

CABINET - 18 SEPTEMBER 2020

WHITE PAPER ON DEVOLUTION AND LOCAL RECOVERY

REPORT OF THE CHIEF EXECUTIVE

PART A

Purpose of the Report

1. The purpose of this report is:-
 - (i) to draw the Cabinet's attention to the imminent publication of the White Paper on Devolution and Local Recovery in which it is widely expected that the Government will set out its proposals for local government structural reform in England and the role which greater devolution linked to improved local and regional accountability, with a preference for elected mayors, will play in local and national recovery;
 - (ii) advise of the Leader's intention to write to the Secretary of State for Housing, Communities and Local Government requesting an invitation for councils in the administrative boundaries of Leicestershire County Council to come forward with their proposals for the establishment of unitary local government as a prerequisite to a devolution settlement for the East Midlands.
2. The report also proposes that the County Council's draft business case for a unitary authority "A Vision for Local Government in Leicestershire: Strategic Business Case" (October 2019) is reviewed and updated as necessary to take account of the proposals in the White Paper.

Recommendations

3. The Cabinet is asked to:-
 - a) Authorise the Leader to write to the Secretary of State for Housing, Communities and Local Government requesting an invitation for councils in the administrative boundaries of Leicestershire County Council to come forward with their proposals for the establishment of unitary local government as a prerequisite to a devolution settlement for the East Midlands;
 - b) Request officers to

- (i) develop and update the draft strategic business case for a unitary structure for local government in Leicestershire having regard to the criteria and requirements of the White Paper;
- (ii) engage an independent social research company to undertake a stakeholder engagement on the revised business case;
- (iii) submit a further report with the revised business case including stakeholder comments to the Scrutiny Commission and Cabinet in time for this matter to be debated by the full Council in December 2020 with a view to an ambitious proposal being put to Government which recognises a once in a generation opportunity to improve local government in Leicestershire in the context of a strong economy and powerful voice for the East Midlands.

Reasons for Recommendation

4. To enable work to commence immediately to update the draft business case in order that, subject to decisions, Leicestershire, together with Nottinghamshire and Derbyshire, who are also approaching the Secretary of State, can be in a position to be in the early tranche for local government reform.

Timetable for Decisions (including Scrutiny)

5. The revised strategic business case for the development of a unitary structure for local government in Leicestershire will be updated and submitted to the Cabinet as soon as practicable following the publication of the White Paper.
6. Subject to the publication of the White Paper, the Cabinet will receive a final version of the strategic business case at its meeting on 20th November. Although the taking of decisions relating to the strategic business case are 'Executive Functions' and therefore a matter for the Cabinet, it is planned that, given the significance of the decision, the report will then be referred to the full Council on 2nd December 2020 for consideration and debate.

Policy Framework and Previous Decisions

7. In July 2018 the Cabinet requested officers to undertake work on the development of outline proposals for a unitary structure for local government in Leicestershire. The Cabinet also authorised the Chief Executive and Director of Corporate Resources to work with regional counterparts to develop a Strategic Alliance for the East Midlands. The outcome of that work was reported to a politically balanced Member Working Party on a Unitary Structure for Local Government in Leicestershire which met on five occasions.
8. The Cabinet at its meeting on 16th October 2018 considered outline proposals for the development of a unitary structure and agreed that the report should be referred to the overview and scrutiny bodies for consideration. All scrutiny

bodies considered the report and the Scrutiny Commission met on four occasions to discuss it.

9. At its meeting on 29th March 2019, the Cabinet received the findings of the Scrutiny Commission's examination of the outline proposals, and additional comments made by the Member Working Party. The Cabinet also agreed that these findings and comments should be taken into account during the development of the strategic business case.
10. The revised business case was developed having regard to the comments received and agreed by the Cabinet on 22nd October 2019. That business case was considered further by the Scrutiny Commission at its meetings on 30th October and 6th November 2019. Further work on the business case was halted as a result of the General Election and the subsequent COVID-19 Pandemic.

