



Association of North East Councils

**The Future of Local Government
Task and Finish Group Report**

North East
Resources Councils
Growth Grant Powers
Research **Settlement** Public
Local Government
Support Evidence
Devolution **Integration**
Funding **Health** Delivery
Public Services
Economic
Spending

Association of North East Councils

The Future of Local Government Task and Finish Group Report

Introduction

The purpose of Task & Finish Groups is to focus on positive outcomes, such as identifying scope for working across local government and with partners, and identifying, disseminating and building on best practice. Leaders & Elected Mayors suggested that in the case of this Group, its work should contribute towards developing ANEC's advocacy positions and 'asks' of Government. It was also noted that it would be important to feed into specific debates and consultations over the short term (the next 12 months) – a period which includes the run up to the 2015 General Election. In particular, the Group should look to feed into the debate around the Local Government Association's 'Rewiring Public Services' paper, launched at the LGA Annual Conference in July 2013.

Scoping the Task and Finish Group's work

In the scoping paper presented to members, three sets of issues (with some overlaps across the three) were identified. These resonated with the themes coming out of the LGA's Rewiring Paper. The three areas are:

- **financial issues** (the financial challenges facing local authorities in the North East, as well as wider issues such as fair funding, multi-year settlements, the concept of the 'local treasury', economic growth and the 'single pot' and the future of the Barnett formula);
- **the Transforming Public Services agenda** (including the integration of health and social care; community budgets, the Open Public Services White Paper and the role and aims of sector-led improvement); and
- **constitutional issues** (including the constitutional position of local government, codifying the relationship between central and local government, devolution to Scotland and Wales – and its impact on England).

The Group was chaired by Councillor Bill Dixon (Darlington Borough Council) and included members from all 12 authorities in the North East. It has now met twice: in November 2013 where introductory

issues were raised, and collectively with members from the Resources Task and Finish Group in January 2014, with input from both a local authority and LGA perspective. Additionally, the LGA Regional Roadshow on 'Rewiring Local Government' was held in March 2014, with attendance from a number of members of the Group.

We received presentations from expert witnesses as follows:

- the future of local government (George Garlick, Chief Executive, Durham County Council);
- the Local Government Finance Settlement – the national perspective (Alan Finch, Head of Financial Programmes, LGA);
- the Local Government Finance Settlement – key issues for North East councils (Paul Woods, Director of Finance and Resources, Newcastle City Council); and
- the LGA's *Rewiring Public Services* campaign (Mark Edgell, LGA).

The LGA regional roadshow included the following presentations:

- Rewiring Public Services (Sir Merrick Cockell, Chairman, LGA);
- The State of the State (Ed Roddis, Head of Public Sector research, Deloitte);
- Challenging times – prospects for local government in the North East (Fred Robinson, Professorial fellow, St Chad's College, Durham University) – *this session presented the findings of the 'Challenging Times' report commissioned by ANEC and the Institute for Local Governance, and carried out by the Policy Research Group at Durham University, which put forward some key findings referred to later in this report;*
- Resources challenges for North East councils (Paul Woods, Director of Finance and Resources, Newcastle City Council);
- Challenges and opportunities – Health and Wellbeing Boards (Councillor Nick Forbes, Chair, HWB Chairs Network);
- Challenges, opportunities and benefits of integration (Rachael Shimmin, Corporate Director Children and Adults Services, Durham County Council); and

- Health and social care pioneer status – an overview (Helen Watson, Corporate Director Children Adults & Families, South Tyneside Council and Jon Tose, Clinical director, South Tyneside Clinical Commissioning Group).

It was envisaged that for the fourth meeting, the Group would consider a draft report which brought together the key issues highlighted during discussions to date, for member consideration, debate, and potential recommendation.

Framework for final report

The Group has discussed a wide range of important and pertinent issues and identified a number of potential actions, some of which can be progressed within a short time frame, others which require either further work, more time to action, or both. Issues have been categorised under the three broad headings identified during scoping, i.e. financial, transformational and constitutional, with broad recommendations underpinned by an annex consisting of actions assigned with indicative timescales of short term (up to 12 months), medium term (12 to 24 months) or long term.

