

<b>Mayor and Cabinet</b>			
<b>Title</b>	Response to 'comments of the Overview and Scrutiny Committee on Devolution'		
<b>Wards</b>	All	<b>Item</b>	
<b>Contributors</b>	Executive Director for Resources & Regeneration		
<b>Class</b>	<b>Part 1</b>	<b>Date</b>	February 17 2016

## **1. Summary**

- 1.1 On 26 October 2015 the Overview and Scrutiny Committee discussed the prospects, opportunities and challenges of devolution.
- 1.2 The OS Committee made recommendations, and on 11 November, the Mayor was asked to agree that the Executive Director for Resources & Regeneration should provide a response to the Committee's recommendation. This report sets out the proposed response.

## **2. Recommendations**

The Mayor is recommended to:

- 2.1 Note the policy context for devolution in England and the background to the London devolution discussions and
- 2.2 Agree that the response is to be forwarded to the Overview and Scrutiny Committee.

## **3. Background and policy context**

- 3.1 Following the 'no' vote in the September 2014 Scottish independence referendum, the Government announced that:  
'It is also important we have wider civic engagement about how to improve governance in our United Kingdom, including how to empower our great cities — and we will say more about this in the coming days.'
- 3.2 This followed the production of several reports during 2014 making proposals for the transfer of additional powers to local authorities, or to local areas. These built upon the 2012 report No Stone Unturned: in Pursuit of Growth, which recommended the merging of various funding streams to provide much greater local responsibility for economic development. Public service reform and service efficiency triggered by continuing reductions in local government funding, is also prioritised within the more recent reports. Changes proposed include:
  - Giving new powers in specific policy areas to local authorities;
  - The transfer of additional budgets alongside those powers;

- Enhanced power over local taxes (council tax and business rates), additional local taxation powers, and more flexibility around borrowing and financial management;
- The creation of combined authorities and/or directly-elected mayors.

- 3.3 The first 'devolution deal' was announced by the Government and the Greater Manchester Combined Authority in November 2014. In advance of the 2015 general election, further deals followed with Sheffield (December 2014) and West Yorkshire (March 2015).
- 3.4 Since then, devolution deals with eight areas have been agreed (Sheffield city region, West Yorkshire, Cornwall, North East, Tees Valley, West Midlands, Liverpool City Region, and North Midlands deal is agreed in draft. Discussions have also taken place on further devolution to Greater London.
- 3.5 The devolution agenda is about devolving additional powers and funding streams to city regions and groups of authorities in combined authorities on the basis that a new governance structure of Elected Mayor of the combined authority will be created. Devolution is not being applied to individual local authorities. The following table identifies the powers devolved under each of the deals.

		Greater Manchester	Sheffield	North-East	Tees Valley	Liverpool	West Midlands	Comwall	West Yorks
<b>Further education and skills</b>	Redesign post-16 FE system								
	Apprenticeship Grant for Employers								
	Adult Skills funding by 2018-19								
<b>Transport</b>	Devolved, consolidated transport budget								
	Bus franchising								
	Joint working with Highways England and Network Rail								
	Local roads network								
	Smart ticketing								
<b>Business support</b>	Growth Hub to align local and national business support services								
	Joint working with UKTI								
	Devolved approach to business support services from 2017								
<b>Employment support</b>	Joint commissioning of support for harder to help claimants								
	Possible full joint commissioning from 2017								
<b>Land and housing</b>	Public land commission								
	Housing Loan Fund								
	Compulsory purchase orders								
	Mayoral Development Corporation								
	Planning call-in powers								
Statutory spatial strategy									
<b>Health &amp; social care</b>	Integration								
	Commission / business plan for integration								
<b>Policing</b>	Mayor to become Police and Crime Commissioner								
<b>Fire service</b>	Mayor to take over								
<b>EU structural funds</b>	Intermediate body								
<b>Finance</b>	Investment fund (per year)	£30m	£30m	£30m	£15m	£30m	£36.5m		
	Single funding pot								
	Retention of 100% business rates growth								

