

Cabinet Report



Listening Learning Leading



Report of Chief Executive

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Update on Devolution proposals for Oxfordshire

Recommendations

- (a) to receive the independent study of PricewaterhouseCoopers (PwC) into options for local government reform in Oxfordshire, including the proposition of the district and city council leaders' in respect of their preferred model arising from that study.
- (b) to note that following discussions with the Department of Communities and Local Government, the leaders of the district, city and county councils have agreed to focus on identifying areas for collaborative working and the reshaping of a devolution deal that does not incorporate proposals for the reform of local government within Oxfordshire.

Purpose of Report

1. To provide an update on the development of a devolution deal following independent study into the options for local authority reform in Oxfordshire conducted by PricewaterhouseCoopers (PwC).

Corporate Objectives

2. All.

Background

3. At the beginning of 2016 the Oxfordshire councils, the Oxfordshire Local Enterprise Partnership and the Oxfordshire Clinical Commissioning Group worked together to develop a devolution deal for Oxfordshire. Initial feedback from the Government was that consideration should be given to the governance arrangements that would facilitate the delivery of the devolution deal, if it was to be agreed.
4. The Government, under the former Prime Minister and the former Secretary of State for Communities and Local Government had been in the process of negotiating devolution deals as a means of providing greater powers and funding to local areas to stimulate economic growth, and reform the way that public services are designed and delivered locally. As part of this, the Government required new collaborative governance arrangements in the form of combined authorities to be accompanied by either a directly elected Mayor and/or a move to unitary councils.
5. The Cities and Devolution Act has provided the Secretary of State for Communities and Local Government with new simplified powers to create Unitary Authorities which have local support. In support of a devolution deal for Oxfordshire, the five district councils agreed to explore proposals for a new model of local government for the local area.

Studies undertaken into possible new structures

6. The five district councils in Oxfordshire commissioned an independent study by PricewaterhouseCoopers (PwC) to assess whether the options for a unitary and combined authority local government model in Oxfordshire would in principle be both feasible and better placed to deliver this ambition.
7. The district councils' ambition was to create a viable and sustainable structure for local government in Oxfordshire that would:
 - Serve the interests of residents, businesses and communities and reflect local challenges and priorities in the most effective and efficient way
 - Streamline local government with one council responsible for services in each area
 - Meet the government's objectives for revised governance structures required for a devolution deal which would secure significant investment in infrastructure, housing and skills

- Deliver significant efficiency savings needed to deal with reducing budgets and increasing demand for services
- Deliver better and more responsive public services and promote public sector service transformation
- Enable economic and housing growth so that all areas can meet their potential while reflecting the different interests of market towns and rural communities
- Help to deal with the demographic pressures on adult social care and improve outcomes through integration with health services
- Ensure a system for children’s services that is better at protecting and safeguarding children.

8. The report considered five options for new unitaries as set out in the table below:

Option	Areas covered
A single Unitary authority covering all of the current Oxfordshire region	<ul style="list-style-type: none"> • Oxford City, Vale of White Horse, South Oxfordshire, Cherwell and West Oxfordshire
Two Unitaries based around the current City Council and a separate authority for the wider region	<ul style="list-style-type: none"> • Oxford City • Vale of White Horse, South Oxfordshire, Cherwell and West Oxfordshire
As above but with an expanded boundary of the City Council	<ul style="list-style-type: none"> • Oxford City (expanded boundary*) • Vale of White Horse, South Oxfordshire, Cherwell and West Oxfordshire <p>*An expanded boundary for the city which includes new strategic-scale urban extensions around the edge of Oxford that have a close functional link.</p>
Three Unitaries based around the current city, combining the two districts in the north of the region and likewise in the south of the region	<ul style="list-style-type: none"> • Oxford City • Vale of White Horse and South Oxfordshire • Cherwell and West Oxfordshire

As above but with districts in the north remaining separate.	<ul style="list-style-type: none"> • Oxford City • Vale of White Horse and South Oxfordshire • West Oxfordshire • Cherwell
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9. The PwC study, attached as appendix 1, did not recommend a single preferred model, but instead set out the viability of each of the identified options, leaving the district and city council leaders to determine which, if any, they wished to recommend to Government, their respective councils and other key stakeholders.
10. Having considered the feedback from stakeholders, along with the analysis and evidence of PwC's report, the leaders of the five district and city councils were persuaded that a strong case exists for a district unitary and combined authority solution to improve public services and local accountability as part of a devolution deal for Oxfordshire. The leaders agreed that their preferred model would be for three unitary authorities to be responsible and accountable for all local government services in this area and developed a joint proposition, attached as appendix 2 that reflected this model, to sit alongside the PwC report.
11. The proposition of the leaders of the district and city councils was to replace the current two-tier system of local government with new unitary authorities that would be accountable for all local government services in their area at a level which reflects the diverse characteristics and different interests across the county. The leaders were persuaded that this would reduce confusion and complexity, enable greater joining up of decisions and deliver significant efficiency savings, whilst ensuring all services would be responsive and accountable to local communities. It would also address the future challenges and constraints of our area and deliver better services for residents.
12. The three unitary authorities preferred by the district and city council leaders were agreed as:
- **Northern Oxfordshire** (comprising of current Cherwell and West Oxfordshire District Councils with a geographical area of 1,303km²)
 - **Oxford City** (comprising of current Oxford City Council with a geographical area of 46km²)
 - **Southern Oxfordshire** (comprising of current South Oxfordshire and Vale of White Horse District Councils with a geographical area of 1,257km²)
13. The county council similarly commissioned their own external consultants, Grant Thornton, to conduct a study into options for the possible reform of local government within Oxfordshire. Unlike the PwC report, the final report of Grant Thornton makes clear that it had found that a single county unitary authority would be the strongest model of local government within this area. This has had the effect of highlighting that agreement between the district, city and county council's in