Context

It goes without saying that the context for the Group's work is an extremely challenging one. As we show, local government faces severe financial challenges, which pose a real threat to the sustainability of the funding system, and the most deprived areas face the worst challenges – a position which the Government's move to an incentive-based system can only exacerbate. Pressures on services continue to build, while the reduction in funding has a serious impact on the wider local economy. Constitutionally, the current centralised model of local government seems no longer fit for purpose, while the prospect of independence or 'devo max' for Scotland, and greater devolution to Wales, leaves English local government as the most centralised part of the system – and one without any constitutional protection. On a more positive note, many local authorities are seizing the initiative to transform public services – working with each other and with partners. The LGA's Rewiring Public Services campaign picks up many of these themes.

The remainder of this report considers the three themes – financial, transformational and constitutional – in more detail. It starts with issues about financial sustainability as without a fair and sustainable system of funding, the prospects for the future of local government are bleak indeed.

Financial issues – towards a fair and sustainable system

Background information

Probably the greatest challenge to the future of local government lies in the impact of the Government's deficit reduction programme, combined with increased demand for services and demographic pressures.

We recognise the need for councils to play their part in the deficit reduction programme, while continuing to promote economic growth and recovery. Councils have in fact sought ways to reduce costs while, as far as possible, protecting vital services. All councils in the North East have been reviewing service delivery in order to make the best use of resources and establish how services can be delivered more efficiently; they have embraced new methods of service delivery including outsourcing and asset transfer to the voluntary and community sector; they have collaborated more closely with each other and with partners (e.g. in the health services) over a whole range of activities (e.g. public health services, procurement).

However, local government has now reached a position where:

- annual reductions in funding and spending power are too deep and too fast to be matched by savings from efficiencies and service transformation;
- cuts in funding are demonstrably inequitable and disproportionate, and impact most severely on the most deprived authorities, including those in the North East;
- the problem is compounded by higher levels of demand in the North East, arising from deprivation and demographic pressures;
- there is a consequential impact on the region's economy; and
- the Government's avowed intention of moving from a needs-based to an incentive-based system of local government funding diminishes the prospects of redressing the situation for less prosperous areas.

We have received a great deal of evidence that bears out these assertions, including presentations from Paul Woods (Newcastle City Council), Alan Finch (LGA) and Professor Fred Robinson (Durham University). This evidence is summarised below.

Evidence

The Public Accounts Committee (2013) notes that central government grant to local authorities (excluding police, schools and fire services) will have been cut by 14% (£7.6bn) in real terms over the period 2011-15. The June 2013 Spending Review included a further 10% cut in central government grant to local authorities in 2015/16. The LGA has referred to a 40% cut in core funding to councils between 2011 and 2015.

A report by the Resolution Foundation (June 2013) argues that cuts needed to meet the current deficit reduction target would need to be so severe as to be 'implausible'. If the age of austerity continues and further difficult choices are needed to be made about spending and taxation; councils should not expect a 'return to business' in the foreseeable future – if ever.

Historically, the most deprived authorities have received higher levels of grant funding to recognise their greater needs. As grants are reduced (and some specific grants abolished) it is now the most deprived authorities that are suffering the greatest reductions in funding and spending power. Evidence from the LGA demonstrates a direct correlation between deprivation and cuts: the 50 most deprived areas in terms of the Index of Multiple Deprivation have seen the greatest reduction in their spending power, and the 50 least deprived have seen the lowest reductions. In the two year period 2014-16, the North East faces a reduction in spending power of £172 per dwelling compared with a cut of £12 per dwelling in the South East. When individual authorities are compared, the reduction is still more pronounced: a reduction of £297 per dwelling in Middlesbrough compared with an increase of £56 per dwelling in Wokingham.

On present trends, spending power for Darlington will be similar to that of Wokingham in 2014/15 (excluding health funding) and will fall every year thereafter, despite higher cost pressures; spending power for Newcastle will match Wokingham's in 2017/18.

