

Overview and Scrutiny Committee		
Title	Devolution	
Contributor	Head of Corporate Policy and Governance	Item 5
Class	Part 1 (open)	26 October 2015

1. Purpose

- 1.1 This report provides Members with background information about devolution. It highlights practical considerations for Lewisham and indicates the emerging timeframe for changes in London. It should be noted that this is a rapidly developing area of policy – and that the implications of the latest announcements (on business rates, for example) are not sufficiently detailed enough to allow for a full analysis of their implications locally.

2. Recommendation

- 2.1 The Committee is asked to note the report and to direct questions to officers in attendance at the meeting on 26 October.

3. Policy context

- 3.1 Government is putting in place measures to enable the sharing of powers and responsibilities between national and local government. The Local Democracy, Economic Development and Construction Act (2009) enabled the creation of 'combined authorities' formed of voluntary groupings of local authorities to join up approaches on strategic issues such as transport, housing, regeneration and economic development.
- 3.2 The Localism Act (2011) gave local authorities a general power of competence, which broadened the range of options available for local authorities to drive improvement. The provisions of the Act also increased the powers of the Mayor of London over regeneration, policing and planning.
- 3.3 The Local Government Finance Act (2012) enabled local authorities to retain a share of the business rates and associated growth locally, as well as passing the responsibility for council tax reduction schemes to local areas.
- 3.4 The Cities and Local Government Devolution Bill (2015-16) will give further impetus to the development of combined authorities. The Bill is currently on its passage through the legislative process. It will enable local areas to take on a range of additional responsibilities, some of which will be granted in exchange for agreeing the post of a directly elected Mayor to take on accountability for devolved powers across a grouping of authorities. London boroughs are not permitted to enter into combined authority arrangements.

- 3.5 The Chancellor announced on 5 October 2015 that from 2020 local authorities would be able to retain business rates and that Government planned to end the revenue support grant system.
- 3.6 The Mayor of London and London Councils have developed a shared vision for devolution. The 'London Proposition' (2015) puts forward London's offers to central government in terms of the efficiencies and growth it could create and the resources and responsibilities London authorities will need to bring about this change.
- 3.7 The London Assembly's cross party devolution working group has also published a report (A New Agreement for London, 2015) on transfer of powers from central government to authorities in London. It makes the case for further fiscal devolution to London, as well as increased powers of scrutiny for the London Assembly.
- 3.8 Lewisham has a Sustainable Communities Strategy (2008-2020), which outlines Lewisham's ambition for its communities to be:
- Ambitious and achieving – where people are inspired and supported to fulfil their potential
 - Safer – where people feel safe and live free from crime, antisocial behaviour and abuse
 - Empowered and responsible – where people are actively involved in their local area and contribute to supportive communities
 - Clean, green and liveable – where people live in high quality housing and can care for and enjoy their environment
 - Healthy, active and enjoyable – where people can actively participate in maintaining and improving their health and well-being
 - Dynamic and prosperous – where people are part of vibrant communities and town centres, well connected to London and beyond.
- 3.9 The Council also has ten corporate priorities. The issue of devolution is most closely associated with the priorities: *community leadership and empowerment* and *inspiring efficiency, effectiveness and equity*.
- 3.10 The Lewisham Future Programme is the Council's organisational approach to meeting the financial pressures placed on it by central government. The Council is now in the sixth year of an expected ten year long period of resource reduction. In the period 2010 to 2015, the Council made savings of over £120m. It is anticipated that there will be a requirement to identify £45m of savings over the next two years to 2017/18.

4. Devolution

- 4.1 Scotland's referendum debate and the resulting discussion about the relationship between local, regional and national government has added momentum to calls for devolution of powers by other areas of the UK. Most notably, the Greater Manchester Combined Authority has negotiated devolved powers over spending on transport, strategic planning, business support, housing investment, employment support as well as oversight of health and social care integration. The agreement with government means that the combined authority will be required to adopt a directly elected mayor, who will be accountable for these new areas of responsibility.

