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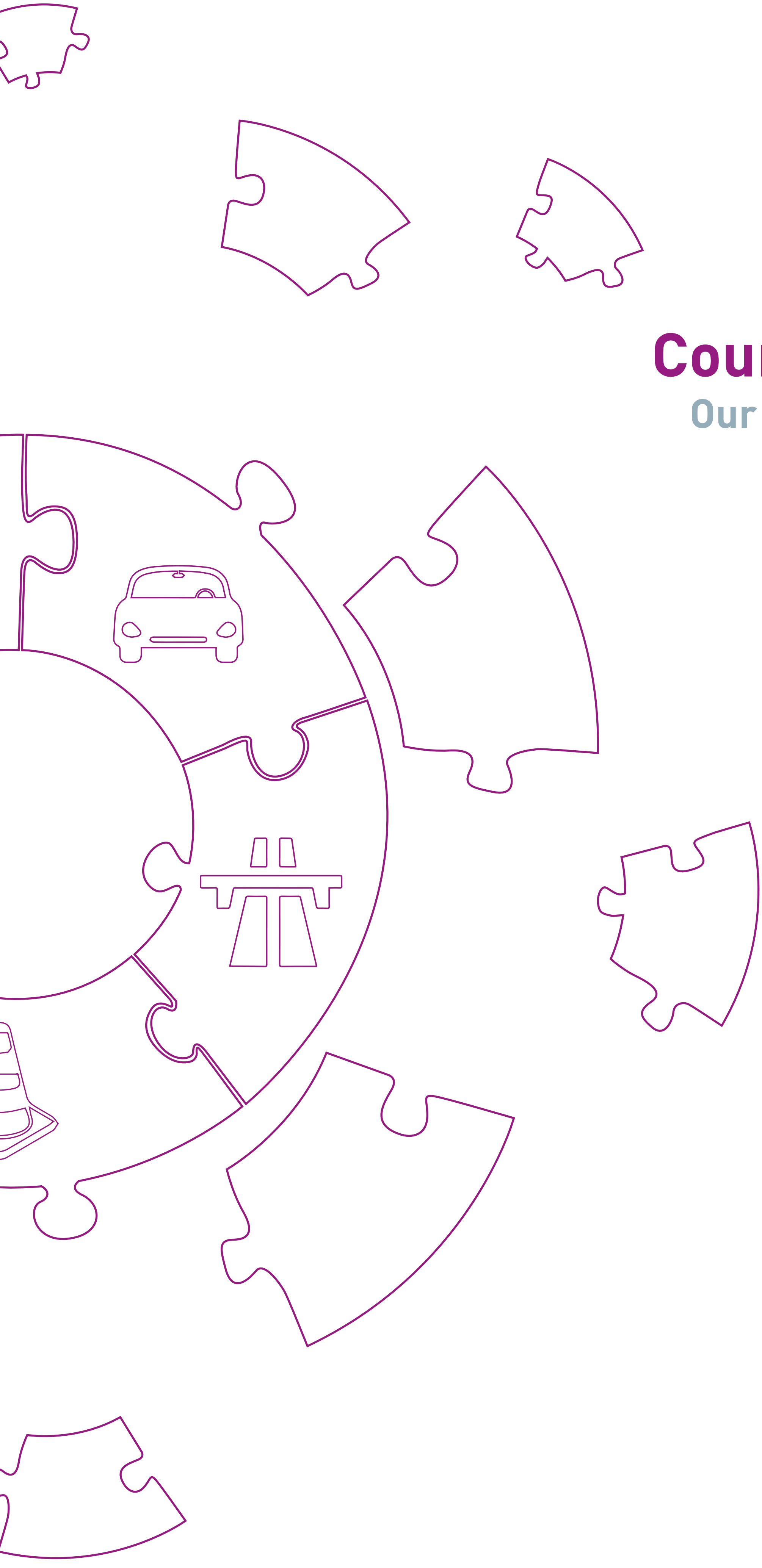

County Devolution

Our Plan for Government 2015-20

Infrastructure

#CountyDevo

March 2015

www.countycouncilsnetwork.org.uk

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Background

Infrastructure

The UK faces a range of well documented challenges to its infrastructure network that require strategic responses. These range from the need for building greater resilience into rural road networks, to ensuring sufficient connectivity for new communities. Additional challenges are emerging due to the pressures of competing in a tough global economy.