Demand for services, particularly social services, tends to be greater in the North East as a consequence of long-standing socio-economic conditions: higher rates of joblessness, lower than average incomes and generally poorer levels of health, disability and premature mortality. At the same time, needs are increasing. In the North East, 17.3% of the population is over 65, compared with 16.3% for England as a whole, and the proportion of older people is growing more quickly in the North East than in other English regions. One child in four in the North East is living in poverty, and in some wards this rises

to one in two. The North East has the second highest proportion of Looked After Children in the country, and has seen the greatest rate of increase in the proportion of Looked After Children in the period 2006/10. The differential costs of providing for children's social care are very marked: £445 per dwelling in Newcastle and £376 per dwelling in Darlington, as against £164 in Wokingham. It should not be forgotten that adults and children's social services are subject to similar levels of cuts as other local government services.

Welfare reform is also hitting the North East harder than most other parts of the country. Analysis published by Sheffield Hallam University in 2013 showed that the more deprived the local authority, the greater the financial 'hit' resulting from current and planned welfare reforms. The North East, along with the North West, will experience the greatest impact: both are forecast to have an annual loss of £560 per working age adult by 2014/15 as a result of the various reforms, with some of the biggest impacts coming from changes to disability benefits. The loss of benefit income will have knock-on consequences for local spending and local employment: the Sheffield Hallam report comments that 'a key effect of welfare reform will be to widen the gaps in prosperity between the best and worst local economies across the country'.

The Durham University research uses the North East Economic Model to assess the wider impact of public expenditure reductions on the region's economy. Over the five-year period 2009/10 to 2014/15, the total impact on output in the region's economy is estimated at £1605.3m, while impact on Gross Value Added is estimated at £997.7m. The relatively small size of the private sector in the North East makes it more difficult to generate additional jobs to compensate.

Government Ministers have stated explicitly that the local government funding system is based on incentivisation for economic growth and not on needs. Enabling local authorities to retain a greater proportion of their business rates will, they argue, encourage authorities to promote economic growth. The New Homes Bonus is intended to incentivise local authorities to promote new housing and also to encourage growth in local economies. However, as the funding for New Homes Bonus is top-sliced from Government grant, the effect is that councils serving more deprived communities pay in more and take out less, because both supply and demand are less. The shift to incentivisation simply does not work for regions like the North East which suffers from deprivation, a low tax base and a lack of capital assets.

Nevertheless, local authorities are continuing to play an active part in economic development. This encompasses a wide range of initiatives such as:

- working to create the right conditions for economic growth, in a challenging environment;
- promoting the development of strategic sites with high potential, such as Central Park in Darlington, the Cobalt Business Park in North Tyneside and the Tees Renewable Energy Park in Redcar and Cleveland;
- developing partnerships with private sector businesses and involvement in the development of the North East and Tees Valley LEPs;
- City Deals – Newcastle/Gateshead have secured a City Deal, a City Deal for Tees Valley was announced in December 2013 and a Sunderland and North East City Deal has also been approved;
- involvement in the scheme for managing devolved European Structural Funds and submitting successful bids to the Regional Growth Fund;
- making the case for further government investment to improve transport connectivity; and
- attracting large-scale inward investment projects.

The 'Challenging Times' report prepared by the Policy Research Group at Durham University provides an independent, academic review of the evidence. It finds that:

“ The “North-South divide” has become an entrenched feature of the economic landscape and welfare reform and reduced public spending risk reinforcing this, stifling local economic growth... North East councils have been using their spending strategically to support local businesses and jobs, but the shortage of private sector capacity limits the potential – and too rapid downsizing of the public sector is undermining the ability of the region’s economy to adjust. ”

The report concludes that re-balancing the economy must be a strategic priority at national and local levels, strongly supported by the government.

On the more general issue of the financial pressures faced by local government in the North East, the 'Challenging Times' report has the following comments:

“ We are clear that local authorities in the North East are under a great deal of pressure [and] the concerns raised by the local authorities are credible. North East councils are not being unjustifiably alarmist... Looking ahead, it is likely that councils in the North East will continue to be strongly affected by cuts,

especially since government funding is increasingly rewarding areas of high growth and prosperity, while penalising already disadvantaged areas with fragile economies and high levels of need. ”

The LGA and CIPFA have recently established a Local Government Finance Commission to review the whole basis of local government finance given the risk that the current system will become unsustainable. The Chief Executive of CIPFA, Rob Whiteman, has set out the main issues for the Commission as follows:

