Written evidence submitted by the Local Government Association (PRD 75)

1. About the local government association

1.1 The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

1.2 We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

2. Summary

2.1 Scotland’s independence referendum has decisively changed the debate about devolving power to English communities. This is because Scotland has benefitted from greater control over tax, spending and public services as a consequence of devolution and is set to be given further powers. However, in stark contrast, similar powers and financial incentives are not currently on offer to local government in England.

2.2 England is a nation of 54 million people, its major cities and counties are in themselves as populous as the devolved nations of the Union, have public sectors on a comparable scale, and they benefit from equally strong historic identities. If the United Kingdom (UK) government has recognised that it must empower Scotland more fully, it cannot escape the political logic of doing the same for English communities. The perceived unfairness of leaving England as the last outpost of the old UK way of doing things would be permanently destabilising.

2.3 All areas in England, including cities and shires, should have greater financial powers and control over the delivery of public services so as to ensure local choice, discretion and competition. Importantly, the structures already exist locally for further devolution to take place as these powers could be given to combined authorities, mayors, health and wellbeing boards, joint committees, local enterprise partnerships and public service boards amongst others.

2.4 A Constitutional Convention on the future of devolution is needed as the UK government must establish a new deal with English local government and the communities that councils represent. That is why the LGA called for the immediate establishment of a summit to debate and agree a fair devolution settlement across the UK. A convention of this type does not imply delaying devolution; it is simply a way of ensuring that all areas of the UK benefit from the same level of devolution as Scotland.

2.5 Consideration must be given to the issue of fair funding across the UK. The sharing-out of tax and spending between the four countries of the Union needs to be put onto a new, sustainable and fair basis.

2.6 It is time for the UK government to commit to offering England the political and fiscal devolution currently on the table for Scotland as evidence shows that taking decisions closer to the people affected leads to better outcomes and saves money.
2.7 Over the next three months three independent commissions – the City Growth Commission, the Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England and the Independent Commission on Local Government Finance – will set a detailed agenda for devolution within England when they report.

3. Should England, Wales and Northern Ireland be offered the level of devolution that has been discussed in relation to Scotland?

3.1 The case for devolving power to England’s cities and shires has been made out by the LGA and others for a long time. Across a wide range of issues, there is compelling evidence that taking decisions closer to the people affected leads to better outcomes and saves the taxpayer money. This is as true for employment programmes for young people as it is for public health, setting policing priorities, deciding on transport investment, or providing support to troubled families. The work of local public service leaders in integrating health and social care or establishing community budgets has generated a body of robust evidence and testable business cases that demonstrate devolved decision-making works better.

3.2 Technocratic arguments are not enough to persuade those who hold power to give it up. But the case for devolution is also intensely political. Citizens are disillusioned with politics, because they do not feel their votes make enough of a difference. In an overcentralised system, where the things that matter are shaped by national policies and processes rather than by active decision-making at a level voters identify with, communities feel powerless and excluded.

3.3 Scotland’s referendum campaign has illustrated the political dynamic very clearly. The Yes campaign was as much an anti-Westminster campaign as a nationalist movement. Even No voters, while rejecting a nationalist independence agenda, demanded greater ownership by Scots of decisions that affect their lives. The referendum’s outcome, underpinned by the “Vow” made to Scotland by the three main UK party leaders, has exposed the failure of the centralised UK model for all the countries and communities of the Union, not just Scotland. The UK government has conceded that the old way of doing business must end.

3.4 The consequences for England are as significant as for Scotland. As in Scotland, the case for devolving power is both political and practical, whatever national flavour it may have. England is a nation of 54 million people, its political culture increasingly dominated by protest and mobilised discontent with Whitehall and Westminster. Its major cities and counties are in themselves as populous as the devolved nations of the Union, have public sectors on a comparable scale, and they are gifted with equally strong historic identities. If the UK government has recognised that it must empower Scots more fully, it cannot escape the political logic of doing the same for English communities. The perceived unfairness of leaving England as the last outpost of the old UK way of doing things would be permanently destabilising. It needs addressing alongside further reforms to the governance of Scotland within the UK.

4. If so, what should be the next stages to take forward devolution in a) Scotland, b) Wales, c) Northern Ireland and (d) England?

4.1 An urgent conversation on the future of devolution is needed, as the UK government must establish a new deal with English local government and the communities’ councils represent.
4.2 The LGA has called for the immediate establishment of a summit to debate and agree a fair devolution settlement across the UK. A convention of this type does not imply delaying devolution; it is simply a way of ensuring that all areas of the UK benefit from the same level of devolution as Scotland.

5. What measures, such as a written constitution, could most effectively entrench future devolution settlements?

5.1 All areas in England, including cities and shires, should have greater financial powers and control over the delivery of public services so as to ensure local choice, discretion and competition. The structures already exist locally for further devolution to take place as these powers could be given to combined authorities, mayors, health and wellbeing boards, joint committees, local enterprise partnerships and public service boards amongst others.