Devolved	
Under discussion	
Possible	
[Cornwall CC]	

3.6 The devolution deals agreed in Sheffield, Liverpool, North-East, Tees Valley, and the West Midlands (and the draft North Midlands deal) have many similarities in terms of powers to be devolved. They include the following:

**Restructuring the further education system.** This typically consists of local commissioning of the Adult Skills Budget from 2016-17, followed by full devolution of the budget from 2018-19. Areas will be required to undertake a full review of further education and skills provision, and to have agreed arrangements with the Government for managing financial risk. Some areas will also take on the Apprenticeship Grant for Employers.

London already has this agreed (on the same timescale), with devolution to the London Enterprise Panel and the GLA. The Area review process was announced in the Budget 2015.

**Business support.** In most areas, local and central business support services will be united in a 'growth hub'. UK Trade and Investment will be required to partner with local business support services. Many deals have agreed a "devolved approach" to business support services from 2017.

This is already a GLA function.

**The Work Programme.** This is the Government's main welfare-to-work programme. Unemployed people claiming Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA) are referred on to the programme from their local Jobcentre Plus, and remain on the programme for up to two years. The scheme is run by providers who have the freedom to introduce and implement their own ideas and schemes to help unemployed participants find work. Providers are paid by results. Many areas are to jointly develop a programme for 'harder-to-help' benefit claimants.

The GLA and London Councils are negotiating this in London.

**EU structural funds.** A number of areas are to become 'intermediate bodies', which means that they, instead of the Government, will be able to take decisions about which public and private bodies to give EU structural funds to. Local areas will be able to link these funding decisions to investment decisions they make in other devolved areas, such as further education and business support, provided their decisions remain within the terms of the EU structural funding agreement.

GLA is already an intermediary body.

**Fiscal powers.** Many deals include an investment fund, often of £30 million per year. The division of this fund into capital and revenue elements varies between areas. The power to retain 100% of business rates growth also appears in a number of deals. Elected mayors will have the power to add a supplement of up to 2p on business rates, with the agreement of the relevant Local Enterprise Partnership. Some areas will also receive a Housing Investment Fund.

GLA have made many proposals in the past and Government has changed the local government finance system to one based upon need to a business rate funded system. GLA has agreed two Growth deals with Government to fund economic development activity.

**Integrated transport systems.** Many deals include the power to introduce bus franchising, which would allow local areas to determine their bus route networks and to let franchises to private bus companies for operating services on those networks.

London already has transport powers and has been granted further powers over the rail network in London.

**Planning and land use.** Many deals include the power to create a spatial plan for the area, and/or the power to establish Mayoral Development Corporations. Non-statutory joint bodies ('Land Commissions' or 'Joint Asset Boards') will be established to improve the management of surplus land and buildings across

public sector bodies, making joint decisions on whether to re-use, share, or sell unused land and buildings within the public estate.

All of these powers is available in Greater London including the Land Commission.