- (i) Given that council tax and business rates were seen as outdated (there had been no revaluation of council tax and business rates did not reflect modern business), should we be pressing for a more broadly based system of local taxation?
- (ii) Should the system incorporate the principle of equalisation – and if so, to what extent – or should councils be set free to rely on their own tax-raising powers?
- (iii) Given that tax-raising powers have been devolved (or offered) to Scotland, Wales and Northern Ireland, to what extent is the issue one of English devolution?
- (iv) Where does Parliamentary accountability fit into this? Is it for central government spending or all public expenditure?
- (v) How can the Commission both speak for the sector and be perceived as having a reasonable degree of independence so that it can influence decision-makers and opinion-formers? If we argue for wider powers, should they come with strings attached?
- (vi) How can the finance support system support local government in promoting economic growth, ensuring sufficient housing, integrating health and social care and so on?

We anticipate that the Association will provide evidence to the Commission in July 2014.

There will of course be a general election in May 2015 and the opportunity must not be missed to influence the political parties as they draw up their manifestos, and to make the case to the new Government, whatever its colour for a fairer system of funding. We note that ANEC has a programme of work in hand to raise nationally the financial challenges that North East local authorities face and to carry out research and technical work to support the North East's case. This work programme can be summarised as follows:

Short-term (April-December 2014)

- Provide evidence and ideas to inform the joint LGA/CIPFA independent commission on local government finance, which is expected to publish its report in January 2015 with the aim of challenging the parties' manifestos;
- Arrange joint meeting of appropriate professional officers (Assistant Chief Executives, Directors of Adult Social Services/Children's Services/Public Health/Resources) to map out areas of common interest and linkages (e.g. Better Care Fund, Care Bill);
- Undertake research and analysis to help develop alternative funding models, solutions and approaches that would result in a fairer funding settlement that can be used as part of a dialogue with the main political parties as they consider their election manifestos;
- Develop a robust evidence base to support the case for why additional spend is necessary to address need and deprivation;
- Highlight the challenges for the North East in growing local economies and the issues that this presents for a local government funding system based on economic growth;
- Evaluate the impact of previous, current and future forecast reductions on statutory services from a North East councils' perspective to inform dialogue at a national level;
- Contribute technical expertise to inform party briefings and key messages to be used by ANEC at the party political conferences in autumn 2014 (the last party conferences before the 2015 general election); and
- Develop propositions and collective response to inform the next local government settlement.

Medium term (January-June 2015)

- Continue to contribute technical advice and support to shape and inform political briefings in the lead up to the general election;
- Develop 'asks' of the new Government – in particular what we would like to see the Government do in its first 100 days in office (such as make a commitment towards a fairer funding system);

- Start to work on proposals aimed at influencing the next Comprehensive Spending Review, post-election;
- Develop case studies on specific issues – for example, in the context of health, the scope for longer-term savings through preventative measures and early intervention;
- Continue to support research and analysis to feed into LGA's thinking and propositions for addressing financial challenges and future funding models; and
- Continue to make the case for a re-balancing of the economy at national and local levels.

Long-term (post-2015 election and beyond)

- Provide the evidence base to press for the implementation of alternative funding models that reinstate a resource equalisation and needs-based approach to funding, and embody the principle of fairness that addresses current inequities in the distribution of funding across the country; and
- Looking to the five-year term of the next Parliament, contribute to solution-based approaches that will help address concerns about the future financial sustainability of councils and the need for local authorities to have more control over tax and spending, place-based budgets and realistic responsibilities in relation to delivery of statutory duties.

The Department for Communities and Local Government has recently appointed consultants to review and update existing indicators of deprivation. The North East is represented on the Steering Group for this work and we should use it as another means of making our case.