Resource Implications

11. Re-organisation of local government in Leicestershire would be a significant undertaking. The previous business case concluded that a single unitary council for Leicestershire would cost £19m to implement but unlock £30m annual savings, with an acceptable payback period. Those figures have been independently verified.

Legal Implications

12. The Director of Law and Governance has been consulted on the content of this report. The legislative position in respect of unitary reorganisation is set out in the draft strategic business case and this will be revisited having regard to the impending White Paper on Devolution and Local Recovery.
13. Section 2 of the Local Government and Public Involvement in Health Act 2007 enables the Secretary of State to invite any principal local authority (i.e. a District or County) to make a proposal for developing a unitary authority. When examining the case for local government reorganisation in an area, the Secretary of State can invite all affected upper and lower tier authorities to come forward with proposals. All proposals received will be evaluated by the Secretary of State in light of the Government's criteria for reorganisation and the aims and objectives of the forthcoming White Paper. Those that are acceptable will be put to public consultation before the final form of local government is decided.

Circulation under the Local Issues Alert Procedure

14. As this is a matter which will affect all areas of the county, this report is being circulated to all members of the County Council.

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PART B

The White Paper and Devolution

15. The Government has announced its intention to publish a White Paper on Devolution and Local Recovery. Exact timeframes are not confirmed but the White Paper is expected in early October 2020. Whilst the exact detail of the White Paper is not yet known it is widely expected that the Government will set out its proposals for local government structural reform in England and greater accountability through the introduction of more elected mayors, along with setting out the role which greater devolution will play in our national recovery. This will require the establishment of new unitary councils.
16. Members will be aware that previous local and regional attempts to agree devolution deals have not progressed. The result has been that Leicestershire and the East Midlands have fallen behind other areas of the country which have successfully negotiated such deals. If as expected the White Paper will offer the potential for establishing a mayoral combined authority for the East Midlands (as exists in the West Midlands). This will offer considerable opportunities to work more effectively with central government to level up investment in the region and to drive forward economic recovery and regeneration.

The Case for Change

17. It remains the case, even more so than in the 2018/19 debates, that a key driver for change is the challenging long-term financial position facing the County Council and the ongoing impact that this has on its ability to deliver front-line services. Without major change, the position is unsustainable and the ability to improve front-line services and level up investment is significantly reduced.
18. The COVID-19 pandemic has significantly worsened the financial position of all councils in Leicestershire, as well as causing substantial damage to the local economy. It has created a perfect storm for local authority finance: simultaneously increasing spending (the County Council now expects a financial gap of around £18m in the current financial year alone) whilst reducing income. Many residents and businesses will struggle to recover from the economic effects of the crisis and this in turn will affect the Council Tax base for years to come.
19. Low funding for Leicestershire is a significant problem, making it extremely difficult to identify further savings from existing budgets and requiring cuts in services or additional charges in order for the Council to balance its budget as required by law. Demographic pressures, such as the continued growth in the numbers of elderly people and adults and children with increasingly complex needs, compound this situation. If no changes are made to the structure of local government in Leicestershire, residents can expect to see a further tightening of eligibility criteria for care and support services and cuts to valued services such as household waste sites, trading standards, and road

maintenance. A separate report on the agenda for this meeting highlights the financial challenges which have been exacerbated over recent months.

