

**AGENDA ITEM 7**

**OVERVIEW AND SCRUTINY BOARD**

**20 SEPTEMBER 2011**

**THE COALITION GOVERNMENT'S POLICY PROGRAMME**

**ASSISTANT CHIEF EXECUTIVE: KAREN WHITMORE**

**PURPOSE OF THE REPORT**

1. The purpose of the report is to summarise the main implications for local authorities within the coalition government's policy programme and set out details of likely forthcoming policy changes.

**BACKGROUND**

2. Local authorities face an array of policy requirements, placed upon them either through primary legislation, statutory guidance, ministerial direction or national best practice. There are currently more than 1,200<sup>1</sup> statutory duties placed upon councils.
3. This report summarises recent and planned future changes to these requirements as a result of the coalition government's extensive policy and legislative programme. Some changes are already in place, some are currently being considered by Parliament and some will be brought into force without the need for primary legislation.
4. The government's legislative programme is based on the Coalition Agreement, which established policy direction for the administration based on three shared values: freedom, fairness and responsibility. The concepts of localism, deregulation and fostering the 'Big Society' are key features cutting across the programme.
5. The policy programme has implications for practically every service delivered by the Council and its local partners. For ease of reference, this report organises those aspects of the programme which are of interest to the Council into the following broad areas:
  - local government / public service reform
  - health and social care

---

<sup>1</sup> Department for Communities and Local Government (DCLG) 2011 review of statutory duties.

- children and young people
- welfare.

### **Local government / public service reform**

6. Local Government Resource Review – the first phase of this review has led to the current consultation on the possible retention of business rates by local authorities. Rates are currently collected by councils and then redistributed by government to ensure fairness. The government proposes to end this approach from April 2013, allowing councils to retain a greater proportion of rates collected to incentivise them to encourage local business growth. Consultation is ongoing on proposals, but if they were implemented in the current form it is likely that Middlesbrough would at best stand still, while more affluent areas including some neighbours would benefit – widening the inequalities gap.
7. The second phase of the review addresses community budgets, the successor to the Total Place initiative. The government is in the process of extending community budget pilots from an initial group of 14 to an additional 110 local authorities over the next two years. The purpose of the pilots is to examine the ways in which pooled budgets from different agencies can help achieve savings when dealing with families that have complex needs. Within the pilots to date there has been a focus on achieving efficiencies by pooling budgets and moving towards a model where services are commissioned rather than directly delivered. Feedback to date has indicated a lack of appetite from central government departments for pooled budgets, which may limit the successes that can be achieved within these pilots. The Council is currently piloting a community budget approach within the Grove Hill area and intends to apply for national pilot status.
8. Best Value Duty: Statutory Guidance – released on 2 September 2011 by the Department for Communities and Local Government, the main purpose of the revised duty is to recontextualise best value in light of the government’s commitment to localism, growth and the Big Society. The duty will require local authorities to consider ‘overall value, including economic, environmental and social value, when reviewing service provision.’ There is a duty to consult under the guidance and to engage with voluntary and community organisations when taking decisions about future funding.
9. Hutton review of public sector pensions and pay – this fundamental structural review of public service pension provision, led by former Labour Minister Lord Hutton, recommended ending current final salary schemes and replacing these with career average schemes. The government has undertaken to use this review as the basis of future negotiations on pensions and has already moved to significantly increase employee contributions. There are concerns that significantly increased contributions will reduce participation in the Local Government Pension Scheme and so threaten its long-term future.
10. Open Public Services White Paper – this White Paper sets out a vision for the improvement of public services over the course of this parliament based on systematic ‘opening up’ of services to choice and competition. The paper sets out five principles for reforming public services; choice, decentralisation, diversity, fairness and accountability.