Recommendations

It is recommended that:

- North East authorities continue to advocate for a fair and sustainable system of local government funding – building on the valuable work that ANEC has already undertaken and on the lines of the work programme set out above;
- the message is clearly disseminated that the move from need-based to incentive-based funding will lead to a permanent shift in service provision determined by postcode unless action

Recommendations

is taken. If the current situation continues, Councils in the North East will not be able to provide services at the same level as those in the South East (this is an issue which is reflected favourably in local press but more work needs to be done nationally);

- particular priority is given to forward-looking work on how the position could be reversed over the life of a Parliament – how the distribution of funding can/should be changed to create a more level playing field; and
- whilst the Association has been successful in demonstrating the inequalities of budget cuts, we need to go to the next stage and do more work to quantify the extra costs that deprived areas need to spend.

In addition, the LGA's *Rewiring Public Services* campaign includes a number of ambitions that are relevant to local government funding – and while these are not specifically targeted towards the North East, they would benefit the North East through making the whole system fairer. The LGA advocates:

- a place-based budgeting system, bringing together all or most of the public service expenditure within an area and putting it under the control of democratically accountable elected members (*this is considered further in the next section*);
- a multi-year financial settlement, covering the life of a Parliament, that will give councils some certainty for financial planning;
- the sharing of money fairly around England by taking financial distribution out of Ministers' hands and replacing it with an agreement across English local government;
- the creation of a municipal bonds agency giving councils greater control of interest rates and introducing diversity and competition to the investment marketplace (*note: the LGA has now taken a formal decision to establish the agency, subject to sufficient authorities agreeing to participate*); and
- the ending of the Barnett formula which is an outdated mechanism for adjusting the amounts of public expenditure to Scotland, Wales and Northern Ireland.

We endorse the LGA's proposals subject to the caveat that any place-based budgeting system and multi-year settlement must be independent and based on a fair and equitable distribution of resources reflecting need.

Transforming public services

Background information

It is widely recognised that the scale of public expenditure reductions, and the certainty that they will continue into the future, means that it is simply no longer possible to deliver local government services in the traditional manner. Authorities are learning to embrace new methods of service delivery. These can take a number of forms including:

- 'creative collaborations' with partner organisations;
- greater integration of services between providers – this is very much a live issue in regard to health and social care, as discussed below;
- joint provision of services (front line as well as back office) between two or more authorities;
- extending the scope of outsourcing; this has developed from simple outsourcing of single services to the commissioning of large-scale, multi-service partnering packages covering a wide range of services including some that are less commonly outsourced such as planning, consumer protection and environmental health;
- asset transfer to the voluntary sector (for example, supporting community organisations to run and maintain local leisure centres and community centres; transferring arts and cultural facilities to charitable trusts); and
- demand management – reducing the demand for services by such measures as early intervention and changing people's behaviour.

However, it is important to recognise that all these initiatives – integration, shared services, outsourcing and the rest – will not, ultimately, be sufficient to meet the financial challenges in the long term. The Challenging Times report found that:

“ The gap between the income and expenditure of local authorities is growing – and that situation is simply not sustainable. The Local Government Association recently found that, in theory at least, every council in the North East could be bankrupt by 2020, with the worst-hit authority in the region by then only able to cover 69% of its expected expenditure and even the best-placed authority only able to cover 77% of its spending. ”

The report went on to say:

“ Local authorities are predicting that by 2020 – if not before – they will have to give up the majority of their discretionary (non-statutory) service provision. Local authorities would only be able to provide core statutory services, and those services would be pared down, probably only available to those in the greatest need. These limitations on service provision would have serious implications for the ability of councils to intervene early with ‘upstream’ preventative measures, which can avert the need for more expensive interventions down the line. ”

Given that authorities in the North East have relatively low levels of reserves and high dependency on Government grant, they are likely to be worse affected by this funding gap than other areas of the country.

We have to persuade Government to respond differently – to make a fundamental change in the way it looks at the provision of public services. As advocated by the LGA, there needs to be a shift to a place-based budgeting system which brings together all or most of the public service expenditure within an area and puts it under the control of democratically accountable elected members.

Evidence

Much work is going on within individual authorities on sector-led improvement, and ANEC has a role in coordinating this activity through its Assistant Chief Executives’ Network. One aspect of this is collation of areas for shared learning and development, enabling an authority which is considering going down a particular service delivery route to identify, and learn from, another authority which has already made progress in that direction. The Network is also carrying out studies of:

- alternative/new models of service delivery (as above);
- demand management (as above);
- channel shift – remodelling councils’ processes to make them ‘digital by default’, with an emphasis on mobile and social media – the aim being both to reduce costs and to provide a channel of contact that is more consistent with customers’ (assumed) preferences; and
- capacity building in the voluntary and community sector – ensuring that the VCS is equipped to meet the demands that are placed on it.