Over the coming decades these challenges need to be met with extensive investment and potentially new delivery models. Government plans to use £375bn of investment in economic infrastructure across the UK to replace old assets, ensure compliance with regulations and meet policy commitments.[1]

The current Government has sought to meet these challenges and enable growth by creating a ‘pipe-line’ of infrastructure investment directed by a National Infrastructure Plan. Most of this planned investment is directed towards the energy and transport sectors, with over £340bn of combined investment.[2] The importance of this investment strategy was reflected by the creation of the Infrastructure UK Unit within the Treasury.

The National Infrastructure Plan (NIP) 2014 featured £2.3bn of investment in flood defences and £15bn investment in road improvements. The investments have the potential to address longstanding challenges for county regions. The NIP 14 was keen to emphasise a pragmatic and effective approach to delivery that is compatible with further devolution to counties, stating it will adopt a *“coherent and credible approach to infrastructure investment and delivery… governance structures that allow every region in the UK to maximise its economic potential.”*[3] The UK will rely on the private sector to provide around two thirds of the funding in this pipe line.

Alongside investment in major physical infrastructure there is a need to invest in the infrastructure that supports the connectivity required by the modern digital economy. There is also a huge economic opportunity for the UK in getting this sort of connected county infrastructure right; Defra recently concluded “over the next decade rural areas could grow faster than in urban areas” with 300,000 new jobs generated, but this would require well targeted investment in connectivity – particularly superfast broadband and roads.’[4]

Ensuring the successful roll out of ‘superfast’ broadband to rural communities in the UK is crucial to our international competitiveness. This will allow all regions to reach their economic potential, unhindered by geographic barriers.

Despite statements of principle, the push for devolution is a slow and uneven process. Currently, the Infrastructure Bill and associated legislation risks actually removing mechanisms by which local authorities can shape their local infrastructure by transferring complex or controversial decisions to government agencies.

The situation facing counties is potentially more complex as they may require new working relationships and new types of arrangements, to take full advantage of the opportunities devolution can bring.

County Context

Given the nature of county geographies and their sheer size, the national pressures on physical and connective infrastructure are particularly felt in county areas. With the removal of Regional Spatial Strategies, counties currently might not have the strategic powers to respond effectively to these long-term pressures.

The Communities & Local Government Committee concluded in 2011 that the abolition of RSSs would hamper the UK's economic recovery, stating that their abolition would make it *"much harder to deliver necessary but controversial or emotive 'larger than local' facilities"* [5] CCN agree that compared to recent decades, counties currently lack mechanisms for influencing major infrastructure decisions. Our Devolution Survey showed that the majority (81%) of County Leaders and Chief Executives, want to see major infrastructure devolved.

There is the concern that major infrastructure schemes are centred on Whitehall's aims and priority is given to high profile national schemes, particularly strategic infrastructure, as opposed to lower profile schemes useful at the county level. This lack of capacity to address local priorities extends to energy infrastructure and broadband connectivity. The desire for greater devolved control is matched by frustrations that a lack input into local economic priorities is leading to missed opportunities to maximise local economic performance.

Insufficient powers are currently matched by under investment in some types of infrastructure. Maintaining the rural roads network, for instance, is becoming increasingly difficult after a prolonged period of underinvestment. New investment under the Local Government Finance Settlement continues to prioritise non-county regions, with funding per capita significantly lower in counties compared to some areas.[6]

Though every county has its own distinct challenges, cross-cutting strategic priorities do exist. It is a longstanding priority of counties to establish the principle that all strategic authorities – urban and rural – must have access to the devolved powers suited to their needs. The situation extends to connectivity, with cities having access to greater powers and resources to direct infrastructure and public transport provision towards the goals defined in their regional growth strategies.

Ambiguities around the status of current mechanisms and the scope of the General Power of Competence further complicate this picture. In theory permissive legislation already enables the creation of new infrastructure arrangements. Analysts suggest the lack of experimentation with new arrangements is due to insufficient incentives to align local partners and *"a fear …that these new bodies will take powers and funding from them."* [7]

Counties' strategic leadership role for spatial infrastructure needs clarity. They exercise this role within a highly centralised system of standards and regulations, with an onus on voluntary collaboration. Some elements of local infrastructure, such as trunk roads, are directly controlled by central agencies. Economic Plans can outline a broad vision for infrastructure, but lack the status of comparable urban documents.