Devolution in England

5.2 There are three broad areas of decision-making that have been, or are to be, devolved in Scotland, Wales and Northern Ireland and which should also form part of a devolution settlement in England. These are:

- Decisions about transport, skills and economic development; this should include full responsibility for funding, investment appraisal and project approval, management of relations with skills providers including both schools and Further Education colleges, export and inward investment promotion, business support, housing funding excluding housing benefit, franchising and subsidy of public transport including the regional rail network, funding and commissioning back-to-work programmes and support to workless people.

- Decisions about health and care, to enable the creation of a seamless health and care service that better meets their needs by ensuring Health and Wellbeing Boards are the place which joins up the commissioning of primary, secondary and social care services in a coherent way.

- Devolution of an appropriate share of the tax base to pay for the services being devolved. This would seek to create the kind of fiscal arrangements which are the norm in other economically successful countries around the world. It would also include both freeing-up existing local taxes from national rate-setting and caps – which would put existing local government responsibilities roughly on a self-funded basis from 2017 - and devolve further responsibility for taxation to fund other devolved services, including at least a proportion of revenue from fuel duty and VAT. This should be supported by five year funding settlements across the public sector across the United Kingdom that provide more certainty and allow local partners to commit to joint investment and commissioning.

Fair funding

5.3 The sharing-out of tax and spending between the four countries of the Union needs to be put onto a new, sustainable and fair basis. The current system is a simple and straightforward way to calculate changes to funding of Scottish, Welsh and Northern Irish Parliaments. However, over 35 years the funding imbalance that was locked in back in 1979 has persisted. The LGA would support a rebasing of the funding allocations between the nations of the United Kingdom, phased in over a number of
years, to reflect relative need for public services.

5.4 Devolved Parliaments should be given further fiscal powers to help manage the adjustment of grant funding, with some of those powers resting directly with local government. How funding allocations are adjusted annually during and after this rebalancing can be part of the next Spending Review, one option being the preservation of the current convention applied to a revised base. This would unlock at least £3.9 billion to fund investment into preventative and early intervention services in local government in England and Wales. Initiatives, such as the Better Care Fund and the Troubled Families programme, have resulted in vastly improved outcomes and significant financial savings to the whole public purse which could then be reinvested, creating a continuous cycle of returns and improvements.

6. Given that different parties have put forward different proposals for further devolution to Scotland, what is the best way forward?

6.1 This would involve the drawing up of a new devolved settlement for the UK as a whole and the establishment of a Constitutional Convention composed of the UK government and the governments of the four nations of the devolved nations. It should also include delegates from English, Welsh, Scottish and Northern Irish local government, and other local organisations, to bring their local communities’ voices to the table. The LGA, as the cross party representative body for local government, would be happy to support this process.

6.2 The Constitutional Convention’s agenda should be to debate and agree a settlement which amongst other things should include:

- agreeing the decisions which in England should be taken at the national, regional, sub-regional and local area;
- the consequent governance for those decisions, including identifying the counties and emerging city regions which might receive the kind of devolved responsibilities set out in this paper
- a model for the sharing-out of tax and spending between and within the four countries of the Union on a new, sustainable and fair, basis
- a timetable for making progress.

6.3 The Constitutional Convention should begin its work while the Scotland Bill is before Parliament and conclude no later than the Autumn of 2015. Legislation for England should be introduced in the Autumn of 2015 and be enacted by the start of the 2016-17 financial year.

6.4 Discussions should include drawing up a plan to start devolving powers to local areas in England. A small number of cities and shires are ready now to take on new responsibilities, with the appropriate governance and capacity in place. These areas have been in conversations with the government for some time in the context of City and Growth Deals, and have strategic plans which the devolution of powers would put them in a position to implement more effectively. These areas should be allowed to take a lead, with swift devolution to them over the course of the 2015 UK Parliament. A sensible cohort size for this first wave of devolution might be five cities and five county areas. The aim should be that they will be followed in waves by other areas between 2020 and 2025.

LGA Independent Commissions
6.5 The conclusions of the three independent commissions, the City Growth Commission, the Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England and the Independent Commission on Local Government Finance, will set a detailed agenda for devolution within England when they report:

- The RSA’s City Growth Commission published its final report, *Unleashing Metro Growth*, on 22 October 2014\(^i\). It sets of recommendations for national and local government and makes the case for, and explains how, cities can take a new role in our political economy, creating stronger, more inclusive and sustainable growth in the UK. Key recommendations outline a significant shift from the centre to the UK’s major cities in policy and finance.

- The Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England\(^ii\) will publish its interim report in November and its final recommendations in early 2015. The Commission is exploring 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.

- The Independent Commission on Local Government Finance\(^iii\) will publish its interim report on 30 October 2014 and will make final recommendations in early 2015. It has been set up to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to give local areas more autonomy, improve funding for local services and promote sustainable economic growth.

28 October 2014


\(^ii\) For more information, see http://www.local.gov.uk/non-met-commission

\(^iii\) For more information, see http://www.cipfa.org/iclgf-home/about