Nationally, the Government is placing great emphasis on the integration of health and social care. It is creating, from 2015/16, a £3.8 billion pool of (existing)

health and social care funding – the ‘Better Care Fund’ - to support the integration of those services, with the aim of getting health and social services to work more closely together to improve the experience of patients and service users, help them to move seamlessly from one care setting to another, reduce delayed discharges from hospital and delayed transfers of care, increase the effectiveness of reablement, etc. During the period from February to April 2014 local authorities and clinical commissioning groups (CCGs) have been required to develop their Better Care Fund plans for signing-off by the local Health and Wellbeing Board.

South Tyneside has been designated by the Department of Health as a pioneer area for health and social care integration. The council and CCG are working together on developing a self-care approach in an attempt to move away from the traditional reliance on hospital services and reduce demand on expensive services downstream – recognising also that it does not make sense to treat social and medical health separately.

It is vitally important that all these strands of work are pursued if local government is to meet the demands placed on it. At the same time, it is important to be clear about, and address, the obstacles and barriers to integration. These include:

- financial, cultural and structural barriers. Systems like health and social care are complex and changes in one part impact on other parts. NHS planning cycles do not necessarily align with those of local government or take account of local issues. Initiatives such as the Better Care Fund do not bring any new money, and have to be delivered against a background of striving to maintain existing services in the face of continuing cuts. BCF proposals have now been submitted with positive assurance received for North East plans. Despite some commentary in the media suggesting that the Cabinet Office has reservations about the prospect of the anticipated savings to hospital budgets being realised at national level (and this is an issue that has to be addressed), it is clear that the BCF and integration between health and social care have been embraced by North East local authorities, with effective partnership working at the heart of this. A seminar/workshop to share learning through the development of the bids, and how practice is intended to change as a result, is to be held in autumn 2014;
- expenditure on prevention or early intervention can reduce ‘downstream’ costs; for example, initiatives on smoking cessation or tackling obesity can reduce the demand for considerably more

expensive hospital treatments. However, the savings from prevention do not always come back to the organisation that has incurred the expenditure on it. Some way has to be found of incentivising prevention;

- similarly, there are perverse incentives within the system – for example, as hospitals are (in essence) paid according to the number of patients they treat, they have an incentive to increase throughput – which goes against the logic of the Better Care Fund; and
- as regards the use of the voluntary and community sector, it is important to be clear that volunteering has limitations. It is not a ‘free’ resource – volunteers need to be properly trained and managed. The ‘Challenging Times’ report suggested that there was a need for work to establish the potential and limitations of voluntary sector and community-based interventions, and recommended that ANEC should lead on this. As the report concluded, *“if local government is to be reconfigured and slimmed down, it is essential to have greater clarity about what might help to fill the gap – and what would need to be done to achieve that”*.

Despite these drawbacks, and recognising that integration is not a panacea, there are clearly opportunities and benefits to integration, for example in the interface with public health linked to prevention, and the potential for leaner working.

Recommendations

We recommend that the Association should work with the LGA to persuade the Government to make a fundamental shift in its approach to the provision of public services, and to pursue the case for a place-based budgeting system.

We also recommend that the Association:

- should continue to play its coordinating role in sector-led improvement, both for statutory services and for corporate issues;
- should review, in due course, the lessons learned from the Better Care Fund planning exercise and from the work of South Tyneside as a pioneer area for health and social care integration – and consider in particular whether there are any lessons that could be applied to other service areas; and
- should consider the ‘Challenging Times’ recommendation to commission or undertake work to establish the potential and limitations of voluntary and community based activity.

Constitutional issues

Background information

It is often argued, with some justification, that English local government is the most centralised part of the system of governance of the United Kingdom.