11. Three categories of public service are identified, along with a preferred, or default, level of control for each:

Service type	Description	To be controlled by	How
<b>Individual</b>	Personal services used by people on an individual basis and for which funding can be personalised e.g. social care, childcare, housing support.	Users	<ul style="list-style-type: none"> <li>▪ extension of personal budgets</li> <li>▪ provision of data about services, user satisfaction and performance of providers</li> <li>▪ fair access with the poorest advantaged</li> <li>▪ licensed or regulated providers.</li> </ul>
<b>Neighbourhood</b>	Services provided very locally on a collective basis, e.g. public realm, leisure, parking, community safety, some licensing.	Local councils (e.g. town, parish or neighbourhood)	<ul style="list-style-type: none"> <li>▪ community powers created through the Localism Bill</li> <li>▪ potential new rights for neighbourhood councils</li> </ul>
<b>Commissioned</b>	Local and national services that cannot be devolved and need to be provided at a level above individual / neighbourhood e.g. taxation, prisons, welfare to work, emergency healthcare.	Central government or local authorities	<ul style="list-style-type: none"> <li>▪ 'open commissioning' policy</li> <li>▪ focus on payment by results.</li> </ul>

12. While detail is awaited in a number of areas, it is clear that full implementation of the open public services agenda will have significant implications for the Council, in terms of its overall role, the structure and financing of its current service portfolio.
13. The Council will have a key role in the transition to individual services, as it does now in adult social care. Thereafter the Council's role will be around ensuring that users have well-informed, fair access to a diverse range of quality providers, so that choice can be meaningful. It is likely that in some areas there will be a role in developing the market to enable choice.
14. The Government's ambition for 'neighbourhood services' to be devolved to parish councils clearly poses a problem for urban areas such as Middlesbrough, which only has two parish councils, covering a small proportion of the town. The Government expects local authorities 'to empower, inspire and support their neighbourhoods as they do more for themselves.' The Council may have a role in promoting the further development of parish councils in the town and thereafter working with them on potential devolution of services, should there be an appetite for this. This would be in addition to the various community rights to control and run assets and services to be established via the Localism Bill.
15. The introduction of open commissioning policies and frameworks for remaining 'commissioned' services will clearly set the agenda for how these services will be delivered in future years. Overall, Councils will shift from providers to commissioners of services from a diverse range of suppliers in different sectors, potentially including helping their own staff to set up new independent enterprises.
16. Alongside devolution from councils to neighbourhoods and individuals, there is the prospect of current central government commissioning power in a range of services (natural environment support, public transport support, skills, and support for families with multiple problems) to be decentralised to councils.
17. The paper outlines a number of plans to increase the financial self-sufficiency of councils and to reduce the bureaucratic burdens imposed on them by central government. However it

is clear that the transition to, and operation of, open public services will bring significant additional work to the Council in the areas of commissioning and procurement, financial management, service re-design, performance management and ICT / information governance.

18. It is critical that the Council is prepared for these changes. The ongoing development of the corporate transformation programme – to be published in 2011/12 – will take full account of the principles of open public services and retain sufficient flexibility to account for detailed changes to specific service areas as they emerge.

19. Localism Bill – this wide-ranging Bill contains a number of proposals of critical relevance to local government, including:

- *Freedoms / flexibilities for local government:*
  - the creation of the general power of competence for local authorities
  - abolition of the National Standards Board
  - creation of powers that could require councils to pay a proportion of any EU fine received on air quality, waste or procurement if their actions contributed towards the achievement of the fine
  
- *New rights / powers for communities*
  - community powers to buy community assets (at market value) if they were put up for sale (including privately held assets)
  - a right to challenge could enable communities to bid to take over local services
  - creation of processes to facilitate local referendums
  - referendums to be held in the 12 largest UK cities on whether residents want a directly elected mayor
  - the right for residents to veto or approve proposed Council Tax increases that are above a level set by the Secretary of State
  
- *Planning reform*
  - amendment of the national planning framework to introduce a strong presumption in favour of sustainable development
  - creation of neighbourhood development plans to set policies for the development and use of land in their neighbourhoods
  - abolition of Regional Spatial Strategies
  
- *Social Housing reform*
  - Reform for social housing tenure
  - creation of a national home swap scheme.

20. These planned legislative changes will have an impact on the Council's asset management arrangements, the constitution, Councillor standards arrangements, planning policy and the approach to Council Tax setting. Lead departments have begun preparatory work in anticipation of forthcoming changes.

21. Local Growth White Paper – published in October 2010, this paper contained proposals for 24 Local Enterprise Partnerships (LEPs). LEPs are partnerships between local authorities and businesses that will oversee economic development in an area. LEPs will take on many functions previously devolved to Regional Development Agencies, which will be wound down by March 2012. The Tees Valley's LEP bid was successful and Local Enterprise Partnerships (LEPs) went live from April 2011.