relation to any potential new structure for local government in this area would be difficult to achieve.

Changes nationally

14. Following changes in national government it has been made clear that the Government and new Secretary of State for Communities and Local Government would not agree to any public service reform where the areas and key stakeholders had been unable to reach agreement amongst themselves. DCLG have subsequently advised that they will continue to work closely with local areas and remain open to discussion on any devolution proposals that include strong, accountable governance and clear accountability; however they have advised that the Government has emerging changing priorities that will become clearer with the announcement of the Autumn Statement and through other policy/legislative changes. Also through changes to business rates retention policy, which will be introduced through a new Bill, probably in January 2017. Consequently such governance arrangements would need to be factored into the development of a deal.
15. The leaders of the district, city and county councils therefore agreed that they would focus on identifying areas for collaborative working and the reshaping of a devolution deal with the new Government that does not incorporate proposals for structural reform. Consequently, it is not intended to seek decisions on the respective studies of the two independent consultants', PwC and Grant Thornton beyond formally receiving them. Discussions between the district, city and county councils would continue to take place over the forthcoming weeks with a view to achieving an acceptable devolution deal proposal.

District council comments on the report produced by OCC

16. Many of the questions posed in the OCC report about how the combined authority would operate and how strategic services would be delivered have been answered by the PwC report commissioned by the districts. The key points of difference are set out in paragraphs 17 to 24 below.
17. The Grant Thornton report identifies potential savings from consolidation of political and management structures and rationalisation of assets of approximately £20m per year for a single unitary and £5m per year for a three unitary option. The difference in savings between these options is marginal when considered as a proportion of the total local government spend in Oxfordshire (1 per cent of total spend). It does not include an analysis of what could be delivered through transformation of services. The PwC report illustrates that the potential savings that could be delivered from the transformation of services is far greater than the savings that could result from changes to governance structures. The Grant Thornton report identifies that of the £114m of savings the county intends to deliver over the next 4 years, only £15m will be delivered through service transformation, indicating that 87 per cent will be delivered by service cuts. The districts by comparison have dealt with significant reductions in funding through ambitious transformation programmes without service cuts. Therefore delivering greater efficiency and better outcomes for residents.

18. The Grant Thornton report states that the financial viability of Oxford City as a unitary authority was a decisive factor in their evaluation and says there is no clear process for a renegotiation of funding settlement to mitigate this. This is not correct since any reorganisation of local government would involve a review of the funding settlement with government. In addition, as the PwC report highlights, government is progressing fundamental reform of the local government finance system to facilitate greater local retention of business rates and since Oxford generates significantly more business rates than the other areas its financial position would improve significantly.
19. The Grant Thornton report states that under the status quo, all authorities within Oxfordshire are likely to be able to maintain financial resilience over the short to medium term. This begs the question of how the County intend to fill the funding gap in its budget which has required £39.6 million use of its reserves in the last two years.
20. Moving to unitary authorities would require harmonisation of council tax rates across the combining authorities. Given the degree of variance across the councils, under Grant Thornton's recommended approach the single county option would result in an increase in council tax of 4 per cent per annum for residents in rural areas. As the current county council medium term financial plan assumes an increase in council tax to cover a funding gap in children's and adult's services, this would further reduce the savings available under the single unitary option
21. With a current population of 627,500, the county-wide unitary would be by far the largest unitary of its kind and the third largest council in the country. By 2031, the population would reach 883,637 if the 100,000 new homes that have been identified as needed across the county were delivered. This would significantly exceed the upper limit of 700,000 that government have said is appropriate for new Unitaries.
22. The Grant Thornton report recognises that an authority of this size would risk remoteness from communities. To deal with these deficiencies, the report identifies the need for sub-structures to manage and administer services such as planning and acknowledges that these could affect the level of savings available. The county has outlined proposals, set out in "option 6" in the Grant Thornton report, for a county wide unitary that would delegate certain powers and responsibilities to boards or committees based on the current city and district council areas. The example given is planning committees that would take decisions on planning applications in line with planning policy set at the county level. There is no indication of the additional costs of this option, but this is outside of the savings identified in the original report and therefore any savings would be reduced under option 6.
23. Under this model tax raising powers, resource allocation and budgets and policy would be set by County and the model suggests that flexibility would be needed to make changes to the arrangements, so presumably any delegated powers could be subsequently withdrawn. With the county as the sovereign body for all responsibilities and resources, the area committees' role would be confined to administrative functions and decisions. The Grant Thornton report proposes to include a Town Council for Oxford; this would provide for disparity between Oxford City and the rural areas.

