CABINET – 7 DECEMBER 2016 **PORTFOLIO: LEADER**

LOCAL GOVERNMENT REVIEW UPDATE

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update on the local and national context to the devolution and local government reorganisation position. The report addresses the following:

- The Government's Autumn Statement;
- Hampshire County Council's recent consultation response; and
- Price Waterhouse Cooper's (PwC) independent report – "Devolution and the future of local government".

2. BACKGROUND

2.1 Since the 2015 General Election the Government has offered Councils the chance to bid for devolved powers and funding which they can exercise by joining together as a Combined Authority (CA).

2.2 In September 2015 a Hampshire and Isle of Wight (IOW) proposal was put forward but could not be agreed by the Hampshire authorities due to central government's requirement for the proposed CA to be led by a directly elected mayor.

2.3 Following these failed discussions the three unitary authorities, together with the 5 district councils in the Solent area put forward a devolution bid.

2.4 This initiative led the remaining six district councils to develop a parallel bid, under the title "Heart of Hampshire". This response was to ensure that all communities had the opportunity to receive any benefits from devolution. The County Council was not a signatory to either of these bids. This meant that the Heart of Hampshire bid was unable to progress without the County Council's support. However, the Solent bid could progress as it was led by the 3 unitary councils.

2.5 Concerned by events in the Solent area the County Council commissioned Deloittes to undertake a study of options for reorganisation. This report concluded that, if there was to be reorganisation, a single unitary authority for the County of Hampshire was their preferred option. Following this report the County Council commissioned Ipsos Mori to undertake a public consultation on the future of local government in Hampshire. This has now concluded.

2.6 The six district councils in the "Heart of Hampshire" wished to undertake their own assessment of options for progressing a devolution deal for their communities without the County Council's veto.

2.7 Whilst these developments have been occurring, at national government there has been significant change following on from Brexit. This has not only had an impact on Government's priorities but there has also been a change in Prime Minister and a major reshuffle of the Cabinet. The Autumn Statement was anticipated to be the first

clear statement on the new Government's positon with regard to local government and particularly devolution.

2.8 This report provides an update of this announcement and other developments.

3. AUTUMN STATEMENT'S IMPLICATIONS FOR LOCAL GOVERNMENT (23 NOVEMBER)

3.1 The key factual headlines that impact on the Council are as follows:

3.2 **Public Sector Finances**

The Government confirmed that the spending review decisions made in 2015 continue to apply. This includes the four year funding agreement set out within the Council's Medium Term Financial Plan.

3.2 **Devolution**

No formal devolution deals were announced as part of the Autumn Statement. There was therefore no mention of the Solent deal proposal.

3.3 **Housing and Planning**

A new National Productivity Investment Fund (NPIF) was announced, together with an emphasis on increasing the overall supply of housing, with a particular focus on all types and tenure of affordable housing. The NPIF also includes new broadband investment.

3.4 **Business Rates**

Additional Business Rate reliefs were announced for full fibre infrastructure, rural business and small business.

3.5 **Local Enterprise Partnership (LEP) Funding**

The announced regional details of the third round of local growth deals, individual awards to LEP's will follow. Early indications are that areas with devolution deals may do better.

4. HAMPSHIRE COUNTY COUNCIL CONSULTATION RESPONSE TO OPTIONS FOR LOCAL GOVERNMENT REORGANISATION

4.1 Around 5,000 residents responded to the HCC consultation (online, hard copy, telephone survey and workshop). In addition there was engagement with business and workshops were held with town and parish councils.

4.2 The County Council's Cabinet considered a report on the outcome of this consultation exercise on 14th November and their recommendations are set out at Appendix A.

5. REPORT OF PRICE WATERHOUSE COOPER - DEVOLUTION AND THE FUTURE OF LOCAL GOVERNMENT (EXECUTIVE SUMMARY– APPENDIX B)

5.1 This Council together with five other district councils (Test Valley, Winchester, Basingstoke & Deane, Hart and Rushmoor), known collectively as the Heart of Hampshire, commissioned PwC to produce an evidence based report. The aim was to support the development of local devolution proposals to government that could result in the delivery of better services, through improved governance, for residents, by considering the options for the most effective and efficient form of local government in the context of opportunities for devolution, combined authorities and unitarisation.

5.2 The Council's principal driver was to look at how we can make the existing system work better and avoid the upheaval of unnecessary change, along with its associated costs and disruption; and which would deliver benefits for local residents and businesses more quickly.

5.3 It was recognised that the County Council had developed and consulted on its own options for unitary solutions. There was a feeling amongst all district councils that there were other options, that both delivered value for money and gave more recognition to local issues, that could deliver benefits for local residents and business.

5.4 The Council therefore commissioned this work to add to the work commissioned by the County Council should, in future, there be a need to consider wider options for the delivery of local government services. The Council remains committed to improving local services that reflect local needs and priorities.

