
WHAT NEXT FOR DEVOLUTION?

A DISCUSSION PAPER





FOREWORD

In recent decades we have rarely seen such engagement in the constitutional affairs of this country. As our focus turns to the future, the role of local government in representing the people of England will be at the forefront of our minds. The ambitions that councils and local leaders have for their residents and their areas have often been constrained but the opportunities that devolution gives us could see local areas equally transformed.

However, at the same time there are a range of views about how we can achieve some of those ambitions. Now is the right time for us to reflect on what the next steps should be.

The result of the EU referendum vote will put local government at the heart of bringing communities together. As work starts on arrangements for the future, there cannot be an assumption that power over these services will transfer back to Whitehall. If it is better for local people, then powers should rest with local areas. We have come a long way in a short time and have achieved a lot already. We now need to ask ourselves what comes next and for some, how can we speed up the pace of change to deliver more benefits for local residents?

Our residents are interested in what happens in their local area and they are asking questions about what devolution means for them and their families.

Businesses want to be part of the discussion about business rates and how more local flexibility can give local economies a boost. How do we ensure they are at the core of our discussion about devolution so that they have a voice in the future of their local areas?

Of course, with such change, we recognise there are frustrations and concerns and it is clear that a 'one-size-fits-all' approach may not provide the best outcomes for local communities and residents. We need different solutions in different areas, tailored to the needs of local people. This will not always be easy and there are many different views about how to achieve this, but if we are to deliver the real change that our residents want, we have to ensure we provide local solutions to local issues.

We are launching this green paper, which has been developed with the involvement of councils, to encourage local debate and generate wider scrutiny of the whole devolution process. This paper is an attempt to unblock some of those frustrations and debate some of those concerns. It sets out some ideas and a series of big questions which we hope will serve as a way to structure the conversations that are already happening in towns, cities, villages, streets and high streets up and down the country.

In the true spirit of devolution, we would encourage you to discuss and debate the ideas set out in this green paper with your residents, your local businesses, MPs, partners and with your colleagues.

We look forward to hearing the outcome of those local conversations and the ideas that flow from those debates.



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WHAT NEXT FOR DEVOLUTION?

Devolution, led by councillors and with high-level backing from the Department for Communities and Local Government (DCLG) and HM Treasury, is now beginning to have an impact on local communities, businesses and residents across the country.

In September 2015, 34 local devolution deals were submitted to government and there are now devolution deals in place in nearly a dozen¹ areas in England, covering a population of around 25 million people.

Early deals have rightly been focused on growth and economic policy. It is now time to build on this work by looking at a wider agenda for devolution and public service reform. There is agreement in local government that the dividing lines between social and economic policy need to be redrawn, and that the best way to do this is to increase the focus on place and devolving powers. However, there are many differing views from councillors, MPs, business leaders and other stakeholders about how to achieve the changes which will shape decisions taken in local areas. Whilst devolution is supported as a way to better deliver local ambitions, there are some frustrations at the pace of change and some concerns about devolution as a concept, the geography of devolution deals, and the imposition of directly elected mayors.

The point on which there is a general consensus is that local solutions to meet local needs are required. This will give areas the freedom to structure services around individuals, improve outcomes and deliver savings to the public purse.

The Local Government Association (LGA) is launching this green paper to stimulate debate and conversation in councils and with local partners and wider stakeholders to agree some key principles which will underpin the next phase of devolution.

We are asking councillors, prospective councillors and mayors, council officers, MPs, partners and anyone with a stake in improving local areas a series of questions aimed at highlighting the priorities for the next phase of devolution.

From the work that has already been done across the country, four big questions have emerged:

1. Do we have the right principles underpinning devolution?
2. How can we use devolution to deliver effective public service reform?
3. How can we move from functional devolution to fiscal devolution?
4. How can we make sure our residents are engaged?

This paper also sets out some examples which illustrate how councils and partners could transform the way local services are run and delivered to improve lives and local areas.

Over the next few months, we will be seeking views from across local government, and more widely, so that we can further develop policy proposals and our support offer to councils and combined authorities to help shape the next phase of the devolution agenda.