The London Infrastructure Plan 2050 has the power to coordinate infrastructure development with planning, economic development and transport policy at a regional level. This has created a clear asymmetry in potential capacity of counties and cities to drive growth. To fully unleash the growth potential of county areas and deliver better targeted infrastructure, counties must be provided with similar powers and freedoms to knit together utilities, transport, housing and connective infrastructure development.

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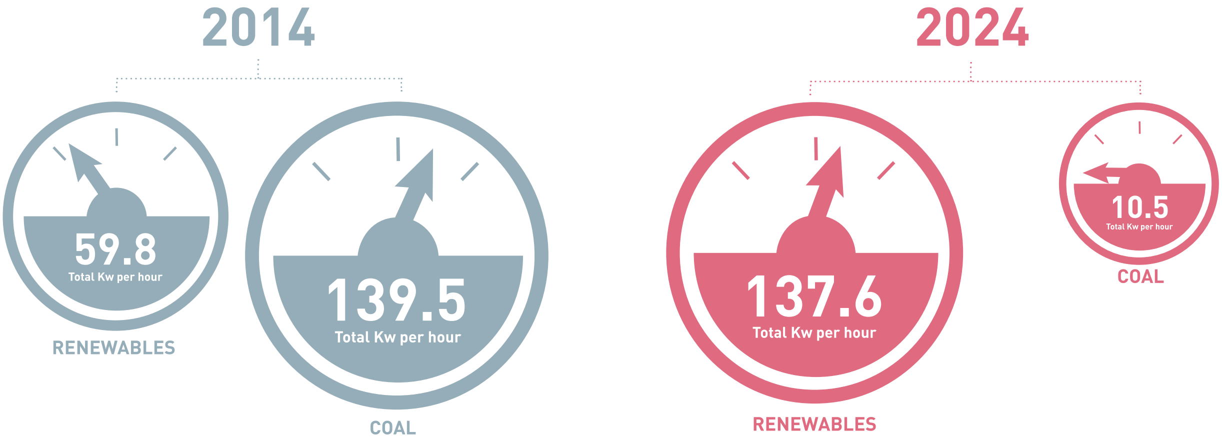
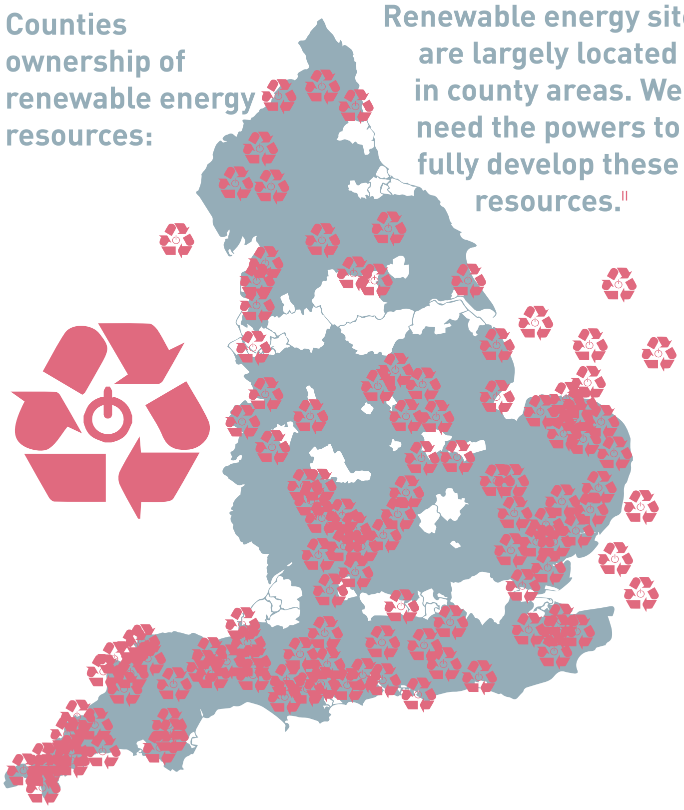
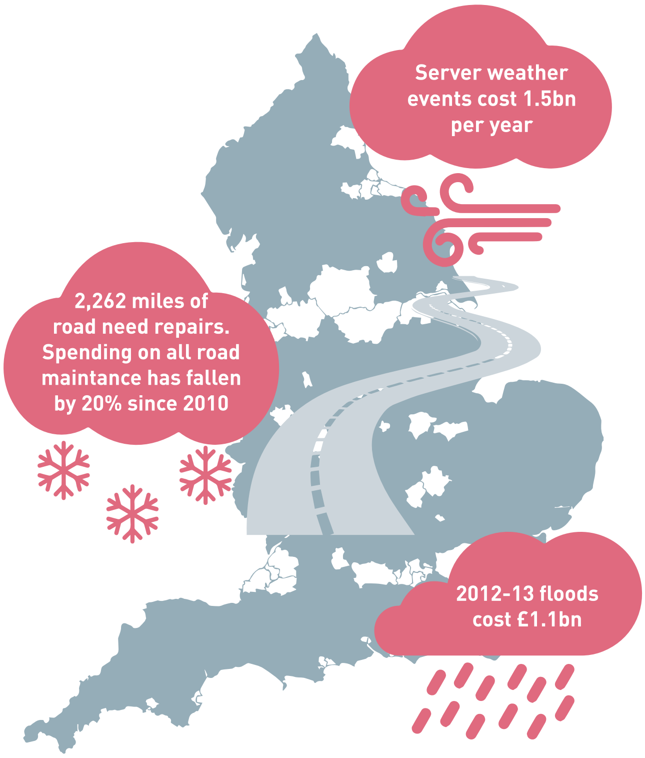
National UK Energy Usage – Changing Patterns[I]