22. LEPs are able to bid for monies from the Regional Growth Fund (£1.4bn over three years) to support economic growth in the regions. The minimum bid threshold will be £1m and bids from LEPs, other public-private sector partnerships or the private sector will be considered. With the reductions in local authority capital funding and housing and transport capital investment announced in the Comprehensive Spending Review, the Regional Growth Fund has been pitched as a principal source of funding for economic development, Housing Market Renewal and transport projects. However, projects approved in phase one appear to show a clear preference for economic development, meaning that funding for housing renewal will be at a premium. As a result the Council is considering other means of supporting Housing Market Renewal in the town.
23. Public Reform and Social Responsibility Bill – this Bill contains proposals to relax licensing rules to create a lighter touch framework for temporary events. A late night levy will be introduced, to be paid by operators serving alcohol between midnight and 6am. Councils will be responsible for the collection of the levy but the Bill makes clear that its main purpose is to cover policing costs.
24. The Bill also sets out proposals to replace Police Authorities with directly elected police and crime commissioners by 2012 who would have wide-ranging powers. This would have implications for the Council's role in crime and anti-social behaviour, and mean that the Council would no longer be the sole local body with a local democratic mandate.
25. Deregulation – the government is taking steps to reduce the number of statutory duties and data requirements on local government. A Single Data List and a list of statutory duties have been published as a basis for reduction, and a New Burdens Doctrine established, under which the government must fund any new burdens placed on councils.
26. Changes to audit and inspection – as part of a wider review of QUANGOs, the government is in the process of abolishing the Audit Commission. Local audit arrangements will alter as a result. From April 2012, local authorities will be required to appoint their own auditors and the composition of the Audit Committee will change to ensure an increased number of independent members.
27. Comprehensive Area Assessment has been abolished and in effect replaced with the transparency agenda. Councils will be required to publish key datasets in relation to performance, expenditure and staff remuneration to enable local people to hold local authorities to account and challenge where appropriate. The Council will be required to develop and publish a data inventory on the national [www.data.gov.uk](http://www.data.gov.uk) website to facilitate this.

### **Health and Social Care**

28. Health and Social Care Bill – this Bill contains a number of controversial measures, and further amendments to the content are possible. If passed in its current form, Primary Care Trusts and Strategic Health Authorities will be abolished from April 2013 and Clinical Commissioning Groups will commission services previously undertaken by these organisations. Public Health functions, staffing (including Directors of Public Health) and funding will transfer to councils. This Council has established a health transformation programme to ensure it will be able to meet its statutory requirements once the Bill is enacted.

29. Adult Social Care – national reviews into care funding, social care legislation and palliative care have recently reported their findings. These reviews have recommended capping the amount that people have to pay towards their care, the simplification of social care legislation and that the NHS should meet all needs (both health and social care) of patients on the end of life locality register. Government is yet to respond formally to the recommendations within these reports. Those recommendations that are accepted are likely to be included within the Social Care White Paper, due in December 2011. This paper will have a significant impact on future local authority social care delivery.

### **Children and Young people**

30. Academies Act 2010 and the Education Bill – the impact of these two pieces of legislation will inevitably be an increase in the number of academies, including both new schools and the conversion of existing local authority schools to academy status. From 2012 schools not achieving floor targets for performance recently raised by the Minister of State will be required to become academies.

31. There are likely to be significant financial implications for the Council if - as is likely - all schools in Middlesbrough convert to academies. Schools will receive all funding currently used by the Council to maintain them and all assets will be transferred. The Education Bill proposes to remove the statutory duty on the Council to provide a school improvement service, enabling schools to commission this service from other sources if they wish to do so. The Council is working with all local schools on a Learning Collaborative model, which will enable a smooth transition to the new arrangements and enhance educational outcomes for local children and young people.

32. Wolf vocational education review – all recommendations from this review have been accepted by the government and will be implemented. The review has recommended removing the incentives that lead to some secondary school children taking a large proportion of low quality vocational courses at the expense of more academic studies. There are moves to create a vocational baccalaureate, comparable to the new English baccalaureate standard.

33. Munro review on the effectiveness of safeguarding – this review was commissioned following concerns that the focus on children's needs was being lost within the demanding statutory milestone requirements set out within the safeguarding process. The review has recommended a number of improvement measures, which have all been accepted, either in full or in principle. Of particular relevance is the recommendation that a new statutory duty is created to ensure local authorities focus on early intervention.