You can contribute to the debate, develop ideas and ask further questions as we seek evidence to demonstrate the real aspirations of councils and local partners for their residents, by visiting www.devonext.org

¹ www.local.gov.uk/devolution-deals

A local duty to lead

In many other countries, local government has a place alongside national government, not below it.

In England, no other organisations are responsible for so many aspects of public life. From roads and green spaces to housing and social care, councils deliver or commission more than 800 local services which impact on every aspect of daily life. Yet, the money available to local government has reduced, and without greater powers to be able to run and commission local services in the way that works best for local areas, councils' hands are tied.

Councillors have a clear mandate from their residents to lead their local areas. The closer to local areas

decisions are made, the more people trust that they are being made in their best interests. The most recent LGA polling² shows that 77 per cent of the public trust their council over national government to make local decisions. This is also the case when asked which individuals they trust to make decisions: councillors are by far the most trusted group, with 74 per cent of people saying they most trust councillors to make local decisions on their behalf.

Residents' ambitions for their lives and communities encompass much more than can be currently decided locally. Councils share these ambitions for their communities and local leaders want to be able to work with partners and others to see them realised.

The devolution story so far

Over the last five years and against a backdrop of financial austerity, local government has led the reform of public services and has adapted and innovated to meet the financial challenges.

Described by the former Prime Minister, David Cameron, as the most efficient part of the public sector, local government has led ambitious programmes that are changing the way public services are delivered. From Total Place and Community Budgets³ to City and Growth Deals, to campaigning for fairer funding and greater democratic engagement, councils have been at the forefront of change.

Every pilot and initiative shows that services designed around individuals and communities deliver better outcomes than those which are driven from Whitehall and restricted by silos and structures. Local government has demonstrated it can provide the leadership necessary to bring partners together and deliver better results for our communities.

At the start of the last Parliament, we published a series of papers which demonstrated the scale of the financial challenge facing councils. This set out the need for a wider reform of public services and the need for new thinking across the whole of government.

Following detailed work and discussions with councils, partners, businesses and other stakeholders, we published the landmark 'Rewiring Public Services'⁴ document which set out a range of ambitious and innovative ideas for devolving powers to local areas and joining up services and budgets better, focused on people and not institutions. In the report we said:

"We urgently need to address how councils can better lead economic growth, social care, health and children's services – with all local services putting residents and not institutions at the forefront. Underpinning this approach is the need to provide strong community leadership through an independent local government that is properly and fairly funded."

Local government further seized the initiative. 'Investing in our Nation's Future: The First 100 days of the Next Government'⁵ called on the new government to match councils' ambitions for their areas. Government listened to some of those calls and took this forward in making the case for devolution ahead of the 2015 Spending Review. Devolution is now firmly underway in some areas and the potential it could have is recognised by many more.

² LGA research, February 2016

³ Total place: a whole area approach to public services, HMT and DCLG, March 2010
Whole place community budgets: a review of the potential for aggregation, EY, January 2013

⁴ Rewiring Public Services, LGA, July 2013

⁵ Investing in our Nation's Future: The First 100 days of the Next Government, LGA, July 2014

A changing local landscape

Devolution is beginning to empower local places, giving greater freedom to reform local services in areas such as skills, transport, and support for businesses. These changes can have a major impact on local economies, driving growth and prosperity.

There are differing views about the need for structural reform and about elected mayors; however, the local elections in May 2017 could mean people look to local leaders, rather than Westminster, to get things done and be accountable for their actions.

Local government's high ambitions for its local areas now need to be turned into reality and changes need to be delivered at pace.

However, these aspirations must be set into context. Council budgets have been reduced by 40 per cent⁶ over the last Parliament and rising cost pressures will mean that councils will be delivering and commissioning services under difficult circumstances.

As the most efficient part of the public sector, local government has proven it can deliver and improve services and make savings to the public purse.