Counties ownership of renewable energy resources:

Renewable energy sites are largely located in county areas. We need the powers to fully develop these resources.[II]

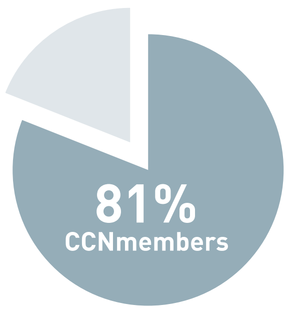




Given their size and geographies county infrastructure is particularly vulnerable to severe weather. Counties are planning ahead to meet this challenge but they need to the powers to respond effectively. [III, IV, V]

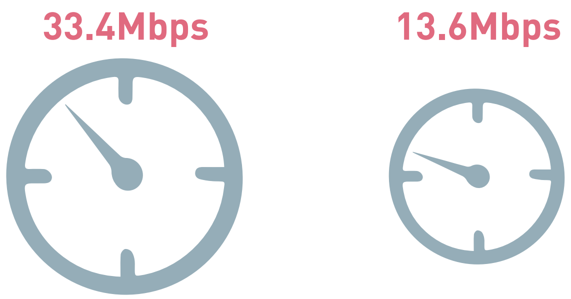
County Connectivity

There has been strong progress in county areas: [VI]



agree the gap between broadband speeds & access between rural and urban areas is narrowing...

...but a digital divide remains. [VII]



Average speed urban areas

Average speed rural areas

Call for Evidence: Kent

As a large county, Kent's focus has been on ensuing that devolution will allow it to more effectively exercise its traditional leadership role. Kent is proactive in its planning for its infrastructure needs. It has already created the Infrastructure Investment Funding Model (IIFM) to plan for the counties future community infrastructure needs. Its forecasts make clear that growing pressure on its infrastructure need a solution only possible with devolution of long-term infrastructure planning flexibility. Unfortunately the current deal for Kent falls short of that available for urban areas.

Kent wants the devolved freedom to;

- Build a county-wide spatial framework for growth that is based on a clearer statutory status for Strategic Economic Plans
- Cross-subsidise infrastructure costs across the county via the strategic use of the Community Infrastructure Levy
- Manage a multi-year infrastructure investment programme that allow them to confidently plan and anticipate needs
- Provide a stronger regional voice when engaging with London on planning the infrastructure serving the county
- Reform the boundaries of Local Enterprise Partnerships and regional planning institutions to enable better coordination on infrastructure.

Call for Evidence: Tri-county arrangements

Oxfordshire County Council, Buckinghamshire County Council and Northamptonshire County Council are working with their Local Enterprise Partnerships to develop a new style of governance model that will harness the untapped economic potential that exists in an area that is already an economic powerhouse. The commitment to combined working is partly centred on driving growth via the strategic opportunity coordinated investment in infrastructure generates. It allows the three authorities to align their priorities to realise economies of scale and tackle 'larger than local' challenges through strategic infrastructure investment. But their ambition must be met by freedoms devolved from Whitehall.

