

Devolution to English cities in the light of Lord Heseltine's report 'Empowering English cities'

House of Lords

17 July 2019



KEY MESSAGES

- The Local Government Association (LGA) is calling for a new localism settlement for England that empowers local communities and revitalises our democracy. Our recommendations would support local government to deliver the best outcomes for their local places.
- The Mayoral Combined Authorities and other devolution areas have already begun to demonstrate the benefits of devolution. Lord Heseltine's 'Empowering English Cities' is a welcome recognition of the unique potential offered by local leaders to better invest in local priorities for growth and better co-ordinate public services that meet the needs of place.
- In recent years the pace of devolution in England has slowed. Progress has been made in large metropolitan areas, but communities in the rest of the country have been largely left behind. More needs to be done to bring the long held promise of greater devolution to the rest of the country, particularly the towns and communities of non-metropolitan England.
- With Whitehall set to be focused on responding to the demands of the EU Exit for the foreseeable future, there will not be the capacity at a national level to negotiate individual devolution deals, which has been the model so far. A new localism settlement needs to move beyond specific deals to a package of sustainably-funded, locally-led public service reform that is available to all of English local government.
- Local leaders should be given the responsibility and funding to address long-standing challenges and maximise opportunities. Bringing power and resources closer to people is the key to delivering better outcomes for communities and inclusive growth across the country.
- The LGA has published several recent policy documents that outline how further devolution can benefit English cities, including our *Councils Can* and *Work Local* reports.
- *Councils Can* sets out how a new localism settlement could strengthen communities and local government.ⁱⁱⁱ This needs to be underpinned in a Queen's Speech by an English Devolution Bill, a Local Government Finance Bill and a sustainable funding settlement in the Spending Review.
- *Work Local* outlines the urgent need for a new devolved and integrated approach to careers, training, employment and skills provision. This would allow councils to lead the service and tailor interventions to specific labour and skills gaps.

Briefing

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BACKGROUND INFORMATION

Local government's ability to deliver the best outcomes is being hampered by the centralisation of powers in Whitehall, dramatically shrinking resources and a lack of certainty about future funding. With the right powers and funding, local government can do more.

Between 2014 and 2016 devolution to local government in England moved at pace. Some metropolitan areas were granted certain executive and scrutiny portfolios underpinned by a combined authority and directly elected mayor, but nothing on the scale of the devolved nations. Cornwall also benefited from a devolution deal with no substantive change to its governance arrangements. In recent years the rate of devolution has slowed and local communities in the rest of the country have been left behind.ⁱⁱⁱ

The twenty recommendations contained in the Heseltine report offer a comprehensive suite of measures that have the potential to inject new life into the devolution agenda. Local leaders are keen to move ahead and deliver better outcomes for their communities without waiting for top-down intervention from Whitehall.

The proposal for a new Department for English Regions speaks to their concerns that Government has lost focus on the cumulative impact on local places arising from increasingly fragmented funding and policy-making constrained by Departmental silos.

Many will recognise the proposal to bring the powers and resources of the new mayoral combined authorities into line with those of the Greater London Authority. Local leaders fully support the call for national government to provide core funding in line with the scale of local challenges, either through fiscal devolution or greater local allocation of nationally raised funding. However, this should not be at the expense of constituent councils (without their consent).

As the evidence of the benefits of devolution continues, the LGA and many others across England are concerned about the continued prioritisation of the city-regions. To seize the challenges and opportunities of the years ahead a new local settlement is now needed, with greater devolution made available right across England. The LGA is calling for devolved powers to be at least the level of the Scottish Government.

Our report *Councils Can* is a call to arms, aimed at delivering the very best for local government. It sets out a bold, positive case for a New Localism Settlement, underpinned by an English Devolution Bill in the next Queen's Speech.

It is essential to any localism settlement that local government is provided with financial certainty and more investment will be essential. The Government needs to ensure the Spending Review addresses these concerns.

Devolution to councils

Recent devolution settlements have focused on individual deals negotiated with local leaders. As a result there are now ten signed devolution deals and nine Mayoral Combined Authorities. These have wider powers over skills, transport,

housing and in some cases health and social care.

With Whitehall set to be focused on responding to the demands of the EU Exit for the foreseeable future, there will not be the capacity at a national level to negotiate further deals with new areas. A new localism settlement needs to move beyond individual deals to a package of sustainably-funded, locally-led public service reform. Moreover while the then Government expressed a preference for devolution to Mayoral Combined Authorities, it will not be suitable for all areas. The Government must now legislate to ensure that the rest of England is no longer left behind.

