

Guest blog: Joanna Killian KPMG

The devolution revolution is the most dominant force for change in local public services right now. The General Election may change all that, but I doubt it. The genie is out of the bottle.

Great strides have been made in Greater Manchester and across the Northern Powerhouse, as well as here in the West Midlands, towards that decentralisation of power. But, the most significant policy reform is the devolution of control over local business rates from 2020.

Local authorities have long argued for control of local taxes. Soon they will have it, warts and all. This seismic shift in funding means that councils will be faced with a much more financially independent future. No grant. No subsidies. To a large extent, local authorities will be left with what they can raise locally.

So, overnight, councils are transforming themselves into commercial giants with a focus on securing economic growth. They are also becoming investors in their own right and generating secure, predictable income to pay for an ever growing demand for public services.

Many councils are now structuring their own property and asset vehicles to build for outright sale or market rent. They are investing in commercial properties and flexing their muscles in public private partnerships, including with pension providers, private equity houses and mainstream housing developers. And all because they need council tax, business rates and investment income to pay for much needed services - especially for the elderly.

Local authorities' statutory duties have not fallen away despite the significant cuts they have endured. These organisations still have much they are obliged to do. Therefore, in parallel with their commercial renaissance, councils continue to focus on driving down demand for services by investing in early intervention and prevention models, as well as achieving better outcomes through partnership.

New organisational models are springing up to deliver health and care in more integrated ways - such as US style accountable care organisation, mergers are back on the table and new arms-length commercial vehicles are in vogue. Local councils have moved beyond efficiency.

They've done all that. Now it's all about driving growth, increasing prosperity, getting more people into worthwhile jobs, securing community resilience and reducing demand for public services. Getting the balance right will be tough. Almost impossible for some. But the trajectory to independence and self-sufficiency must be right, as long as a safety net exists for those that can't.

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