20. Introducing a single unitary council in Leicestershire, as proposed in draft business cases considered by the Cabinet in 2019, would in the first instance achieve significant savings on a recurrent basis through avoiding duplication, reducing management and back-office costs, and rationalising the number of 'headquarter' offices in the County. This streamlined approach would mean that money currently spent on administration by the County Council and seven district councils (estimated at approximately £30m per annum) can be directed at front-line services and enable demographic pressures to be met without having an adverse effect on other local government services or Council Tax payers.
21. The White Paper also offers the welcome opportunity to consider the establishment of a combined authority for the East Midlands with an elected mayor. Such a combined authority could negotiate and secure a devolution deal with Government which would incorporate investment in infrastructure, skills, transport and housing and potentially in other areas. The establishment of a combined authority with unitary county and city councils (the 6Cs model) has the best and most realistic chance of succeeding. Previous attempts at establishing some form of combined authority floundered because of the plethora of councils in two-tier areas who could not agree on the form and function of the arrangements. The failure to establish a combined authority for the East Midlands has seriously hampered the ability to attract Government funding and inward private sector investment. It shows how the East Midlands has fallen behind compared to the West Midlands. The economic impact of COVID-19 makes it imperative that the East Midlands does not pass up on this opportunity to level up investment for the region and to drive forward economic recovery and regeneration. Strong unitary councils who can support and work constructively with the Government and key partners such as the East Midlands Development Corporation are essential to success.
22. As well as the considerable efficiency savings, there are other strong drivers for change recognised in the draft business cases previously considered and summarised below:-
 - a) The current local government structure causes fragmentation in service delivery with multiple organisations being responsible for different parts of the same service. This leads to understandable frustration and confusion for members of the public.
 - b) A single Council with unity of purpose, setting a single strategic direction for Leicestershire, would provide the necessary certainty, stability and democratic accountability to give investors and the Government confidence in Leicestershire's ability to deliver. Leicestershire would have a stronger negotiating position, both regionally and nationally, and would drive forward delivery of its strategic priorities. A single Unitary Council for Leicestershire will simplify working with its key partners in health, the police, the voluntary sector and other stakeholders. At the same time, a

combined authority for the East Midlands now affords the opportunity to rationalise existing structures and responsibilities in the areas of economic development and criminal justice.

- c) A single unitary council for Leicestershire provides an opportunity to reassess how a council can be more meaningful to the lives of local residents by building stronger relationships with communities and the local voluntary sector and focusing on what is best for them. This would include devolving decision-making to a local level, both through the development of area committees and by strengthening the role of parish and town councils. The draft strategic business case committed to the creation of new town councils in our market towns where no such council exists, the offer to devolve powers and funding to all parish and town councils and the establishment of powerful area committees and area planning committees, making real decisions and delivering services that affect their communities
23. The draft business case published last year concluded that an alternative model of establishing two unitary councils for Leicestershire would create significantly less savings in comparison to a single unitary council and require splitting County Council services across the two new councils, resulting in confusion, duplication and service risk. The establishment of trusts along with the two new unitary councils would further exacerbate these issues and remove democratic control over local services.
24. All of the issues identified above will be reviewed and refreshed in the development of the draft strategic business case and in the light of the criteria and requirements of the White Paper and stakeholder engagement.

Equalities and Human Rights Implications

25. There are no equality or human rights implications arising from the recommendations in this report.
26. As part of the transition to a new unitary authority Equality and Human Rights Impact Assessments would be applied to various programme phases and stages to help ensure that the Council meets the Public Sector Equality Duty. The aim is for a unitary structure for Leicestershire that will actively contribute to eliminating discrimination and advance equality for all.

Background Papers

Report to the Cabinet on 6th July 2018 “East Midlands Strategic Alliance and Unitary Government in Leicestershire” and minutes of that meeting - <https://bit.ly/323rQCH>

Report to the Cabinet on 16th October 2018 “The Development of a Unitary Structure for Local Government in Leicestershire” and minutes of that meeting - <https://bit.ly/2F7qOgb>

Report to the Cabinet on 22nd October 2019 “A Vision for Local Government in Leicestershire” and minutes of that meeting - <https://bit.ly/3342SCp>

A Vision for Local Government in Leicestershire: Strategic Business Case (October 2019) - <https://bit.ly/3i3mJrW>

Report to the Cabinet on 23 June 2020 “Coronavirus (COVID-19) Impact and Response of the County Council - Recovery and Financial Impact” - <https://bit.ly/335BofF>