The Association has previously argued (in evidence to the House of Commons Political and Constitutional Reform Committee, July 2012) that the right of local government to manage local affairs, within a framework of law and of accountability to local people, should be recognised in the same way as the right of central government to set national policy and manage national affairs is recognised. Further, at a time when more powers are being devolved to the territorial administrations in Scotland, Wales and Northern Ireland, local authorities in the largest country in the United Kingdom remain subject to extensive legal, financial and regulatory constraints. This cannot be right or equitable.

It is interesting to note that these issues received independent recognition from the recent (March 2014) Congress of the Council of Europe Peer Review of Local Democracy in the United Kingdom. The purpose of the review was to monitor the UK’s compliance with the European Charter of Local Self-Government, which sets out a number of standards intended to guarantee the political, administrative and financial independence of local authorities. The review found that the UK is, in general, in compliance with the Charter obligations. However, much of the improvement since the last review (in 1998) is down to the devolution of powers to Scotland, Wales and Northern Ireland. As regards English local authorities, the review raises a number of issues of concern:

- the limited financial resources available to English local authorities and their dependence on Government grant;
- the fact that English local authorities are lagging behind councils in Scotland, Wales and Northern Ireland;
- lack of recognition in law of the right to local self-government; and
- interference by central government in local authorities’ discretion to manage local affairs.

The financial challenges discussed in the previous sections make it all the more important to pursue this point. Given the continuation of cuts to local government spending, it is all the more important that local authorities are allowed to be innovative and

creative in working out their own solutions to meeting ever growing demands for services in a changed financial climate.

Evidence

A number of ideas have been put forward in our discussions, which we think merit further attention. These include:

- clarity about what local government is expected to provide. The *Challenging Times* report recommended: “*There needs to be a thorough review of the future for local government. That has to deal with tough questions about what councils should (or shouldn't) provide or procure, given their much reduced resources*”. So should the role of local government be redefined in terms of the services it is required to provide, perhaps incorporating the concept of a minimum statutory standard of service? But would this approach be palatable, given councils’ aspirations to serve their communities and be place-shapers with a general power of competence to act to improve their communities’ wellbeing?
- there has been considerable debate about independence, or increased devolution, for Scotland, and increased devolution for Wales. In some ways, the debate about Welsh devolution may have more relevance for English local government as it sets a template for what might be achievable. The Silk Commission on devolution in Wales has recommended both an increased level of fiscal devolution (with the Welsh Assembly having certain tax-raising powers in addition to a block grant) and a move from a ‘conferred powers’ to a ‘reserved powers’ model. In other words, the Welsh Assembly should no longer exercise only those powers specifically conferred on it by the UK Government, but should exercise all powers except those specifically reserved to the UK Government. Should we be lobbying for a similar form of settlement?
- in its response to the Political and Constitutional Reform Committee referred to above, the Association supported the principle of a Code, enshrined in legislation, that would establish the position of local government within the constitution and enable it to operate as a co-equal alongside central government.

It is important to be clear about what ‘devolution’ actually means in the local government context and what form we want it to take. Initiatives such as the

New Homes Bonus are sometimes presented as devolutionary on the grounds that they give extra resources to local areas for them to spend as they see fit; however, in the case of NHB the reality is that money is topsliced from local government expenditure and redistributed, with some areas, such as the North East, losing out. What we are seeking from Government is the need for greater devolution of powers and resources to local areas across their whole governance architecture, including combined authorities and Local Enterprise Partnerships as well as local authorities.

Recommendations

It is recommended that ANEC, working with the LGA and the Political and Constitutional Reform Committee, should:

- consider the role of local government in terms of the services it is required to provide;
- consider the case for English local government to have similar devolved powers as Scotland/Wales as highlighted in the Silk report;
- consider, in due course, the outcome of the Scottish referendum, whether or not that results in a vote for independence;
- consider the legislation of a code that would enshrine the position of local government within the constitution.