- 4.2 The following areas are also in the process of developing devolution deals, following agreement in principle from government:
- Cornwall Council
 - Sheffield City Region
 - West Yorkshire Combined Authority.
- 4.3 The London Assembly's cross party joint working group on devolution was set up in 2013 to consider the potential for fiscal devolution and to explore the possible mechanisms for governance of devolved resources. Its remit was broadened in 2014 to examine the case for devolution of taxes and spending to London more broadly, including the scope of changes to the relationship between the Greater London Authority (GLA) and London's boroughs.
- 4.4 It recommended that, following on from the success of the GLA arrangements in London, Government should commit to further fiscal devolution, including the devolution of property taxes and business rates. The case is made that the processes being put in place to bring fiscal devolution to Scotland and Wales could also be used to bring further autonomy to London. In addition, the working group recommended that London should have greater power over:
- skills and employment support
 - suburban rail (by expanding the scope of Transport for London (TfL))
 - public health (including the appointment of a London Health Commissioner).
- 4.5 It also recommended that future consideration should be given to:
- The potential for further integration of health and social care budgets, based on learning from the Greater Manchester Combined Authority
 - Possible reforms to the criminal justice system in order to hold all parts of the system to account, as with the Metropolitan Police.
- 4.6 All UK local authorities were invited to submit devolution bids to the Department for Communities and Local Government (DCLG) by the end of the summer. 38 authorities¹, including London, put forward bids for the devolution of powers. London's bid, 'The London Proposition' makes the case for increased freedoms and flexibilities in order to bring about significant change in the delivery of strategic services. The Proposition sets out six objectives:
1. Large scale mobilisation of the long-term unemployed into jobs
 2. A transformation of London's skills system to deliver in-demand skills from the best performing providers
 3. An environment in London for the best entrepreneurs, innovators and SME owners to grow their business
 4. Lasting reforms to the policing and criminal justice system to secure for the future a safe city that brings business and investment to Britain
 5. Faster reform of health and social care services

¹September devolution bids: <http://tinyurl.com/qzy9alk>

6. Significant and sustainable home building across all types of tenure on a London wide scale, and a reduction in the costs on the public finances of homelessness and high cost housing.
- 4.7 The Proposition also states that in order to underpin the reforms: ‘London’s elected leaders and mayors at borough and London level will establish new pan-London governance arrangements to provide oversight over areas of newly devolved responsibilities’ (The London Proposition 2015, p5). Government is due to make an announcement on devolution deals as part of the spending review statement in November.
- 4.8 London boroughs are not permitted to enter into combined authority arrangements, however, a number of groupings of London boroughs have already begun to develop partnership arrangements to advocate for areas within London and to join up approaches in areas of common interest. They focus primarily on transport, employment support, work & skills, economic development and planning & regeneration:
- The North East London Strategic Alliance²
Barking & Dagenham, Enfield, Havering, Newham, Redbridge and Waltham Forest
The eight borough sub-regional partnership also includes:
Greenwich, Tower Hamlets
 - The South London Partnership³
Bromley, Croydon, Kingston upon Thames, Merton, Richmond upon Thames, Sutton and Wandsworth
 - West London Alliance⁴:
Barnet, Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon, and Hounslow.
 - Central London Forward⁵:
Camden, City of London, Islington, Kensington and Chelsea, Lambeth, Southwark, Westminster, Wandsworth
- 4.9 Each of the partnerships has begun exploring the potential for collaboration in key areas (both geographically and in terms of public services) in order to focus the benefits of devolution on sub-regional areas. Some have made specific bids for infrastructure funding, whilst others are joining up their approaches to skills development and business support through pilot projects. The proposal in the London Proposition is that the city-wide bid to Government will empower these borough groupings to focus activity on areas of mutual interest.
- 4.10 The London Proposition would also put in place new decision-making arrangements for devolved responsibilities at city level:

‘All areas of activity currently under the authority of the either the London Mayor, or London boroughs will remain separate from these partnership arrangement and

² NELSA: <http://tinyurl.com/nsjol9d>

³ The South London Partnership: <http://tinyurl.com/qasbfwf>

⁴ West London Alliance: <http://tinyurl.com/qhbg2dk>

⁵ Central London Forward: <http://tinyurl.com/3xnukun>

decision making on these matters will remain sovereign to each individual body' (The London Proposition 2015, p6).