If the right powers are devolved to local government and local partners are freed from strict national control, they can work together to deliver better economic prosperity, improve health and wellbeing, and create safer and stronger communities with the right mix of housing and infrastructure. True devolution will enable the reform of public services to be more effective so that they work better together for individuals, families and communities.

Reformed public services must be supported by a fair and sustainable finance system which makes clear the link between what people pay in taxes and the services they can access, so that residents understand the impact of local decisions on them and their family. The starting point is that UK taxation is unusually centralised compared to other parts of the world. Councils are working on the detail of major reforms to the business rates system which could, and should, set a precedent for future financial reform.

⁶ 40 per cent real terms reduction to core government funding

1. DO WE HAVE THE RIGHT PRINCIPLES UNDERPINNING DEVOLUTION?

In the past, top-down solutions have proven not to be successful. Working with councils, the LGA has established a number of principles that we believe will make devolution successful in England.

LOCAL: Devolution deals should be 'bottom-up'. Greater freedoms should not come in a one-size-fits-all package. While there are flexibilities that we believe should be available to all areas, it should be up to communities to decide the powers they need to fulfil their local ambition.

GOVERNANCE: Local places should be able to design their own robust governance systems that fit local circumstances and are appropriate to the powers that have been devolved. While greater local powers need to be accompanied by clear local accountability and more robust scrutiny, local government does not support a one-size-fits-all governance model. Indeed, we believe that it is stifling progress, especially in non-metropolitan areas.

SPEED: The devolution debate must be led by innovation and ideas and those areas which are ready to go should be able to run fastest.

FUNCTIONAL: Place should be defined locally and based on functional economic areas, at a scale that enables effective delivery of devolved services.

Much progress has already been made in a relatively short space of time. It is now timely to reflect on the process and programmes to date and restate the need for pace. Councils and their partners are working within a patchwork quilt of governance, and while councils will continue to take a pragmatic approach to decision-making in the best interests of their communities, some are asking whether a clearer framework is needed. Lord Heseltine's 2012 'No stone unturned in pursuit of growth' report recommended government invite local enterprise partnerships (LEPs) to review their boundaries to ensure a good match with functional economic areas. Is it time to revisit this debate?

While we continue to support a bottom-up approach, are we now at a tipping point where councils need a clearer commitment from government of what the rules of engagement for devolution are? The ability of civil servants to be flexible and responsive to local ambitions will need both a change in Whitehall culture and sufficient capacity to match the pace at which councils and combined authorities will need to move.

KEY QUESTIONS

- a) Do these principles still hold?
- b) What could be an alternative to the directly elected mayoral model of governance for devolved powers?
- c) Do we need clear rules of engagement? If so, what would these be?

2. HOW CAN WE USE DEVOLUTION TO DELIVER EFFECTIVE PUBLIC SERVICE REFORM?

There is wide agreement about the core principles that should inform the approach to improving public services: to deliver better outcomes for our residents and provide services at lower costs, we need to shift from acute to preventative services, refocus services around individuals, and redraw the boundaries between economic policy and social reform.

Devolution of powers – allowing decisions to be made at a local level informed by insight into local needs – will enable this reform to happen in a more effective way and is most likely to also deliver the efficiencies needed in the system.

There has already been real progress: in social care, personal budgets are well established and are now being rolled out into health services; the Troubled Families programme has shown that seeking to deal with the particular challenges and circumstances of whole families is more effective than a vast array of disconnected individual services trying to deal with parents or children in isolation.

The significant reduction in the number of young people in custody⁷ is an example of a local focus on prevention and joining up successful local public services which has both improved the life chances of the young people involved and provided a significant saving to the public purse.

Councils at every level, including town and parish councils and fire and rescue authorities, are ambitious to build on those successes and to go much further.

The current devolution deals, focused on economic growth, are bringing together local public services under democratically elected local leadership to improve outcomes for local people. The time has now come to move to place-based budgeting for all local public services, across all public sector agencies, as part of the next phase of devolution.

Councils do not need or want to run every local service, but they have a democratic mandate to take a leadership role in identifying the key strategic issues and working across partners in the public, private and voluntary sectors to address them.

