

Update on Independent Commissions

Purpose of report

For discussion / decision.

Summary

This paper provides an update of the interim findings of the Non-Metropolitan Commission and Independent Commission on Local Government Finance, as well as their next steps. It is intended to lay the groundwork for future discussion of how the findings of all the independent commissions could inform future work on devolution.

Recommendation

Members are asked to:

- Comment on the report, including any points that they would wish to register at the LGA Executive's debate on 22 January and/or with the Commissions; and
- Consider whether they wish to invite Darra Singh, Chair of the Independent Commission on Local Government Finance, to the March meeting.

Action

Officers to take forward as directed by members.

Contact officer: Piali Das Gupta

Position: Senior Adviser

Phone no: 020 7664 341

E-mail: Piali.dasgupta@local.gov.uk

Update on Independent Commissions

1. This year, the LGA has sponsored or set up three Commissions to bring in independent voices to help influence thinking in the run-up to the 2015 election:
 - 1.1 This Board sponsored the City Growth Commission, chaired by Jim O'Neill, which looked at how a devolutionary shift from the centre to city regions could help drive growth in the UK. Its final report, delivered in October, sets out a number of recommendations about fiscal and policy powers, as well as governance arrangements, to create this shift.
 - 1.2 The LGA's People and Places Board set up The Non-Metropolitan ("Non-met") Commission, chaired by Sir John Peace, to explore the unique characteristics of non-metropolitan economies and their economic drivers, as well as what more could be done to promote growth and improve public services with the aim of delivering better outcomes for residents. It published an interim report in November, with the final report expected in February.
 - 1.1 The LGA and Chartered Institute of Public Finance and Accountancy (CIPFA) have jointly set up the Independent Commission on Local Government Finance, chaired by Darra Singh, to make recommendations for the reform of local government finance and find better ways to fund local services and promote economic growth in England. It published an interim report in October and will be delivering its final report in February.
2. A list of all Commissioners is at **Appendix A**.
3. The next sections examine the preliminary analysis from the interim reports of the Non-met and Finance commissions.

Non-Metropolitan commission

4. The Non-Met Commission's remit is to:
 - 4.1 review the economic, social and demographic trends facing non-metropolitan areas;
 - 4.2 assess their strengths and challenges, and identify in particular where their most powerful potential for future economic prosperity lies;
 - 4.3 review steps taken so far by businesses and the public sector to meet those challenges and promote growth; and
 - 4.4 make recommendations about the most effective further steps which business and the public sector could take to promote growth, jobs, and improvements in people's lives.
5. The Commission starts from the understanding that non-metropolitan areas account for roughly half of England's economy and population. This means that their economic contribution, and their growth potential, is as significant for the nation as that of the big cities. But their mix of businesses, and the challenges faced by areas of less dense population, of more diffuse transport networks, of market towns, green belts, and small

cities, are different, and so is the pattern of governance. The future of the economy and public services in these areas deserves as much attention as that of cities.

6. The Commission's interim report, 'How the Other Half Grows'¹, was published in November. It sets out three clear messages for local and central government:
 - 6.1 Shire areas are today the spearhead of England's global competitiveness and that advantage needs to be enhanced with devolved decision-making;
 - 6.2 Shire areas have ground to make up in the way they take decisions and organise their public services; and
 - 6.3 But a handful of shires are ready now for devolved decision-making about public services and tax; more will be in the future; and the country will benefit hugely from devolutionary deals for both cities and shires.
7. The report is in two parts: the first making the argument for the economic importance of non-metropolitan areas and the second outlines the Commissioners' initial proposals for housing, skills, transport, digital communications, tax, governance, public service transformation, and social infrastructure.
8. The Commissioners propose a significant devolution of decision-making and delivery to councils and groups of councils based on a community budgets-type model and supported by sustainable fiscal devolution. They suggest a more strategic approach to planning for housing and other infrastructure in which business has a significant voice. The Commissioners note the complex governance arrangements in two-tier areas in particular and indicate that local bodies should work together to develop ways of working that are accountable to local taxpayers.
9. The Non-met commission is now developing its final report, to be published shortly. It would welcome comments on the proposals in the interim report to nonmet_commission@local.gov.uk by the end of the month.

Independent commission on local government finance

10. The Finance Commission is examining:
 - 10.1 The strengths and weaknesses of the current local government finance system;
 - 10.2 Potential reforms that would enable better public services and encourage greater economic growth; and
 - 10.3 Practical solutions for changing the system that can be implemented by an incoming government from May 2015.
11. It will test options against the key challenges facing the nation and local communities of economic growth; housing supply; welfare that encourages people into work and

¹ [http://www.local.gov.uk/documents/10180/6193395/How+the+Other+Half+Grows+\(lo+res\).pdf/b1556a61-b8c5-4676-8df7-e3ee3090eaef](http://www.local.gov.uk/documents/10180/6193395/How+the+Other+Half+Grows+(lo+res).pdf/b1556a61-b8c5-4676-8df7-e3ee3090eaef)

provides effective social protection; affordable health and social care; and early support to families and children.

12. The interim report, *Public money, local choice*², explains the themes and ideas that were presented to it, outlines Commissioners' emerging thinking and seeks feedback on how these ideas can be developed. The key message the Commission received time and again is that the existing system is broken, failing every test of an effective sustainable funding regime. The report notes that while the system has needed change for many years, two developments have given reform new urgency: long-term cuts to local government funding and the effect of the Scottish referendum in creating a rare opportunity to secure devolution within England.
13. The commission's emerging thinking is that wholesale reform is needed in order to mitigate against the very serious consequences resulting from the reduction in public spending to 35 per cent of GDP. The finance commission's vision for a reformed local government finance system is one that should:
 - 13.1 Promote self-reliance and self-sufficiency;
 - 13.2 Encourage entrepreneurialism and innovation;
 - 13.3 Promote local decision-making on service delivery; and
 - 13.4 Maintain support for the most vulnerable.
14. The interim report has set out some early views on how this should work. These include:
 - 14.1 Councils should be given powers to set council tax bands locally, revalue properties regularly and – where there is public support for it - raise additional revenues. This is key to making public services sustainable and tackling the inherent unfairness in council tax;
 - 14.2 Local authorities should be freed to borrow to invest in social housing. This is key to tackling the chronic shortage of housing;
 - 14.3 Councils and businesses should have more control over skills development. This would be a major boost for the UK economy; and
 - 14.4 Tackling the fragmentation in funding and control of services for children and families would save money and improve life chances.
15. Commissioners are considering and welcome input on a number of questions and challenges, including:
 - 15.1 How do we move faster towards a community budget model and greater self-sufficiency over all local public services?
 - 15.2 Can a variable speed model of reform work?

² http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim_report_web_v2.pdf

15.3 Local government wants more control over distribution/equalisation, but how?

15.4 How can we achieve a balance between incentives and equalisation?

Next steps

16. Once the final reports have been published, the plan is to take stock of their recommendations, together with those of the City Growth Commission's, to feed into the LGA's future work on devolution, detailed at item 3.
17. Members are also invited to consider inviting Darra Singh, Chair of the commission, to the next meeting in March, to kick off a broader discussion of future work on fiscal devolution.