- 3.7 It is clear that London already has many of the powers contained within devolution deals in other places. This is devolution to the London Mayor and the Greater London Authority. London Boroughs have been working through London Councils with the GLA on developing propositions for how the whole of London Government might work together on joint service proposals.
- 3.8 The London boroughs, together with the GLA, have put forward a number of propositions for sub-regional devolution within London. London Councils worked with the GLA to produce a 'London proposition' as the basis for devolution negotiations over the summer of 2015. This high level set of negotiating aims/ambitions was agreed by London Councils/GLA. The focus of the London proposition was a broad negotiating position on employment, skills, business support, crime and justice, health and housing. The proposition also proposed a governance mechanism of the 'London Congress' - London Councils Executive or all Leaders/ Mayors with the Mayor of London.
- 3.9 Discussions on the propositions have been on-going. In December 2015 the Government agreed a series of pilots around health and social care collaboration with groups of London boroughs, in partnership with the Greater London Authority (GLA) and London CCGs. The London Health and Care Collaboration Agreement is a collaborative statement on joint working regarding health and care services. In London, a joint London Health Board is to supervise five pilot schemes for the integration of health and care. The pilots will focus on local integration of services, and will explore if the barriers that make integration difficult can be eased or removed by rule changes or reduction of restrictions. They will enable a potential devolution proposition to be developed (i.e. what do you need to change, what powers might be needed) but they are not in themselves pilots testing any devolution of resources or powers. Any decisions on service integration will go through the existing Governance arrangements, individual Borough Health and Wellbeing Boards.
- 3.10 This is the same as health and social care devolution in Greater Manchester. At local (borough) level, Health and Wellbeing Boards, made up of representatives from CCGs and boroughs, will ensure that health and social care services are provided in a joined-up fashion, in line with the new Greater Manchester Health and Social Care Partnership Board Strategic Sustainability Plan. The proposals will not lead to a wholesale transfer of functions or funds from the NHS to local authorities, or vice versa. Chris Ham, chief executive of the Kings Fund, stated:

“Devolution to Greater Manchester should enable decisions to be taken much closer to the population being served, with councillors having a bigger influence on future decisions. ...The unanswered question is how much freedom public sector leaders will have to depart from national policies in taking greater control of NHS resources.”

- 3.11 The GM proposals are to be implemented via section 75 of the National Health Service Act 2006, which permits agreements to share functions and budgets between NHS bodies and local authorities, not via the provisions of the Cities and Local Government Devolution Bill. The Greater Manchester Mayor will not have any executive or budgetary control over the integration of health and social care. The Greater Manchester Health and Social Care Partnership Board will appoint its own chief executive and staff team.
- 3.12 In November 2015, a joint document produced by the London Mayor, London Councils, and the London Local Enterprise Panel, entitled high-level outcomes sought for the skills system in London by 2020, and set out a prospectus for devolving power in order to achieve them:
- Devolution of the Adult Skills Budget, Adult Community Learning, and discretionary support for 19+ learners;
  - Devolution of London's share of advanced learning loans;
  - A guaranteed 'proportionate return' to London from the apprenticeships levy introduced at the 2015 Spending Review;
  - Transfer of the Secretary of State's appointment powers over college boards;
  - Protection of London's share of 16-19 skills funding;
  - Creation of a Skills Commissioner for London.

All these powers would be held by the Mayor of London and GLA.

- 3.13 The area review process of FE and adult learning is being lead in London by the London Mayor, GLA and LEP. A sub-regional approach has been adopted and the review of the central region, of which Lewisham is part, is being lead by Cllr Peter John, Leader of Southwark and representative on the London LEP. A briefing is going to all members on the up-coming area review of FE and adult learning.
- 3.13 Co-commissioning of parts of the Health and Work Programme in London was agreed in the Spending review 2015, and a proposal is being developed. The GLA and London Councils are negotiating this as part of the 'London proposition' using the Lewisham Lambeth and Southwark employment offer as a model of local service delivery. In the negotiation it is expected that sub regional groupings in London will act together to co-commission the new Work and Health programme at a more local level than the current two package areas in London.

#### **4. Response to Overview and Scrutiny Committee on devolution**

- 4.1 The Overview and Scrutiny Committee resolved to advise the Mayor and Cabinet of the following:

##### **Point One**

In February 2015 the Council agreed a motion expressing its support for the Core Cities' Modern Charter for Local Freedom; and agreed to campaign for further devolution and greater localism and a fairer distribution of resources based on the restoration of needs-based central funding. However, the Overview and

Scrutiny Committee would like to be reassured that this is not used as a mechanism to implement more HM Treasury top sliced cuts. It would also like to endorse the recommendation of the Public Spending Working Group that:

*If proposals for devolution in London are accepted by the Government, the Mayor and Executive Members should share their proposals with the Overview and Scrutiny Committee as soon as possible to facilitate constructive scrutiny and the most effective constitutional arrangements*

...to ensure we have transparency and accountability in any arrangements.