Yet, many partners' hands are tied when it comes to being able to act freely in the best interests of their communities.

Councillors' ability to deliver on their 'duty to lead' for local people is being held back by the slower pace of change in parts of Whitehall, arm's length bodies and other centralised organisations.

Public service reform needs to be at the centre of the next round of devolution deals, but if councils are to take responsibility for the leadership of place, some hard questions need to be asked which challenge local government, government and partners.

The questions councils are asking open up a debate on a change in Whitehall culture and ways of working, including building up the policy capability in locations around the country so that policy making is informed by experience of the varying contexts of north, south, east and west. There are also questions about departments' ability to manage a twin-track approach with devolution in some areas and central administration of funding in others. We will also want to be sure that the need to devote central resources to manage any consequences that may result from the referendum outcome does not come at the expense of the support available to councils negotiating devolution.

⁷ Youth Justice Statistics 2014/15 – England and Wales, Youth Justice Board / Ministry of Justice, January 2016



KEY QUESTIONS

- a) How do we achieve a clear and consistent shared vision of devolution with all government departments, regulators and agencies?
- b) What will motivate national partners to move away from funds and programmes directed by national silos to ensure that their budgets can be pooled or aligned to enhance outcomes for local residents?
- c) How do we achieve local ownership and control of how services are redesigned, without local partners having to ask permission for every small change from Whitehall, regulators or centralised quangos?
- d) How do we align administrative geography beyond local government?
- e) What would be the benefits for your place of a single fund for local investment?

Housing Commission

The LGA's Housing Commission – whose preliminary findings are published alongside this document – was established to see opportunities to put housing at the centre of wider aspirations for people and places. Throughout, councils and partners have emphasised the importance of strong local leadership, collaborative working, and long-term vision and certainty.

3. HOW CAN WE MOVE FROM FUNCTIONAL DEVOLUTION TO FISCAL DEVOLUTION?

Whilst the localisation of business rates across English local government moves from theory to practice, most devolution deals centre on the functional rather than the fiscal.

If we are to provide a truly new approach to delivering local public services, working in partnership with various parts of the public sector under local government coordination, then we also need a new approach to the funding of the services.

To properly unlock the capability of local partners to cooperate it is important to unlock freedom for public resources to be used more flexibly. If the localisation of business rates can be proven to work well, the principles underpinning it could spur on further devolution of taxation.

The income to pay for public services at the local level should reflect service demand, should be buoyant and should allow tax payers to hold decision-makers accountable on expenditure in their local areas. It should also be sufficiently general to allow for flexible deployment across boundaries of public services and providers, both for capital projects and day-to-day spending. Local assignment of taxes, if done well, would provide areas with incentives to strengthen the local economy as well as create a more diverse funding base, less dependent on central government decisions. It would also allow public sector partners to make collaborative decisions on stewardship of local public funds.

For example, local services across an area, currently funded by national government, could be funded through a localised portion of national taxation, such as income tax or VAT. The creation of clearer links to the local economy and a break from central control of funding would allow public sector partners to make joint decisions, based on local need of local public funds.

One way to achieve this would be to assign each local area a proportion of nationally collected taxes paid by citizens in a given area. It would be for local politicians in partnership with local providers to decide on priorities and the allocation of funding.

Equalisation would be built into the apportionment formula to account for local difference, but even so there would be a greater degree of fiscal independence, with areas spending the taxes raised in their communities.

The scope of what could be included in a basket of devolved functions, and their finances, would be unprecedented. The Independent Commission on Local Government Finance identified around £186 billion of annual expenditure on public services, including health and social care, education, welfare, and public order.⁸

This approach to funding local public services would require a substantial rebalancing of decision-making in England and would put English local government as a whole on the same footing as the devolved administrations. Assigned taxation is just one option and the right mix of taxes and services should be subject to a full national debate, much like the current move to localisation of business rates. Some areas will want to think further about options for rebalancing local and national taxation. They will be seeking the freedom to collect different taxes in different ways to support local priorities. These ideas should also form part of a national debate.

