

Report of	Meeting	Date
Director of Policy and Governance	Council	22 November 2016

CHALLENGES FACING LOCAL GOVERNMENT

PURPOSE OF REPORT

1. To provide an update on developments since the council considered the reports on future governance models for public services in Chorley, and to seek to clearly establish the council's priorities and intentions if local government structures change in Lancashire.

RECOMMENDATION(S)

2. To note that the recommendations accepted following the future governance models report remain relevant to the emerging challenges in Lancashire.
3. That the council will seek to work with local authorities within Lancashire to change local government structures so they are sustainable and enable public service reform.
4. That the council agrees that a new model authority (as set out at paragraph 27) based on the borough boundaries, working with other local authorities within central Lancashire is the most advantageous in terms of achieving sustainable public services while retaining community identity and local accountability.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

6. The challenges facing local government and public services in Chorley was one of the key reasons for the work undertaken to examine future governance models and the viability of unitary government for Chorley. These challenges have continued to increase and become more immediate since the council considered the future governance models report last November.
7. The future governance models report concluded with a series of recommendations. The most relevant for this report were:

- Chorley Council should adopt a clear statement of purpose that it sees itself as a community leader that will work across organisational boundaries to improve and protect public services
 - Chorley Council should have a clear ambition to achieve integrated public services in Chorley, using the integrated district governance model as a foundation.
 - Chorley Council should work with neighbouring areas to explore the development of opportunities for radical public service reform across a wider geographic area.
8. The report suggested five potential models for public services. They were:
- Status quo
 - A 'traditional' unitary authority on the borough boundaries
 - Integrated district council
 - Integrated district councils over a larger footprint
 - Integrated public services, based on a new model of unitary local government
9. Since last November, there have been a number of further developments and challenges facing public services. This report provides an update on the key issues, and seeks to agree an updated position for the council with relation to public service governance models.

KEY DEVELOPMENTS

Lancashire County Council statutory services budget review

10. Key arguments in the decision to start work around future governance models for public services focussed around the financial challenges faced by the county council and the potential impact that meeting those challenges would have on services.
11. Since the future governance models work, the county council has started to implement its budget strategy, most tangibly in its assets review and reduction to bus subsidies.
12. The county council has also commissioned PWC to undertake work to develop a new public sector operating model for Lancashire. The first element of that work was to examine the financial challenges facing the county council, and the report has been recently published.
13. Some of the key points in that report include:
- The county council is forecast to have a cumulative deficit of £398m by the end of 2020/21 and an in year deficit that year of £148m. This is predicated on all savings plans being achieved with no slippage. The review by PWC of the Council's savings portfolio and has identified that a significant proportion of planned savings are at risk of slippage.
 - Even if the Council were to reduce its expenditure to the median of lowest quartile within the timescale of this MTFS, it would still be facing an in year deficit of £79m and a cumulative deficit of £227m by 2020/21.
 - The Council has budgeted to make significant use of reserves within the next three years. In 2016/17 budgeted use of reserves stands at £139m, a reduction of 44% of available reserves, at current planned rates the Council will have exhausted its reserves by the end of 2018/19.
 - The Council is not currently in a sustainable financial position. Even moving the Council to lower cost comparators across all services areas does not sufficiently close their financial gap over the four year period.
14. The report also mentions that the combined authority may provide an embryonic governance context for considering pan-Lancashire public service issues. PWC have also been commissioned by the county council to develop a public sector operating model. The financial case for the work will be completed in December.

15. The PWC report notes that if the county council cannot change enough and close its budget gap or deliver its statutory functions, there is a risk that the Secretary of State could intervene and direct that they will exercise council functions. In other areas where this has happened (normally following major service failings), the Secretary of State has put in place a team of commissioners who run the council, taking the decision making responsibilities from Councillors.

National discussion and developments

16. Since the council considered the future governance model report, there have been a number of other parts of the country that have made various proposals for local government reorganisation. These include:
- Oxfordshire: in February district councils mainly in Oxfordshire proposed creating three unitary authorities. The county councils affected opposed the idea. However, in September, the districts ended their proposals based on feedback from DCLG that they needed to secure agreement from the county council as well.
 - Buckinghamshire: the county council has published a report claiming that a county unitary would make massive savings. The district councils in the area oppose that suggestion and have commissioned Deloitte to produce a separate report.
 - A Conservative MP for Elmet and Rothwell has proposed replacing two-tier areas with county unitaries.
 - The county councils' network has published a report commissioned from EY that argues that creating single county-wide unitaries in existing two-tier areas would save £2.9 billion over five years. In response, the district councils' network has disputed the report's findings.
17. There are other developments within public services of note over the last twelve months. This includes a requirement of NHS England for local areas to develop Sustainability and Transformation Plans (STP). The aim of the plans is to make health services more focussed on the needs of local populations; and changed to become more sustainable. For Chorley, the STP is across Lancashire and South Cumbria, with local plans being developed in support of this. Chorley's Local Delivery Plan is based on the local health economy of Chorley, South Ribble and Preston.