- 4.11 It is proposed that the 32 London Boroughs, the City of London and the Mayor of London be represented in a 'London Congress'. The Congress would oversee the use of newly devolved powers. Decisions would be made by the Congress Executive, which would be formed of the Executive Committee of London Councils and the Mayor of London. Scrutiny for decisions made by the Congress would be carried out by the London Assembly for the London Mayor and by the scrutiny bodies of local authorities for borough executives.
- 4.12 The Mayor's London Finance Commission (2012) recommended that a range of taxes (including business rates) be devolved to London. The Local Government Finance Act (2012) put in place measures to return a proportion of growth in business rates to local areas, above a predefined baseline. In London, a slice of the growth in business rates collected by boroughs is also paid to the GLA. The system includes a safety net to protect authorities from serious falls in revenue, as well as a system on tariffs and top-ups⁶ to balance funding between areas with uneven concentrations of businesses. Under exiting arrangements, the GLA is also able to agree a business rate supplement to pay for major infrastructure improvements (such as Crossrail).
- 4.13 Government's recent announcement⁷ that local authorities will be able to retain 100 per cent of business rate revenue from 2020 was accompanied by the expectation that local government will also be required to take on additional (and as yet unknown) responsibilities. This will be combined with the withdrawal of the revenue support grant. The details of the new system have not yet been announced, however, it is likely that the implications for Lewisham will be significant – due to levels of service demand driven by demographic change and the borough's historically low business base. Local authorities will be able to reduce business rates, but they will only be able to increase them with the agreement of businesses - and only for spending on infrastructure.

5. Timescales

- 5.1 The Chancellor is due to provide more details of devolution deals in his autumn statement at the end of November 2015. It is anticipated that permission will be given for the creation of new combined authorities with elected mayors to oversee their new functions. Local areas will also be expected to support the delivery of the Government's on-going plans for deficit reduction and the sustained consolidation of public services. The Chancellor's announcement will mark a significant stage in the devolution process. Nonetheless, changes in different areas are gathering momentum at an uneven pace, with differing and localised areas of focus.
- 5.2 The London Proposition puts forward a range of changes that are considered necessary to enable London to continue to thrive. The majority of these are not accompanied by strictly defined timescales, however, there is clearly a sense of urgency associated with a number of the changes; in particular, the Proposition

⁶ DCLG, business rate retention, a step by step guide: <http://tinyurl.com/om4w72e>

⁷ Treasury announcement on business rate retention: <http://tinyurl.com/ppmyarr>

raises the opportunity to carry out some pilot work in the autumn of 2015. Other key dates are set out below:

- September 2015: submissions of devolution bids by to the Chancellor
It is anticipated that the Chancellor will make a further announcements as part of the autumn statement in November 2015.
- The London Proposition sets out the ambition to create a London Skills Steering Group and develop three pilot projects in autumn 2015.
- London mayoral election in May 2016
- The Proposition puts forward a bid for the devolution of skills funding to the Mayor of London by 2017 as well as devolution of all business support funding and programmes to the Mayor from 2017/18.
- The Proposition also highlights changes to the facilities management arrangements for the Department of Work and Pensions in 2018, which might create opportunities for co-location.
- The London Assembly's devolution working group put forward the case for suburban rail services to be run by TfL. It identified the Southeastern franchise in 2018 as one possible option for devolution.
- From 2020, local authorities will keep the business rates they collect and Government will move to end the revenue support grant.

6. Legal implications

- 6.1 There are no direct legal implications arising from the implementation of the recommendation in this report. However, there are likely to be legal implications arising from the changes that have been identified, these will need to be considered in due course.

7. Financial implications

- 7.1 There are no specific financial implications arising from the implementation of the recommendation in this report; however, there will be implications arising from the changes that have been identified. These will need to be considered in due course.

8. Further implications

- 8.1 There are no specific equalities, sustainability or crime and disorder implications arising from the implementation of the recommendation in this report.

Appendices

A: Mayor of London/London Councils: The London Proposition

B: London Assembly Devolution Working Group: A New Agreement for London

C: Public Spending in Lewisham Working Group: final report (conclusion only)

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