In the long term, the finance system needs to accommodate the ambition for devolution, which encompasses the full range of public services delivered at the local level, again raising questions for councils, government and our partners.

KEY QUESTIONS

- a) How can we find a better balance between local and national taxation, and make it clearer how taxes fund local services?
- b) How can assigned taxation support devolution?
- c) What are the next steps that need to be taken?

⁸ Financing English Devolution, Independent Commission on Local Government Finance, February 2015

4. HOW CAN WE MAKE SURE OUR RESIDENTS ARE ENGAGED?

If devolution is going to deliver local ambitions, it needs to be focused on people. The skills and knowledge in communities, the voluntary and community sector, businesses and town and parish councils will all play an important role in making sure devolution and service reform are a success.

It is important that they are included at the earliest appropriate stage to ensure their views are heard in shaping the vision for their place.

People are already involved in the debate about which services should be devolved to local areas and it is vital those discussions continue and are expanded. The public voice needs to be heard in the future of devolution. If there is a clear local view that an area would benefit from a power being devolved, the default position must be that the function and relevant funding will be devolved unless government – central and local – have clear, jointly agreed and well-evidenced arguments to the contrary.

Conversely, if there is a clear local view that devolving a function will inhibit local improvements and growth, it should not be devolved unless there are compelling reasons to the contrary.

Devolution has also introduced the opportunity for a fresh look at the role of scrutiny. Done well, scrutiny is an avenue for involving the local community, other public service leaders and councillors in robust local decision-making. The LGA and Centre for Public Scrutiny (CfPS) are working with a number of areas to help develop new models of governance and scrutiny. The findings are published in 'Cards on the table: English devolution and governance⁹,' which says early consideration of governance and accountability is crucial to the success of devolution.

The LGA is already working with areas to develop better engagement and communication with the public and this green paper aims to kick start debates up and down the country, in local communities, council chambers, in business forums, in villages and on high streets. The focus of those debates is: what next for English devolution?

KEY QUESTION

- a) How do we make the process of devolution more transparent to local people?
- b) How can we continue to engage with residents on devolution?
- c) How can we make sure the views of residents lead the debates around devolution?

The constitutional implications of English devolution

As devolution takes hold in England, a number of constitutional questions arise. The All Party Parliamentary Group (APPG) on Reform, Decentralisation and Devolution's recent inquiry in Better Devolution for the Whole UK found that steps should be taken to enshrine the position of local government and the principle of subsidiarity and to put in place safeguards against further centralisation.

The panel overseeing the inquiry also explored a model of reserved powers that would allow nations to pursue the freedoms and fiscal levers they deem appropriate.¹⁰ We will continue to work with the APPG to explore the constitutional implications for England as the post-referendum work programme develops.

⁹ Cards on the table: English devolution and governance, Centre for Public Scrutiny, May 2016

¹⁰ Devolution and the Union - a higher ambition, Inquiry into better devolution for the whole of the UK, March 2016

ANNEX A

TRANSFORMING LIVES

Councils have ambitions to shape and improve services at every stage of a person's life and there are many examples of where councils are leading local change and transforming outcomes.

However, there are also many examples where current processes, structures and funding mechanisms are stifling local innovation, and local leaders want to overcome those barriers.

The examples set out below illustrate what councils across the country are seeking to achieve, and some of the barriers faced by them and their partners in seeking to lead the transformation of public services.

KEY QUESTIONS

- a) What barriers are most important to tackle in working with local partners to reform public services?
- b) What changes would help local partners lead the transformation we want to see in local places?

Giving every child the best start in life

We know that experiences in early childhood have a significant impact on social, economic and health outcomes throughout life. Virtually every service a council delivers or commissions has the potential to impact on families with young children – from health and social care to employment and housing.

The ability of councils to integrate services and intervene early is too often constrained by competing national policy objectives. A 2015 report by the National Children's Bureau and the Children's Society estimated that early intervention funding to councils fell from £3.2 billion in 2010/11 to £1.4 billion in 2015/16. While new investment was welcome – for example in funding nursery care – it came with tight constraints and reduced flexibility for councils to make decisions which would make the most impact locally.