The Tri-Counties want the freedom to;

- Prepare a strategic investment framework that has material status in planning and which national agencies and independent economic regulators are required to take into account
- Improve the alignment of local rail and bus services as part of a truly end-user focused transport system
- Allocate skills funding in accordance with local identified business requirements
- Ensure surplus public sector land is regenerated, working with the private sector where possible to act as a catalyst for change
- Retain a greater proportion of the benefits of growth being retained locally for reinvestment in infrastructure, together with consolidation/ simplification of existing financial schemes to incentivise growth
- Improve value for money by investing in infrastructure on a larger scale and coordinating with other policy areas
- Prioritise flexible and adaptable infrastructure to meet changing local needs

Call for Evidence: Lincolnshire

Lincolnshire is proposing new methods for driving the development of their local transport network and strategic infrastructure. Rather than navigate the costly and overly complex requirements placed on Local Transport Boards by the Department of Transport when devolving funds, they propose acting as the accountable body for funding by developing an appropriate local governance framework and issuing regular progress reports. Working with their partners in the Greater Lincolnshire LEP, Lincolnshire are proposing an approach that would take wider economic priorities into account and ensure transport investment plays a central role in regional regeneration initiatives. The GLLEP already has a private sector led Investment Broad and their insights would be vital to ensure funding best supports local businesses

With further devolution Lincolnshire could achieve:

- More effective decision-making for funding, with greater clarity and local accountability
- Resource released in a more timely manner thus enabling projects to be completed on a faster time scale
- Significant savings for both local and central government by removing the need for costly assessments
- The delivery of important local schemes that are integral to regeneration, like a new bus interchange for Lincoln, but that don't meet Whitehall's artificial perception of local need

Devolution Proposals

We want to see the devolution expressed in the NIF Plan put into action. The only way UK infrastructure can generate the maximum benefit for local areas is by being guided by local-decision makers.

Building on the proposals in *Our Plan for Government*, counties have shown a huge appetite for ensuring local infrastructure is better directed and aligned with local plans for growth.

As part of the wider County Devolution Settlement we would want to see the voice of counties strengthened in the national infrastructure debate that is occurring between counties, cities and Whitehall.

1. Greater consultative and directional powers over the strategy and focus of infrastructure development

Whitehall must acknowledge the need for a stronger role for counties in defining and meeting the infrastructure needs of our communities.

Major infrastructure schemes are vital for the UK's economic competitiveness, but should not be prioritised at expense of maintaining lower profile, but economically vital, local infrastructure.

Counties need additional devolved powers to influence the planning and delivery of infrastructure schemes to ensure they achieve the maximum economic and social impact. Counties need the capacity to sit on equal terms with other strategic bodies to enable more effective decision-making, whether these are bodies are in Whitehall, within regulatory agencies or within large urban areas.

To facilitate these goals, Whitehall should aim to provide where possible clarity on the 10 year horizon of funding for major projects; devolve stronger consultation rights to ensure infrastructure fits with existing growth plans and potential Strategic Spatial Plans; and institute a national infrastructure review, identifying gaps and weaknesses in the resilience of our national transport network.

CCN believes that counties' role as leaders in strategic planning should receive stronger acknowledgement. Though the inclusion of 'route strategies' process in the Infrastructure Bill is a welcome development, it must be matched by the freedom to link with all relevant partners within the framework of their local infrastructure provision to ensure it serves the needs of local people and enterprises. Central government stakeholders, like the Highways Agency, should have a full duty to cooperate with counties on the priorities identified.

There is also the opportunity to invest in a future proofed and resilient energy network that takes advantage of local renewables, but there are concerns regarding the limitation of existing powers. In particular, economic regulators should not ignore local priorities when setting investment levels and allow utility providers to invest in capacity that anticipates planned growth. To ensure that infrastructure meets local needs and priorities, counties require the capacity to:

- **Induce independent economic regulators to work with counties as strategic planning authorities, removing the duplication of planning processes and speeding up the delivery of infrastructure that meets local needs. For energy infrastructure in particular, regulators must be obliged to remove barriers to investment in energy schemes that enables growth by anticipating rather than responding to demands.**

- **Strengthen the voice of local stakeholders in infrastructure planning decisions to ensure investment is aligned with Strategic Spatial Plans. This would include making counties' role as a strategic planning authority a material consideration in the identification and delivery of investment priorities by central government agencies and the creation of a duty to cooperate for utility companies providing strategic services.**

- **Ensure the national investment plans for rail operations, line construction and strategic travel infrastructure, including regional airports, reflect locally identified needs.**

2. The flexibility to deliver infrastructure solutions suited to local needs

Counties are best suited to anticipate and adapt to gaps and challenges to our connective and physical infrastructure, but we need further powers to act on these challenges.