The response:

The campaign for greater local control and devolution of services has been long running, and seen a variety of Government initiatives under various Governments including Total Place and Whole Place Community Budgets. Evidence of the better efficiency of local integrated services has been provided to Government from such initiatives. The Council of 27rd November 2013 agreed a motion to support the Local Government Association's Rewiring Public Services campaign, which embodies these objectives:

- To ask the borough's Members of Parliament to support the Rewiring Public Services campaign to improve local voters' influence over services, tax and spending; and
- To make the council's position clear to the Secretary of State."

The motion stated that Council considers:

- That the likely scale of change in how public services are funded and provided makes it democratically unsustainable for those changes to be decided within the existing over-centralised model;
- That services need to be reformed and integrated across local agencies to enable them to prevent problems rather than picking up the pieces;
- That voters should be given back a meaningful say on a wider range of tax and spending decisions, through place-based budgetary arrangements and the reinstatement of fair financial distribution agreed among English councils, the re-creation of a municipal bond market, and the certainty of multi-year funding settlements for the life of a Parliament;
- That central government should enable that local decision-making by joining up and reducing in size Whitehall departments in order to facilitate local place-based budgets, by reducing Ministers' powers to intervene in local decisions, and replacing bureaucratic tick-box inspection regimes with local service users champions; and
- That such a new more mature settlement between central and local government should be put beyond future revision by giving formal constitutional protection to local democracy.

The devolution of powers to City Regions is important in helping deliver the ambition of the motion and in London this will be achieved through the GLA and

through London Councils acting for individual and groups of Boroughs in the London-wide negotiation. At the point where a proposal is accepted by Government, these will be submitted to scrutiny in the normal way.

In its response to the recommendation of the Public Spending Working Group, on 9 January 2016 the Mayor agreed the following response:

“Should proposals for devolution in London be accepted by the Government, the Council will prepare analysis of the implications risks and changes for the London Borough of Lewisham and submit these for scrutiny and decision in the usual way.”

Given the complexity of the issues involved and the negotiations, a wider discussion amongst members of the expectations and ambitions of devolution (or wider public sector reform) would be useful to develop a deeper and meaningful debate.

## **Point Two**

It also endorses the recommendation of the Public Spending Working Group that:

*The formal partnership arrangements between the Mayor, Executive Members and Officers should be reviewed to ensure that they are robust enough to recognise the potential conflicts and solutions required to address the scale of the challenges this review [the Public Spending in Lewisham Review] has identified.*

The response:

In its response to the recommendation of the Working Group, on the 9<sup>th</sup> January 2016 the Mayor agreed the following response:

“This is a challenge recognised by the Mayor, Executive Member and Officers. Namely that, whether as a result of financial constraint or policy choice, services are being reconfigured across London through the existing governance models. The operation and ways of working of the two statutory partnership boards, the Health and Well-being Board and the Safer Lewisham Partnership are reviewed on a regular basis.

Although formal partnership boards, neither are decision-making. Decision-making powers rest with the individual bodies that make up the partnerships, and so the Partnerships are able to make recommendations or develop proposals back through the existing governance of each body. This is an area that is kept under review and the governance arrangements assessed as and when plans – be they for spending reduction, devolution, public sector integration, or shared services-are agreed.”

## **5. Legal implications**

There are no specific legal implications.



**6. Financial implications**

There are no financial implications.

**7. Equalities implications**

There are no equalities implications.

**8. Crime and disorder implications**

There are no crime and disorder implications.

**9. Environmental implications**

There are no environmental implications.

**10. Background Documents and Report Author**

GLA/ London Councils, 2015 The London Proposition  
HMT Budget 2015  
HMT Spending Review 2015/6

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