

# Local Government Association (LGA) Cities and Local Government Devolution Bill Second Reading, House of Lords Monday 8 June 2015



## Key messages

- The LGA has long argued for more powers to be devolved to local government. The Government's Cities and Local Government Devolution Bill is a positive step as it will give combined authorities the range of powers they need to create jobs, build homes, strengthen healthy communities and protect the vulnerable.
- Making decisions locally will bring significant economic and social benefits for city regions and counties. As recognised in the Bill, the push to decentralise power must include non-metropolitan areas and we are ready to work with the Government to meet this aspiration.
- There is no "one-size-fits-all" solution to the stronger local governance arrangements that may be needed where significant new responsibilities are devolved. Historically a top-down approach has not worked and several cities rejected elected mayors during referenda. The LGA wants to work with the Government to identify alternatives to elected mayors.
- Alongside legislative change, fiscal devolution is also required, carefully planned and with proper consideration of fair funding. Meaningful devolution should include multi-year finance settlements, full retention of business rates growth, and powers to set rates and discounts. The LGA would like to see these measures added to the Bill to help deliver central and local government's shared agenda on devolution.

## Background

Devolution within England is the most effective way to create jobs, build homes, strengthen healthy communities and protect the vulnerable in all parts of the country. The LGA has long argued for powers to be devolved locally. The Government's move towards this through the publication of the Cities and Local Government Devolution Bill is a positive step.

In particular, the LGA has been calling for combined authorities to be provided with the full range of powers they need to promote growth and public service reform, which includes expanding their functional scope and extending the general power of competence. The inclusion of these provisions in the Bill is a positive measure.

## Devolution will benefit all areas

All areas stand to benefit when decisions are made locally. As the [Independent Commission on Non-Metropolitan England's final report](#) recognised non-metropolitan areas account for half of England's economy and population. Their economic contribution, and their potential growth, is as significant for the nation as that of the big cities.

# Briefing

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As such, it is welcome that the legislation includes recognition that the push to decentralise power should be extended to counties as well as city regions. The LGA is ready to work with the Government to meet this aspiration.

### **No 'one-size-fits-all' model of governance**

Historically a top-down approach has not worked and several cities have already rejected elected mayors during referenda that let people decide. People should be free to choose the appropriate model of governance for their community.

The LGA urges the Government to reconsider its position on elected mayors as a condition for greater devolution, in order that local and central government can work together to meet our shared ambitions for the people we are here to serve.

The LGA's report, [English Devolution: local solutions for a successful nation](#), sets out principles for strong governance and a number of models that could achieve this, including:

- A directly-elected mayor with total executive power, supported by an advisory board drawn from constituent member councils;
- A directly-elected mayor or leader with limited executive power, with decisions taken by a cabinet made up of constituent member councils;
- An indirectly-elected leader with limited executive power (appointed by the constituent councils);
- A leader for a multi-county area, supported by an advisory board drawn or cabinet from all constituent members.

### **Transparent and collaborative decision-making**

The Bill creates a number of new powers for the Secretary of State in order to grant the devolution of powers to combined authorities. Where it is in the Secretary of State's power to alter local structures and delivery of public functions, it is vital that the decision-making process is transparent with clear criteria and route of appeal.

Decisions must be taken in consultation with local government, so that changes are appropriate to the local area and at the pace they can implement, given the reduction in core capacity that many councils have faced.

The Secretary of State's decision to devolve powers to a combined authority must not be based on the financial implications alone, but must take into consideration the wider impact. The LGA's report [English Devolution: local solutions for a successful nation](#) identified that devolution could bring £20.6 billion in potential savings. However, the benefits of devolution are diverse and will include improved public services, economic growth and job creation.

### **Devolution underpinned by sustainable funding**

Alongside legislative change, funding reform is also required to realise the benefits of greater devolution.

The Independent Commission on Local Government Finance report, [Financing English Devolution](#), argued that fundamental to securing good quality public services, is a finance system which provides choice and enables different local authorities to determine how ambitious they want to be.

The report calls for the Government to:

- introduce full and clear multi-year settlements to enable effective long-term planning for local authorities and other public sector services;
- Allow local government to retain 100 per cent of business rates and business rate growth;
- devolve council tax discount setting and the power to determine who receives council tax support to local authorities;
- pioneer further council tax reforms including the ability to vary council tax bands and to undertake council tax revaluations;
- end the policy of setting referendum limits on council tax and leave the decision to local politicians;
- work with local government to agree a timetable for fiscal devolution, adopting the Smith Commission's principles as a basis for reform; and
- introduce place-based budgets for sub-national areas that are willing and able to take on this reform.

The LGA's [100 Days campaign](#) calls on the Government to enable all councils to retain 100 per cent of business rates growth and to set local charges, and rates and discounts for council tax and business rates. Greater fiscal autonomy at the sub-regional level will enable more places to invest in the infrastructure needed to unlock growth and deliver public services that meet the needs of a twenty-first century society and economy. The path towards full autonomy needs to be carefully planned, with proper consideration of fair funding and equalisation needs.