

Implications of the Queen's speech 2015

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For the first time in almost 20 years, the Queen's speech¹ set out a majority Conservative government's legislative plans for the next parliament. The speech allowed David Cameron to pursue many of the major pledges made in the Conservative's 2015 general election manifesto. These included the Cities and Local Government Devolution Bill² which will accelerate the process of handing English cities powers over housing, transport, planning and policing; the Enterprise Bill which will aim to reduce red tape and regulation for British businesses; the Schools Bill which will continue the growth of Academies; and the Housing Bill which will extend the right-to-buy scheme to 1.3 million social housing tenants.

The 2015 general election produced an unexpected result, a Conservative majority of 331 seats in the Commons.

The fact that the Conservative party were able to win a majority will allow them to implement most of their manifesto, although Conservative backbenchers have the potential to disrupt David Cameron's plans. This bulletin will discuss the implications of the Conservative proposals outlined in the Queen's speech and general election manifesto for the local economy, people and places.

Devolution

The previous Coalition Government had cemented their approach to devolution through small scale reforms, such as the 2011 Localism Act and the 2012 Finance Act, which devolved a number of competences to authorities and communities and allowed authorities to retain a share of business rates and growth revenue. The Regional Growth Fund, Growth Deals and the Growing Places Funds were also made available to all local areas, providing the opportunity for bespoke deals and reform packages. Over this period, the Conservative's and Coalition Government's gradual and staggered approach towards devolution has culminated in the introduction of five combined authorities, 15 directly elected local authority mayors, and plans for more Metro Mayors to be elected as part of increasing devolution deals for cities.

However the content of the Cities and Local Government Devolution Bill raises the question: what changes can we expect for local economies and the future of the devolution agenda in England? It would appear that the Conservatives simply mean to continue as they've gone on, as English devolution played a relatively small role within the manifesto and mainly focused on English votes for English Laws. Therefore, it would appear that bespoke Growth Deals and decentralisation of powers to (large) cities, conditional upon the appointment of an elected mayor will continue to be the order of the day.

¹ <https://www.gov.uk/government/publications/queens-speech-2015-what-it-means-for-you/queens-speech-2015-what-it-means-for-you>

² <http://www.publications.parliament.uk/pa/bills/lbill/2015-2016/0001/16001.pdf>

Since the election the Devolution and Northern Powerhouse agendas continue to be the most prominent and fully realised examples of the Conservatives vision for devolution, which despite its aspirations to deliver 'power to the people' continues to be driven by a strong economic growth agenda focused largely on England's Core Cities. This means that for those living in the Core Cities, their local area will receive more powers over, transport, policing,

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housing and health care. At present much still remains unrealised as regards how Cities will manage these additional powers alongside a new relationship with central government. There is also no mention of the role of local citizens and the third sector within this structure and it remains unlikely that powers will be devolved below Combined Authority Level. This strategy misses a significant opportunity to involve citizens and encourage greater accountability within the devolution process. The lack of devolution at the local level also ignores the potential for local actors to develop initiatives to drive socio-economic growth within local economies.

Businesses

It is expected that the Enterprise Bill will cut a further £10 billion of red tape over the next Parliament, and pledge to treble the Start Up Loans programme, enabling 75,000 entrepreneurs to borrow money to start their own business. The Conservatives have also vowed to increase the number of start-ups to 600,000 a year by 2020; perhaps not a ground-breaking goal as over 580,000 businesses were created in 2014 for example. The Conservatives will also raise the target for SMEs' share of central

government procurement to one-third, strengthen the Prompt Payment Code and ensure that all major government suppliers sign up. A further key promise in the manifesto is the commitment to accept the recommendations of the Low Pay Commission and increase the National Minimum Wage to £6.70.