Cities and Local Government Devolution Act 2016

18. A provision was made in the Cities and Local Government Devolution Act 2016 for the Secretary of State to agree to proposals for local government reorganisation. Although there has not at yet been any public progress on areas using it, it does provide a period to the end of March 2019 for the Secretary of State to make changes for an area even if one council objects.
19. The provision seems to be at odds with the feedback that districts within Oxfordshire have received from CLG civil servants, but it potentially remains an opportunity to start discussions locally and with central government about reorganisation.

Letter from Lindsay Hoyle MP

20. The Executive Leader has recently received a letter from Chorley's MP. It is attached as Appendix A. In it, he calls upon the council to consider how best to safeguard the people of Chorley from cuts in services.

ISSUES FOR CHORLEY AND THE BOROUGH'S RESIDENTS

21. The issues facing local public services remain the same as those presented in the future governance models report last November. They have, however, become more acute in the

last year and include; reduction and withdrawal of services; less investment on services related to prevention and early intervention and a greater fragmentation in service delivery.

22. The council decided last year that it would have an ambition to achieve integrated public services for the borough and acknowledged that this would likely need radical changes to local government structures. If the council decided that it should consider pushing for local government reorganisation, there remain a number of issues that would need to be addressed:

- Scale: it is extremely unlikely that Chorley acting on its own would have the scale that the government would be seeking to achieve in creating new unitaries.

In March, CLG officials gave to Dorset that the government would prefer population sizes of between 300,000 and 700,000.

- Track record in public service reform: the council needs to demonstrate that it is able to deliver on public service reform. This would mean that it needs to demonstrate that it can deliver new models of working with the NHS, most notably the integrated community wellbeing service with LCFT, which would mean keeping on track to deliver the integrated community wellbeing service in line as far as possible with the timescales agreed at council in July.

BEST ROUTE TO SUSTAINABLE PUBLIC SERVICES?

23. It is unlikely that public services are going to be successfully transformed and become more sustainable in the current governance structures. The timescales available for change and complexity of the system make it highly challenging.
24. **Local government reorganisation is likely to provide the best catalyst for change** – with a clear ambition to create public services that are able to meet the challenges and demands ahead.
25. Different functions are best suited to different population sizes and spatial levels. Some need larger scale, while others are better able to deliver efficiently and effectively at a smaller scale. However, working across different areas should not mean that democratic accountability should become confused.
26. The table below sets out a possible approach to achieving sustainable public services for Chorley. It is based on the conclusions and recommendations of the council's future governance models report. Further work is now being undertaken to model the broad financial implications of changing the structures of public services across Lancashire. This will be shared with the working group when it is available.
27. It is important to note that the recommendation to use a model of an integrated district council as the basis for change was predicated on the existence of a functioning county council. The financial challenges facing the county council would now appear to make that model unrealistic beyond the short term.

Spatial level	Structure and focus
Borough level	<p>A new model single tier local authority.</p> <p>A focus on prevention and early intervention, with local government services related to the wider determinants of health integrated with NHS community and mental health services.</p>
Networked boroughs – based on the local health economy of Chorley, South Ribble and Preston	<p>Shared back office and customer services across the boroughs.</p> <p>Commissioning and provision of health and social care services based in an accountable care organisation.</p>
Pan-Lancashire	<p>A combined authority responsible for economic growth, skills and education, transport and waste disposal.</p> <p>A trust for Children's Services, accountable to the combined authority.</p>

28. The **key element of the proposal above is that the new model local authorities would be built on the premise of working together** across clusters in shared service delivery and across Lancashire through the combined authority. Accountability would be maintained through the local authorities, who would make up each of the larger groupings. The authorities that make up the networked boroughs would each be sovereign organisations, but would deliver functions jointly.
29. This would represent a radical change to public services. It is, however, important that these options are considered as there is otherwise a risk that the collective decline of public services is managed by individual organisations making decisions that help them balance their budgets over the short term but damage services in the long term.
30. While there is uncertainty following the recent changes to national government, the best route to reorganisation is still likely to be through a devolution deal.
31. This means that the majority (if not all) of the Lancashire district councils need to agree to a single proposal for change. The reason for this is that it is likely that the government would want to contain reorganisation within the existing county boundaries.
32. A starting point for further discussions about local government reorganisation will be for the council to clearly state its position and to seek to build support and engagement from other Lancashire local authorities.

IMPLICATIONS OF REPORT

33. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area	✓	Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

34. No comments

COMMENTS OF THE MONITORING OFFICER

35. No comments

CHRIS SINNOTT
DIRECTOR (POLICY AND GOVERNANCE)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Sinnott	5337	10 October 2016	Local government challenges Nov 16