34. Bursary Scheme – Implemented from September 2011, replacing the Education Maintenance Allowance (EMA). As members will be aware, the bursary scheme decision has been highly controversial resulting in protests.

35. The scheme is made up of two parts – around 12,000 16-19 year olds will be given guaranteed bursaries of £1,200 a year. This group is made up of children in care, care leavers and those on income support. Schools and colleges can distribute the remainder of their bursary allocation to support students who face financial barriers to participation such as costs of transport, food or equipment. They will have the freedom to decide the scale of the bursaries; to pay weekly, monthly, or annually; and link it to behaviour or attendance.

## **Welfare**

36. Welfare Bill – currently being considered by Parliament, this Bill proposes the creation of a Universal Credit from 2013 for new claimants. This will replace a number of separate benefits, including housing benefits, which will be phased out over four years from 2013. The Department of Work and Pensions will be responsible for the management of the new payment. Mouchel currently manages the housing benefits service on behalf of the Council and there will be staffing implications arising from this change for both Mouchel and the Council.
37. The Bill will also see the Disability Living Allowance (DLA) replaced with Personal Independence Payments. The Council estimates that more than 1,000 local people will lose access to this benefit as a result of this change. The overall impact of welfare reform may see approximately £45m per annum taken out of the local economy from 2013/14.
38. Work Programme – launched in June 2011 by the Department for Work and Pensions, this provision is being delivered by a range of private, public and voluntary sector organisations to support people at risk of becoming long-term unemployed to find work. It replaces previous programmes such as the New Deals, Employment Zones and Flexible New Deal. Avanta and Igneus have been chosen to be the North East providers.
39. Government have implemented an outcome based payments model for the programme. Funding will be provided for initial establishment costs, after which any additional monies are dependent upon the success of the company in getting a person into work and assisting them to maintain their employment. The Council's senior managers continue to engage with the two delivery organisations, however opportunities to influence local approaches are limited.
40. Localisation of Council Tax benefits – the government is currently consulting on plans to introduce localised payments of Council Tax benefits from April 2013. It is proposed that people of pensionable age currently eligible for this support will be unaffected by the changes, but for those of working age, the local authority will set the level of support they can receive. While funding will be provided to facilitate this, it is unclear whether this would meet current demand as the government has indicated it will be reducing the available funding by 10%. As a result the Council may have to cut the current level of Council Tax benefits to meet financial requirements. Again the government believes that this change will incentivise councils to get more people back into work.

## **Council actions**

41. To ensure that the Council is in a position to respond effectively to these changes, a number of measures have been put in place.
42. A corporate policy tracker database has been established to collate a high level overview of the major changes, potential implications and how the Council is responding. This is issued to CMT and senior managers on a quarterly basis. A programme of Member briefings will commence from September 2011 onwards, providing greater detail on the main elements of the coalition's policy programme.
43. The Council's Risk Registers have also been updated to reflect the impact of these forthcoming policy changes. Of the top 20 risks facing the Council, 13 relate to the impact of the Coalition's policy programme. Universal Credit has been identified as the highest

scoring risk to the Council. 2013 has been identified as critical in terms of risk as the majority of the planned policy changes will be implemented during the course of this year.

44. Lead departments are planning for change, with a number of specific initiatives in development, including a public health transformation programme. Implications for Council services and funding will be set out in the Council's Transformation programme and the Medium Term Financial Plan.

## **IMPLICATIONS**

45. The implications of these policies will be reflected within the Council's transformation programme.
46. Individual reports to implement changes arising from the programme will be brought forward by lead departments as appropriate.
47. 2013 has been identified as critical in terms of risk as the majority of these planned policy changes will be implemented during the course of that year.

## **RECOMMENDATIONS**

48. That the key points and potential implications of the government's policy programme be noted.

AUTHOR: Ann-Marie Johnstone  
TEL NO: (01642) 729080  
EMAIL: [anmarie\\_johnstone@middlesbrough.gov.uk](mailto:anmarie_johnstone@middlesbrough.gov.uk)

---

Address: [anmarie\\_johnstone@middlesbrough.gov.uk](mailto:anmarie_johnstone@middlesbrough.gov.uk)  
Website: <http://www.middlesbrough.gov.uk>