Where councils have the freedoms and funding to make local decisions, there is clear and significant evidence that outcomes improve and the country gets better value for money. Council-maintained schools deliver better results for our children, council-run public health services are improving the health of our nation and where councils can influence the local skills agenda, business can grow to play a major economic role in the future of the nation's prosperity.

There is also a bigger debate to be started in the longer term about the governance of England. Urgent consideration must be given to the position of local communities in England compared with those in Scotland, Northern Ireland and Wales. Brexit offers the opportunity to start to answer the 'English' question and give local communities across the UK an equal right to take control of the key decisions that affect their lives. To this end the LGA's *Councils Can* sets out our vision for a new localism settlement.

Councils Can^{iv}

Despite steps towards devolved powers in some areas, we need to make sure that any powers returning to the UK after leaving the EU are devolved beyond Whitehall, Stormont, Holyrood and Cardiff Bay and rest with local communities instead.

Our *Councils Can* campaign calls for long-term investment in local government but this is about much more than money. Funding must form part of a New Localism Settlement for England that empowers councils, as the democratically elected leaders closest to their communities, to take on greater responsibility for their places.

Key elements of the settlement should include:

- **An English Devolution Bill:** To be announced in the first Queen's Speech. This should present options for devolved powers to be at least the level of the Scottish Government and be underpinned by statute to ensure that these powers and the powers already devolved through existing deals cannot simply be rolled back by a change in Government policy.
- **A Local Government Finance Bill:** Granting full local control over council tax, local powers to set levels of discounts and powers over banding, and 100 per cent business rates retention amongst other powers.
- **A sustainable funding settlement** in the Spending Review: This should address current funding gaps and provide clarity on place-led domestic successors to current EU structural funding.

Financial Pressures

Councils in England face an £8 billion funding gap by 2025 and there is a lack of clarity over future funding.^v With further business rates retention, the Spending Review, the UK Shared Prosperity Fund consultation and the outcome of the fair funding review all still to come – not to mention the long overdue adult social care green paper – local authorities have no reliable basis on which to appropriately plan their budgets, even in the short term. It is unclear how much funding there will be and how it will be distributed from as soon as next April.

Our proposed new localism settlement must contain a long-term sustainable funding package for local government. Without that financial certainty and the right level of funding, councils will not be able to deliver the best outcomes for communities, to which local and national government aspire.

A key upcoming opportunity to deliver certainty is the UK Shared Prosperity Fund. This is the Government's promised replacement to the European Structural Investment Fund, which provides local areas with £5.3 billion of funding. Its successor should be a place-led fund of the same value as the current one that gives local government the ability to tailor investments. Unfortunately the consultation promised by the end of 2018 still has not materialised, leaving councils in the dark about the details of this vital funding programme.^{vi}

Work Local

Work Local sets out a vision for a localised skills and employment service. A more place based, integrated approach to policy and funding is needed to coordinate the myriad national initiatives that currently exist.

Led by combined authorities and groups of councils, in partnership with local and national stakeholders, local areas should have the powers and funding to plan, commission and oversee a joined-up skills and employment service.

This requires the various parts of Whitehall to coordinate activity, and would be achieved through the establishment of Local Labour Market Agreements (LLMAs) which would be negotiated between local areas and national Government. Across a medium sized combined authority, *Work Local* could each year result in 8,500 people off out of work benefits, a fiscal boost of £280 million, and contribute £420 million to the economy.

ⁱ Local Government Association (2019) Councils Can <https://www.local.gov.uk/councils-can-2019-conference-paper>

ⁱⁱ Local Government Association – Work Local: Our vision for an integrated and devolved employment and skills services (2017) <https://www.local.gov.uk/work-local-our-vision-integratedand-devolved-employment-and-skills-services-full-report>

ⁱⁱⁱ Local Government Association (2019) Future of Non-Metropolitan England <https://www.local.gov.uk/future-non-metropolitan-england-freedom-lead-local-places>

^{iv} Local Government Association (2019) Councils Can <https://www.local.gov.uk/councils-can-2019-conference-paper>

^v Local Government Association (2019) Councils Can <https://www.local.gov.uk/councils-can-2019-conference-paper>

^{vi} Local Government Association press release <https://local.gov.uk/about/news/ps53bn-eu-cash-countdown-regional-aid-funding-run-out-18-months>