24. A combined authority would provide a robust and accountable governance arrangement for the Districts to work together and with business and health to create a single body to drive growth and provide strategic oversight, jointly commission services and a single coherent voice with local partners and government.

Areas of consensus

25. Both studies have identified ways in which we can make progress on the urgent challenges of delivering savings, improving services and delivering growth in Oxfordshire without changes to the structure of local government. These include:

- Significant potential for service transformation and opportunities to improve service delivery
- The need to find ways to drive economic growth and meet the infrastructure challenge
- The need for a more coherent local government voice with which business and partners can effectively engage
- The need for strong and accountable strategic and local leadership

The current position

26. The district councils' have been advised that the County Council's Cabinet has formally agreed to proceed with developing a business case for local government reform in Oxfordshire.

27. Following the confirmation by the two independent reports that the status quo is not an option, and that savings in excess of £100m are available, they are keen to work up more detailed proposals based upon 'Option 6' which was outlined in the Grant Thornton report but not followed up in detail at that time. In summary, the 'Option 6' proposal, proposes:

- A strategic unitary council for Oxfordshire with overall responsibility for determining a framework of delegation of powers and budgets
- Constitutionally established area boards reflecting the administrative boundaries of the current City and District Councils exercising these delegated powers and budgets
- A commitment to explore further enhancements to the roles of Town and Parish Councils.

28. The County Council are seeking support from the district councils' for this work.

29. The district council leaders have responded with a clear commitment, in the absence of agreement between the county and the districts on a future unitary model, to work collectively with partners on actions that they can take to deliver the

savings that the PwC and Grant Thornton reports identified as being available and to re-engage in discussions with government on a deal which will help to address the serious deficiencies in housing and transport infrastructure that threaten the economic success of the area.

30. The areas which are proposed for further discussion are:

- **Securing funding for Infrastructure, Skills and Economic Development** - including consideration of the role of the Growth Board and the LEP and the potential for a revised deal with government focused on infrastructure and growth.
- **Strategic Spatial Planning** – to explore options for stronger collective and strategic approach to planning for transport, employment and housing across the county. To include a potential strategic spatial plan to agree locations, scale and phasing of growth and large scale development to prioritise and plan for infrastructure investment and meet identified housing need.
- **Locality approach to Health and Social Care** - joint work could be focused on ensuring the locality approach to delivery that makes the most of opportunities for prevention, community service redesign and links with local services including social care, well-being and leisure services and housing. This could also explore opportunities to work with health on housing for key workers.
- **Rationalisation and better use of public assets** - exploring opportunities for a place based and collective approach to use of public assets that could achieve savings, protect and improve services, through the co-location and redesign of services, and release sites for housing or other development.
- **Business rates** - to consider how we might work collectively to maximise business rates take for Oxfordshire to the benefit of residents.

Financial Implications

31. There are no financial implications arising directly from the recommendations in this report.

Legal Implications

32. There are no legal implications arising directly from the recommendations in this report.

Conclusion

33. This report seeks formal consideration of the report prepared for the Oxfordshire District Councils by Price Waterhouse Cooper on possible options for local government reform in Oxfordshire, and the parallel report undertaken by Grant Thornton for Oxfordshire County Council.

34. As a consequence of the recent changes in Government, including the appointment of a new Prime Minister and a new Secretary of State for Communities and Local Government it has been made clear that local authorities

should expect to see changes to Government priorities in the short term, including specifically in relation to devolution deals, local government reform and other areas of policy. DCLG officials have also confirmed that the focus and priorities of the Government will become clearer when the Autumn Statement is announced in/around December 2016, and through changes to business rates retention policy, which will be introduced through a new Bill, probably in January 2017.

35. In the meantime DCLG has made clear that the Government will not agree to any proposals for local government reform where those proposals do not have the agreement of the areas.

36. The leaders of the district, city and county councils have agreed that they will now focus on identifying areas for collaborative working and the reshaping of a devolution deal with the new Government that does not incorporate proposals for structural reform. Consequently, it is not intended to seek decisions on the respective studies of the two independent consultants', PwC and Grant Thornton, beyond formally receiving them. Discussions between the district, city and county councils will continue to take place over the forthcoming weeks.

Background Papers

Grant Thornton report, published August 2016