The Conservative manifesto also placed a strong emphasis on supporting SMEs through the extension of policies such as the 100 per cent Small Business Rate Relief, which increases the business rates retail discount to £1,500 providing extra support for high street shops. There is also a commitment to conduct a major review into business rates to ensure that they properly reflect the structure of the economy, whilst providing clearer billing, better information sharing and a more efficient appeal system. The manifesto also aimed to reduce ring-fencing and remove the burdens of Whitehall from councils to provide and support more local services. Building on the local

retention of business rates introduced in 2012, the manifesto also pledged to allow councils to keep a higher proportion of the business rates revenue generated in their area, providing a strong financial incentive for councils to promote economic growth. The Conservatives have also committed to support Business Improvement Districts and other forms of business-led collaboration on high streets, which will give local traders more of a say on issues such as minor planning applications, cleaning and parking.

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The majority of these policies are positive solutions for supporting small businesses by introducing financial incentives alongside opportunities for further capital, which will no doubt play an important role in encouraging businesses to expand and take on more employees. The combination of Business Improvement Districts and the retention of business rates also provides greater opportunity for capital to be invested strategically and remain within local economies encouraging growth. However, although an increase in the minimum wage is a positive statement, the opportunity to push for a more economically just Living Wage has been missed.

Housing

Housing was a major talking point during the build up to the election and formed an important part of the Queen's speech. The resultant Housing Bill will set out a clear objective to build affordable homes, including 200,000 Starter Homes built solely for first time buyers under 40, which will be sold at a 20 per cent discount. The current Help to Buy Equity Loan scheme will be extended by introducing a new Help to Buy ISA to support first-time-buyers with a deposit. The Right to Buy scheme will also be extended

to Housing Association tenants. The extended scheme will cover another 120,000 homes helping over 200,000 people with a mortgage guarantee until the start of 2017, as

well as a Help to Buy equity loan until at least 2020. The replacement of houses sold under the Right to Buy scheme will be funded by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant.

The Conservative manifesto pledged to go beyond the 217,000 affordable homes delivered since 2010, to construct a further 275,000 additional homes by 2020. The effective use of Brownfield sites appears to be central to ensuring that these targets are met in order to unlock land for additional housing. The manifesto requires local authorities to introduce a register of what is available, and ensure that 90% of suitable brownfield sites have planning permission for

housing to deliver on national targets by 2020. To incentivise local councils to manage their land and building stock, the manifesto commits to transfer a 10% stake in public sector land sales to local authorities. In order to achieve these targets the Conservatives promise to fund Housing Zones to transform brownfield sites into new housing, creating an estimated 95,000 new homes.

Encouraging individuals to custom build their own homes is also a key priority, exemplified by the commitment to double the number of custom-built and self-built homes by 2020. This is complimented by the introduction of a new Right to Build which requires councils to allocate land to local people to build or commission their own home.

Initiatives to encourage the effective reuse of Brownfield sites is likely to support development in our post-industrial cities and unlock land urgently needed for housing.

Although the government intends to build more 'affordable' homes, their targets are inadequate; the 2004 Barker Review estimated that 250,000 new homes needed to be built per year to meet demand. In light of this issue, the expansion of the Help to Buy scheme however helpful for individuals, is likely to fuel demand further and place increasing pressure on an already inadequate housing supply in the long-term. The introduction of the right to buy Housing Association property is worrying, as this stock is privately owned by the Housing Association and is a crucial part UK's overstretched social housing stock.

Employment and skills

The Queen's speech outlined a continuation of the radical reforms of the education and skills system. The Schools Bill will continue the ambition to create greater opportunities for private individuals and teachers to exercise control over 'failing and coasting' schools. Exemplified by their promise to ensure that any school judged by Ofsted as requiring improvement will be taken over by the best head teachers, supported by expert sponsors or high-performing neighbouring schools. The Conservatives will also continue to expand its free schools programme with the promise to open at least 500 new free schools, resulting in 270,000 new school places. This will be accompanied by the removal of further powers and oversight from local authorities in terms of how schools are run. The Conservatives

also promise to protect the funding for school places and invest at least £7 billion over the next Parliament to provide high quality school places.

There is a strong emphasis upon apprenticeships and the need to ensure relevant and competitive skills training. In order to achieve this the Employment Bill will give employers much more control over apprenticeship courses, so they teach skills relevant to the workplace. The Conservatives are also committed to continuing to replace lower-level, classroom-based Further Education courses, with apprenticeships that combine training with experience of work and a wage. The Employment Bill is also likely to introduce more Degree Apprenticeships, allowing young people to combine a degree with an apprenticeship.