5.5 PwC was commissioned to undertake an independent assessment of options for change in Hampshire and the Isle of Wight. Their assessment is set out within three separate reports:

1. Heart of Hampshire – Devolution and the future of local government
2. Solent Authorities - Devolution and the future of local government
3. Devolution and the future of local government – Hampshire and the Isle of Wight

The Executive Summary to the "Heart of Hampshire – Devolution and the future of local government" is attached as Appendix B to this report and the full reports are set out at http://newforest.gov.uk/article/17310/Local-Government-Review

6. CONCLUSIONS

6.1 The Autumn Statement's messages have not significantly changed the issues for local government.

- There will be no immediate change in the Council's funding as set out in the Medium Term Financial Plan

- Future funding of local government will continue to be increasingly dependent on economic performance, with an emphasis on enabling economic growth.

6.2 The Autumn Statement included no announcement of any new devolution deals.

6.3 The recent consultation undertaken by the County Council appears to indicate that residents and businesses, based upon the information they were provided, that there is little support for any major reorganisation of local government in Hampshire.

6.4 The evidence based report undertaken by PwC identifies that there are other options to those that were consulted on by the County Council that could result in the delivery of better services for residents and businesses.

7. LEADER'S COMMENTS

7.1 The Autumn Statement announcements and the reports of PwC provide us with a better understanding of the challenges and possible answers we will need to consider. We commissioned PwC's independent assessment to make sure that local government in the New Forest, and Hampshire, meets the needs of our residents and businesses. As we go forward we understand that staying the same is not an option and that we must evolve to continue to provide the services our residents both want and need.

7.2 The independent report is clear that the main desire of the New Forest, and all the Heart of Hampshire councils, is not for re-organisation, but to focus efforts on making the existing system work better. This will avoid the upheaval of unnecessary change, costs, and disruption to services.

7.3 Further discussions will need to take place to reach a way of working that will achieve what we want for the local area. Local government in the county will not change overnight but we must consider how we can look after our important services whilst facing a future with reduced funding.

8. FINANCIAL CONSIDERATIONS

8.1 The cost to this Council of the work commissioned from PwC was £20,000.

9. RECOMMENDATIONS

9.1 Cabinet is asked to note:

a) the update provided on the Autumn Statement 2016
b) there is no change from the Autumn Statement required of the Council's Medium Term Financial Plan 2017 to 2020
c) the recommendations taken by the County Council's Cabinet (Appendix A) in response to their recent consultation with residents and business across Hampshire
d) the information set out within the reports produced by PwC
e) that there was no announcement of a devolution deal for the Solent area within the Autumn Statement.
f) the information set out within the reports of PwC's independent assessment on "devolution and the future of local government"

9.2 The Cabinet is asked to support the following actions:

a) to work with Councils in Hampshire on a solution that brings significant tangible benefits to residents and businesses;

b) to ensure that the local voice and local choice of the New Forest is represented and reflected in any future developments both now and in the future.

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Background papers:

Published documents

Appendix A

RECOMMENDATIONS TO THE MEETING OF HAMPSHIRE COUNTY COUNCIL'S CABINET ON 14 NOVEMBER 2016.

a) note that there is little support for the county of Hampshire being broken up into several unitary or combined authorities, or for services provided at county level being split into smaller fragments;

b) reaffirm its determination to keep Hampshire together, its strong preference for the three-tier local government system as long as that remains viable, and its resolve not to split or weaken the quality of services provided to Hampshire residents;

c) note the balanced and complex results of the consultation, and feedback from the engagement with Hampshire businesses;

d) note also the feedback from the recent workshops with town and parish councils;

e) agree that there is at this stage no imperative to submit proposals for a unitary council for Hampshire to Ministers, but that this remains open as an option;

f) agree that any of the following would necessitate further proposals to be considered by the County Council:

i. any decision by another authority to submit proposals for local government reorganisation that directly affect Hampshire and its residents;

ii. any decision by the proposed Solent combined authority, or any other combined authority, to extend its geography into part of Hampshire;

iii. any proposal to form a new combined authority covering only part of Hampshire and incorporating upper-tier powers;

iv. evidence that there is no longer support among district council Leaders in Hampshire for sustaining the two-tier system;

v. a further significant deterioration in the County Council's financial prospects, particularly in relation to sustaining services to vulnerable people, which the consultation identified as residents' top priority;

vi. evidence of a significant increase in public support for local government reorganisation;

vii. a clear indication from Ministers that local government reorganisation is their preferred outcome in Hampshire.

g) confirm that, in considering the invitation to join the proposed Solent CA, the County Council cannot be party to any agreement that breaks up its services or is not open to the whole county;

h) confirm that the County Council strongly opposes Hampshire district councils joining the proposed Solent CA as constituent members unless all are admitted;

i)agree that the potential for a Hampshire and Isle of Wight (or Hampshire-county) CA should be revisited in discussion with partners;

j) agree that the County Council should continue to discuss these matters with the Government, local partners and the community of Hampshire;

k) note that separate reports will be brought to a future Cabinet meeting regarding improved engagement with businesses and town and parish councils in Hampshire.