ANNEX A: Action planning

Financial issues

Issue	Timescale
Continue to make representation to Government and political parties to address unfairness/dysfunction of present system;	Ongoing
Commission forward-looking work on how to change things round over the lifetime of a parliament – change the distribution system to create a more level playing field;	Short / medium
Arrange joint meeting of appropriate professional officers (Assistant Chief Executives, Directors of Adult Social Services/Children's Services/Public Health/Resources) to map out areas of common interest and linkages (e.g. Better Care Fund, Care Bill);	Short
Undertake research and analysis to help develop alternative funding models, solutions and approaches that would result in a fairer funding settlement that can be used as part of a dialogue with the main political parties as they consider their election manifestos;	Short
Develop a robust evidence base to support the case for why additional spend is necessary to address need and deprivation;	Short
Evaluate the impact of previous, current and future forecast reductions on statutory services from a North East councils' perspective to inform dialogue at a national level;	Short
Contribute technical expertise to inform party briefings and key messages to be used by ANEC at the party political conferences in autumn 2014 (the last party conferences before the 2015 general election);	Short
Develop propositions and collective response to inform the next local government settlement;	Short
Provide evidence and ideas to inform the joint LGA/CIPFA independent commission on local government finance;	Short
Respond to relevant proposals in Rewiring Public Services, e.g. whole place budgets, multi-year settlements, commission to allocate LG funding, scrap Barnett formula;	Short / medium
Continue to contribute technical advice and support to shape and inform political briefings in the lead up to the general election;	Short / medium
Develop 'asks' of the new Government – in particular what we would like to see the Government do in its first 100 days in office (such as make a commitment towards a fairer funding system);	Short / medium

Financial issues

Issue	Timescale
Commence work on proposals aimed at influencing the next Comprehensive Spending Review, post-election;	Medium term
Develop case studies on specific issues – e.g. potential long term savings via investment in preventative measures and early intervention;	Medium term
Continue to support research and analysis to feed into LGA's thinking and propositions for addressing financial challenges and future funding models;	Long term
Provide the evidence base to press for the implementation of alternative funding models that reinstate a resource equalisation and needs-based approach to funding, and embody the principle of fairness that addresses current inequities in the distribution of funding across the country;	Long term
Looking to the five-year term of the next Parliament, contribute to solution-based approaches that will help address concerns about the future financial sustainability of councils and the need for local authorities to have more control over tax and spending, place-based budgets and realistic responsibilities in relation to delivery of statutory duties.	Long term

Transforming Public Services

Issue	Timescale
The Association should work with the LGA to persuade the Government to make a fundamental shift in its approach to the provision of public services, and to pursue the case for a place-based budgeting system;	Short term
Health and social care integration (Better Care Fund, pioneer activity) – review lessons and consider if they can be applied more widely;	Short
Consider commissioning work to establish potential and limitations of voluntary/community based activity;	Short
Deliver a learning event for BCF across the Health 'System';	Short
Use the Association's 2014 Summit as an opportunity to showcase learning and best practice;	Short
Sector-led improvement – to continue the programme.	Medium

Constitutional issues

Issue	Timescale
Rethink role of local government in terms of the services it is expected to provide. Concept of minimum statutory level of service;	Medium
Consider the case for English local government to have the same (or similar) level of devolved powers as Scotland/Wales (Silk report);	Medium
Revisit the issue of a Code defining the constitutional position of local government, as advocated by the Political and Constitutional Reform Committee;	Medium
Consider the implications of the Scottish referendum (irrespective of the outcome).	Medium

ANNEX B: The Future of Local Government Task and Finish Group

Members:

Councillor **Bill Dixon**, *Darlington Borough Council (Chair)*

Councillor **Jane Brown**, *Durham County Council*

Councillor **Martin Gannon**, *Gateshead Council*

Councillor **Christopher Akers Belcher**, *Hartlepool Borough Council*

Councillor **David Budd**, *Middlesbrough Council*

Councillor **Anita Lower**, *Newcastle City Council*

Councillor **Jim Allan**, *North Tyneside Council*

Councillor **Eileen Burt**, *Northumberland County Council*

Councillor **George Dunning**, *Redcar & Cleveland Borough Council*

Councillor **Margaret Meling**, *South Tyneside Council*

Councillor **David Rose**, *Stockton on Tees Borough Council*

Councillor **Mel Speding**, *Sunderland City Council*

Chief Executive Advisor:

George Garlick, *Durham County Council*

ANEC Directorate:

Melanie Laws, Chief Executive

Andy Robinson, Head of Local Government Policy

Jonathan Rew, Specialist Support Officer

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