Employment and skills are central to the Government's long term economic plan, which aims to achieve full employment in the UK. The Employment Bill will ensure that businesses will receive support in order to create two million jobs over the next Parliament, with incentives such as abolishing the jobs tax (employers' National Insurance contributions) for the under 21s, and

eventually for young apprentices under 25. This will be accompanied by the continuation of the

Employment Allowance which helps support smaller businesses take on new workers, freeing businesses from the first £2,000 of employers' NICs, ensuring that a third of employers pay no jobs tax.

For those 16-17 year olds who are still not in education, employment or training or are at risk of becoming so, the Employment Bill will aim to provide specialised Jobcentre Plus advisers to work with schools and colleges, to supplement careers advice and provide routes into work experience and apprenticeships. However this is accompanied by tougher requirements for those currently claiming benefits, with the introduction of tougher Day One Work Requirements. This will replace the Jobseeker's Allowance for 18-21 year-olds with a time limited Youth Allowance for six months, after which young people will be required to take an apprenticeship, traineeship or voluntary work.

The introduction of more apprenticeships, flexible degrees and increased schools funding alongside tax incentives to encourage employers to take on apprentices and/or trainees; are very positive developments and are likely to encourage a broader skill base and increased employment opportunities within local economies. However the expansion of the free schools programme

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and the reduction of local authority powers of regulation over such schools is particularly worrying as it is likely to create a factitious relationship between local authorities, and in some cases may result in greater inequality in the standards of educational provision in an area. As free schools are essentially privately run by Trusts or other private sponsors with public funding, the fact that they are now unaccountable to the local authority raises serious questions as to how public money diverted from the state system is being allocated. A similar issue of accountability arises with the Government's plans to enable employers to play a significant role in shaping Apprenticeships. This may have a positive affect and increase the relevance of Apprenticeships and ensure a local workforce which meets the skill needs of the local economy. However, it may also encourage a short term view as regards skills development with employers influencing Apprenticeships to meet the short term needs of their industries rather than developing a sustainable and long term skills base which reflects both national and local needs.

Public services

In Coalition the Conservatives over saw radical reforms of public services and introduced a number of public sector cuts in an effort to reduce public spending. The most recent manifesto promises to freeze working age benefits for two years from April 2016, as well as maternity allowance, statutory maternity pay, statutory paternity pay, statutory adoption pay and statutory sick pay (with exemptions for disability and pensioner benefits). The Government continues to promise to fulfil their pledge to deliver Universal Credit despite a number of technical problems. Universal Credit is a central pillar of the Government's public service reform and is the main policy through which they aim to provide the right incentives for people to work; target support at those who need it most; reduce fraud and error; and streamline administration of the welfare system. The savings achieved through the planned lowering of the maximum amount that a single household can claim in benefits each year from £26,000 to £23,000, will be used to increase funding for apprenticeships.

Public services and local authorities already struggling under the burden of previous cuts will have to either cut services, or attempt to mediate the worst effects through innovative and collaborative ways of working.

The Government have pledged to cut the welfare budget by a further £12 billion. The Government also promises to reduce the cost of government by selling empty buildings, managing big projects better, shrinking the Civil Service, reforming pensions, moving more

services online, and improving contracting. The Government have pledged to reclaim a further £10 billion annual savings by 2017-18 and £15 - 20 billion in 2019-20 using these methods.

The focus on efficiency savings and the intention to reduce spending and incentivise claimants by capping benefits is likely to have a severe impact on a number of vulnerable groups. The planned reforms to maternity, and sick pay are also likely to affect those individuals who are currently managing on low incomes and may result in an effective pay cut for those currently on these wages, as they fail to increase with inflation. These reforms will be compounded by a further £12 billion in welfare spending cuts, however it is not clear where this money will come from or how this will affect individuals and what the subsequent consequences for local economies will be. However what is likely is that current public services and local authorities already struggling under the burden of previous cuts will have to either cut services, or attempt to mediate the worst effects through innovative and collaborative ways of working. It is also likely that services will increasingly be supplemented by or outsourced to the third and/or private sector.