Yet, the transfer to councils of responsibility for public health services for 0-5 year olds shows what can be achieved when local areas can use funding flexibly. It has enabled local partners to more effectively share information, integrate budgets and identify shared priorities to join up services around young children and their families.

For example, Nottingham's commitment to an integrated approach secured Big Lottery Funding to deliver a 10-year 'Small Steps Big Changes' project, which features high levels of engagement with parents and families in some of the city's most deprived wards.

But the transfer of public health services came alongside a cut to public health funding overall,¹¹ and there are still some significant areas where budgets and priorities could still be more effectively aligned, such as maternity, mental health and primary care services.

Children depend on stable, supportive families, communities and social networks to achieve the best outcomes. The Government's proposed life chances strategy could provide an effective framework to integrate services more effectively around the needs of low income households. But it must be accompanied by secure, devolved funding that councils can use flexibly for early intervention services that address local needs and genuine freedom for local partners to integrate and co-locate services.

¹¹ Public health funding briefing, LGA, February 2016

Ensuring all children have a place at a good local school

High educational standards are essential in improving children's life chances and, currently, councils have a key role in working with local schools: planning new school places, holding schools to account for educational standards, supporting improvement and protecting the interests of the most vulnerable and disadvantaged pupils.

However, the Department for Education's (DfE's) proposals for reform to the structure and funding of schools threatens to significantly reduce the council role, and indeed that of the local area, in promoting close working between schools and other parts of the local public sector. The Government's aim is still to see all schools become academies, directly accountable to the Secretary of State in Whitehall and to Regional Schools Commissioners – civil servants who parents and residents are unable to hold to account at the ballot box – at odds with the wider Government agenda for devolution.

The Education for All Bill announced in the 2016 Queen's Speech will end the role of councils in supporting school improvement and holding local schools to account for standards. Funding reforms will end local conversations between schools and councils and see each school's budget set in Whitehall according to a 'one-size-fits-all' national formula. Parents' involvement in schools will be reduced by the ending of the requirement for academies to have local parents on their boards. At the same time, large multi-academy trusts are likely to reduce the autonomy of individual schools to work with councils and the local community and may have no geographical connection to local areas.

These changes will fragment local services and make local planning and cooperation between schools, councils and other parts of the public sector more difficult, exactly the opposite of the approach that will produce the best outcomes for children and young people. Councils support greater school autonomy and school-led improvement, but as schools get greater freedom it is more, not less important, that they are held to account locally for the quality of the education they provide.

Councils are among the country's most effective education leaders with 86 per cent of council maintained schools rated by Ofsted as 'Good' or 'Outstanding', compared to 82 per cent of academies and 79 per cent of free schools.

To join up services councils provide to children and their families with those offered by schools, GPs and local health providers, councils must retain the powers and funding they need. Councils want to work with DfE to ensure they are able to protect the interests of the most vulnerable children.

The Government's approach to education highlights the varied commitment to devolution across Whitehall. Maintaining strong continuing partnerships between councils and schools is the best way to ensure high educational standards and services that wrap round children and young people.

Ensuring everyone who can work has the skills needed to gain employment and make the most of job opportunities available

Employment, and the skills needed to gain it, are central to promoting positive life chances for local residents and their families and a skilled workforce is vital to both local and national economies.

Yet, the provision of skills support – for young people and those returning to work – is still one of the biggest public policy problems in England, with the country training more hairdressers than we need and too few people with the skills to build the housing stock so widely called for.

Current support for those seeking skills training is also both highly centralised and fragmented. The national approach to commissioning mainstream and re-engagement employment and skills funding, worth £10.5 billion (2016/2017) scattered across 20 national schemes, means there is a missed opportunity to gear public funds to local economic need. This includes the European Social Fund (2014-2020) which is crucial to adding value and additional resource to a reducing pot of national employment and skills funding, and underpin many of the devolution deals. We would hope that local areas are given surety by Government that this funding will continue for its full duration.

