also be reduced
28. *Opportunities: Mayoral candidates will start to come forward from political parties early next year and much of the potential success of the referendums*

**Item 3**

*could be down to whether sufficient high calibre and high profile candidates come forward. The advent of twelve new city mayors also presents a membership and improvement challenge to the LGA as an organisation.*

29. *Proposals submitted by the House of Commons Constitutional and Political Reform Committee for a written constitution with a codified relationship for local government will need to be considered by the LGA. This could present an opportunity for an improved relationship between local and central Government or any proposed deal could actually weaken the powers of local government.*

**The 2012 Queen's Speech and other public-policy developments**

30. The 2012 Queen's Speech will provide further opportunity for local government to engage with the national debate over continued social policy reform, albeit through much more limited avenues than the current session.
31. It is likely that a Special Educational Needs Bill and a Groceries Adjudicator Bill (to address supermarket competition) will be introduced and the Local Government Finance Bill has already been published. Given the length of time it has taken to pass the Health and Social Care Bill, it has been suggested that the proposed Social Care Bill to implement the findings of the Dilnot Commission may slip to a later timetable.
32. The Home Office is due to bring in an Anti-Social Behaviour Bill. Possible employment law/Pensions legislation could present difficulties for local government. The recent announcement of a 1 per cent pay cap in the 2011 Autumn Statement did not necessarily reflected the independence of local government employers in setting conditions around local government employees. The Government appears particularly keen to address the role of full-time trade union officials in the public workplace.
33. *Opportunity: The ability to amend legislation during passage through Parliament has become increasingly difficult under the Coalition Government – a greater emphasis on Coalition unity means that votes in the House of Commons are more tightly whipped and therefore fewer opportunities to change legislation. The 2010-2012 sessions have seen more amendments passed in the House of Lords than the House of Commons.*
34. *However despite significant changes to the Localism Act 2011 and Health & Social Care Bill, other legislation (such as the Education Act 2011) largely achieved Royal Assent without any major amendments. Any opportunity to influence proposed legislation for the parliamentary session for 2012 and beyond is therefore more likely to arise in the preceding few months as Whitehall departments put the finishing touches to their proposals and submit them for Cabinet approval*