CLES thoughts

The Queen's speech delivers little cheer for progressive place making. There will be winners under Conservative governance, including those in steady employment and homeowners; however, the unemployed, individuals who rely on public services, and 'generation rent' face a more uncertain future. Despite the promise of positive small business and apprenticeship policies, alongside increased funding commitments for school places, a number of the Conservative's major policies have the potential to impact upon the most vulnerable members of society. The depth of public sector spending will also affect the resilience of local networks to deliver effective services to mitigate these outcomes.

Local government will have a significant role in encouraging equitable local economic development and

positive outcomes for citizens; devolution in particular will necessitate this. CLES believes in devolution. However any devolution must be comprehensive and secure a more positive economic and social destiny for localities. Yet, devolution is not creating any significant new funding. If this continues, there is a danger that devolution will become a vehicle for austerity, a case of responsibility without resource. And what about those communities that fall outside the core cities which have been the focus of devolution thus far, or those still suffering the long-term effects of industrial decline and the recession? It must be questioned whether

the metropolitan revolution will result in these localities improving their lot, or slipping further behind the urban powerhouses.

For devolution to fulfil its transformative potential there must be a more coherent strategy, with a clearly defined role for local government. We need a national framework which clearly states national policy and resource allocation concerns and what can be addressed at a local level. Government must also continue to distribute resources in an equitable manner, to ensure that economic and social inequalities are reduced. In addition, greater collaboration between the public sector and local organisations is essential to ensure positive local outcomes. This includes wider consultation with the community and voluntary sector to enhance their role in the provision of public services.

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The Conservatives will also continue with their program of austerity into the next parliament. This is predicated on the notion that is a difficult but necessary decision being taken to help reduce the deficit. However, the impacts of cuts to welfare spend and reductions and declining funding for public services has disproportionately affected the most vulnerable members of our society. Secondly, there are other areas where recovering revenue could have lessened the scale of cuts; these include corporate tax avoidance and fraud. Thirdly and most crucially, the notion that austerity will boost economic growth is questionable, with almost every piece of research

to suggest this having since being discredited. In fact, every country that has undertaken significant austerity since 2010 has seen its economy weaken. Austerity in the UK is no different and has impeded economic recovery and failed to protect areas in greatest need.

It is clear that continued austerity will present many challenges, particularly if we are to ensure that vulnerable people are not left behind by the economic recovery.

In order to prosper amidst this backdrop, it is vital that local government looks to adopt a 'double dividend' strategy

There must be increased funding allocated to services which look to prevent disruption in people's lives, to create better futures as well as long-term economic savings. Furthermore, we need a fairer funding settlement for places with higher social and economic need, rather than the current wholesale uniform approach to public spending cuts and future resource allocation. This must include a weighting within funding formulas applied across the public sector where the objective is to reduce the gap in outcomes between the most affluent and most deprived places.

The issue of austerity, amongst many others during the election has seen a dangerous division in public opinion, with a real polarisation in views emerging. There are several threads to the debate, including 'workers vs scroungers', anti-immigration

rhetoric, 'haves vs have nots' and 'far left vs far right'. This has been reinforced by some incredibly emotive language utilised in the media. Although political debate should be encouraged, we cannot allow these divisions to develop to the detriment of people and place. Once more there is a key role for local government to play here, on this occasion in their role as place stewards. We must seek to develop decent local public services which retain a sense of democratic accountability, where citizens feel they have a role in informing investment and evaluating performance. This ethos of participation can

go further and foster a sense of identity with a particular place which can improve socio-economic outcomes.

In order to prosper amidst this backdrop, it is vital that local government looks to adopt a 'double dividend' strategy; this embraces the need to focus on developing local communities as an intrinsic and fundamental part of economic success. Rather than local communities, people and society being mere downstream recipients of economic success via trickle down, we should see them as active parts of a system which creates success in the first place. To achieve this we must have a deliberative set of strategies and policies that support business growth and individual prosperity alongside actions to strengthen the local economic infrastructure and build enduring social and civic institutions.