Crucially, this fragmentation also means that these schemes, managed by different Whitehall departments and agencies, fail to focus on the wider needs of the customer. This leads to a fragmented and confusing funding picture with duplicative or competing interventions which end up costing the taxpayer more.

Where devolution has been enabled, local government is taking the lead in providing a more coherent service. Greater Manchester's five year £14.9 million Working Well scheme, part-funded by national government is aimed at people who have been failed by the national Work Programme.

Working Well recognises some people need personalised support to find work. Key features have been flexible local services which bring key workers, partners and the Working Well programme board together. When it was contracted nationally, the Youth Contract to re-engage 16- and 17-year-olds successfully helped 27 per cent of young people. When it was devolved to three City Deal areas it helped twice as many because local leads could spot and bridge gaps, offering coherent pathways to skills and jobs.

Councils do not seek to control all these funding streams, but we do need to align funding at the local level to maximise reduced budgets. To do so, local managers of national agencies need to have the freedom to act locally. This would include discussions on co-location and devolved funding streams.

For example, if a place wanted to guarantee that all 14-21 year-olds are to be given the best start in life through access to advice, training and employment in education, they would need local flexibility for agencies such as Jobcentre Plus, Education Funding Agency, the National Careers Service, Careers and Enterprise Company and Skills Funding Agency to realign their activity to local priorities as demanded by residents through the local ballot box.

Supporting health and wellbeing throughout life

There are now 11.4 million people aged 65 and over in the UK, with 1.5 million aged 85 and over. While this should be a cause for celebration and evidence of better standards of living and healthcare, 40 per cent of all people aged 65 and over have a longstanding illness or disability. If nothing is done about age-related ill health – which is driven by cumulative behaviours throughout people's lives – there will be around six million people aged 65 and over with a long-term condition by 2030. So the imperative to improve prevention and support for older people and those living with complex conditions has never been greater.

Current systems fragment and confuse commissioning and funding flows. While the new Sustainability and Transformation Plans (STPs) have the potential to provide a broad strategic framework to address the challenges facing the NHS, over time they will need stronger connections with local political leaders and health and wellbeing boards, a greater focus on integration and prevention and pragmatic approaches to ensure their geography works with local government boundaries.

As we pursue more integrated systems, we also need to recognise and support the crucial and distinct role of social care, which should have equal status alongside NHS services in health and care systems.

Councils share a vision with NHS partners that the best way to improve prevention and support for older people is by integrating health and social care around individuals' needs, and many elements for success have been identified already.

They are taking a truly joint, whole population approach to health and care support – maintaining people's abilities, capacities and independence, and treating them with respect and dignity to be responsible for their own health and wellbeing, and working with them as equal partners.

Up and down the country, local areas are already innovating to develop joint strategic approaches under the auspices of health and wellbeing boards, and deliver new integrated health and care support through a wide range of initiatives.

Whilst the biggest concern facing social care is the ongoing funding issues faced by councils, there are additional steps which can be taken:

- a pragmatic approach to allow local areas to align different planning footprints in health and care systems in ways that make sense locally; allowing joint planning on sensible timescales and based on strong public and political engagement
- national policy which supports a truly shared approach between NHS bodies and councils as equal partners and aligns performance and regulatory frameworks across health and care systems.

We need a truly shared approach in places between councils, NHS and other partners, to local commitments and priorities, leadership and accountability, and the systems which can deliver effective, joined-up support.

Integration of health and social care – stepping up to the place

The LGA has published, jointly with ADASS and the NHS Confederation and NHS Clinical Commissioners, a shared vision and toolkit¹² for the integration of local health and care systems. We have taken the learning from local innovations across the country and it is clear that success depends on truly shared commitments, leadership and support systems which focus on the health and wider wellbeing of individuals within local populations.

¹² Stepping up to the Place: The key to successful health and care integration, LGA, NHS Confed and NHS Clinical Commissioners, June 2016

Driving local economic prosperity

Residents and businesses expect their local leaders to have the tools to help local businesses flourish and to drive local economic prosperity.

Coordinating and leading a place-based approach to growth and prosperity will mean bringing together business organisations such as the LEP, sub-national transport bodies and Whitehall and its agencies, such as Network Rail, Highways England and the Environment Agency.

Many of these are already beginning to operate with regional structures and recognise the importance of local engagement, for example, the Department for Business, Innovation and Skills is working with Cornwall on reforming the licensing system so it can better support local businesses. However the system is still fragmented and many barriers remain.

To manage demand and deliver transport improvements for local residents, local leaders need to be able to influence the whole system of transport. Yet in any one area there could be a plethora of agencies working to different objectives leading to inefficient local investment. For example, over the rest of this Parliament, Government will invest over £1.1 million per mile in maintenance of national roads, which make up less than 3 per cent of all roads, compared to only £27,000 on local roads, which make up over 97 per cent of England's roads network.¹³

This means that agencies such as Highways England need greater flexibility to make decisions that align with local priorities, fostering a new relationship with councils. Some councils are already experimenting with a 'Total Transport' approach to public transport services.

This local integration of services run by different public bodies aims to ensure that public funding is coordinated in order to better meet passenger needs and ensure the survival of essential routes. Initial results suggest the potential for significant savings, which could be reinvested to maintain and develop services.

Many councils have put forward proposals for a single investment fund within their devolution deals. Forthcoming independent research for the LGA shows that government spending on regeneration remains fragmented, and much of it remains outside of the control of local authorities. Government is planning £23.5 billion of identified expenditure across 70 funding streams in 2016/17. Whilst this is an improvement on the previous spending review period it remains the case that even in areas with devolution deals, more than half of funding streams (42) have very limited to no local input. This is inefficient and the ambition of councils for single investment funds needs to be reopened.

It is also important for the Government to guarantee it will protect vital EU regeneration funding to avoid essential growth-boosting projects stalling and local economies across England being stifled.

There is much more to be done to align the finances and institutions that local residents need to help their communities thrive. There are two big issues that we need to achieve: a focus on single investment funds for devolution deals and greater freedom for local managers in Highways England, Network Rail and the Environment Agency to respond to the choice of residents through the local ballot box.

¹³ Department for Transport, Road Lengths in Britain 2014 and Highways England Delivery Plan.

ANNEX B

LOCALISATION OF BUSINESS RATES

The Government has announced that by 2020, 100 per cent of business rates revenue will be localised to English local government. As this process is running parallel to the wider devolution agenda, it will play an important part in plans and ambitions for local areas.

To meet the Government's aim to make the reform revenue-neutral, certain grants will cease and councils are likely to have to run services that are currently provided by other parts of the public sector. A new needs mechanism will be used to underpin the system which will reflect any new responsibilities transferring to local government.

Councils can already grant business rates discounts at their own expense, but this reform will come with the flexibility to reduce the multiplier and proposed powers for combined authority mayors to increase the business rate multiplier, subject to the agreement of the LEP, with additional revenue earmarked for new infrastructure projects.

This reform will take a significant amount of time and detailed work before it can be implemented. The LGA is working with the Government and member authorities to ensure that the voice of local government is heard throughout the development process.

In particular, the LGA is looking to ensure that sound founding principles are preserved:

- The new system has to be sustainable in the long term to ensure that local residents are not ultimately worse off because of the changes.
- The amount of resources to be newly retained must be properly quantified, taking all prior commitments into account and agreed. The costs of any new responsibilities must be covered by the resources available.
- The way in which revaluations and appeals are dealt with must be improved and the new system must be designed to assist councils in managing the impact of these.
- The new system must provide a mechanism to deal with shocks or changes that have a disproportionate impact on an individual council or group of councils and/or which could not reasonably have been foreseen.
- There must be clarity about whether and when there will be resets and how incentives will be sustained if these take place.
- There must be an assurance that any arrangements adopted will not be changed again without a full public debate.
- There must be a clear understanding of how risk is shared in the new system. Risk should not be transferred to local government without an adjustment or allowance in the system to recognise the change.
- The underlying system of needs assessment and redistribution must be fair, transparent and capable of being kept up to date.



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