These powers should not be one-size-fits-all due to the diverse challenges and geographies seen in County areas, ranging from large and comparatively sparsely populated rural areas to densely populated areas close to major cities.

As a starting point, CCN recommends that Government devolves the same powers, freedoms and funding for the delivery of infrastructure to counties that have been given to urban authorities, with the option for further powers to Combined Authorities, large counties or groups of counties working together within appropriate arrangements.

In particular, counties require;

- Greater financial and fiscal powers to direct revenues toward infrastructure;
- A greater say in provision of the utilities serving their communities;
- Stronger consultative power on connectivity infrastructure built within county regions, and;
- A powerful executive group or individual who can engage on equal terms with Whitehall during the discussion of infrastructure development.

Fiscal opportunities for counties exist around the devolved control of the revenues associated with the hydraulic fracture extraction of shale gas and renewal energy site; counties should have greater freedom to develop these sites where there is local will to do so.

Directing resources within and across county boundaries can be difficult even when there is a strong business case to do so, due to local sensitivities regarding boundaries. Powers should be devolved to ensure there are sufficient incentives to align all partners.

The responsibility for delivering connectivity infrastructure, particularly superfast broadband, is marked by the need for greater flexibility to ensure isolated or rural communities are not ignored and equal funding settlement. In particular, there needs to be the rollout of the broadband incentive schemes from urban areas to support county enterprises and the capacity to explore a wider range of delivery options for completing the final stages of the superfast delivery process. Counties want additional capacity to create:

- **Flexible arrangements to proactivity identify critical infrastructure gaps and instances of market failure before directing resources to address them.**

This would include the reform of the Community Infrastructure Levy to incentivise the cross-subsidisation of infrastructure within and across county boundaries via the transfer of resources.

- **Bespoke connectivity solutions, including financial arrangements, suited to local needs, particularly the introduction of greater flexibility into the roll out of broadband infrastructure.**

- **Flexibilities to create fiscal arrangements to direct tax revenues, including business rates, stamp duty, charges and revenue from energy sites, at clearly defined local infrastructure priorities.**

3. The option to create county level Integrated Infrastructure Strategies

Large urban areas have been devolved the power to create binding and strategic infrastructure development plans for their locality.

To ensure infrastructure planning is empowered, forward focused and effective, it should be tied into wider strategic goals. Counties should have the capacity to work with a full range of partners to define these goals then work to deliver them through the creation of Integrated Infrastructure Strategies. Where there is the need and local desire to do so, these infrastructure strategies could be invested with statutory status.

For infrastructure delivery this would mean binding together the development of infrastructure with housing, transport, regeneration and economic priorities, in line with the Strategic Spatial Plan process discussed elsewhere in this document. The Integrated Infrastructure Strategies (IIS) would be agreed locally, with components and visions consulted on and agreed by local stakeholders.

These Integrated Infrastructure Strategies would then receive advice from core government departments and potentially be invested with sufficient powers and budgets to incentivise the involvement of partner organisations. There is clear precedent for that sort of document, both in applying the historic lesson of the Regional Spatial Strategies, and the current logic sustaining the London Infrastructure Plan 2050. These strategies could be negotiated at a multi-county level where appropriate.

If these plans where invested with statutory status, following a local desire to empower them, it would have the benefit of enabling the strategies to prioritise the allocation of available funds, as opposed to the risk that funding would be directed primarily to statutory duties like free bus travel.

The Integrated Infrastructure Strategies would also potentially enhance co-terminousity of strategic planning for infrastructure between partners.

The infrastructure priorities identified by the Integrated Strategies should be funded by a basket of devolved budgets, alongside the freedom to raise investment for infrastructure through a wider range of channels including investment funds and tax increment financing.

Cornwall's proposals to use a share of fuel duty to addresses the critical pothole backlog within the Cornish road network demonstrates the appetite to creatively deploy targeted funding in a way that meets critical needs. Counties need the devolved power to:

- **Create Integrated Infrastructure Strategies and Strategic Spatial**

Infrastructure

Plans with the capacity to integrate infrastructure within county boundaries or across a number of county areas as required. The plans would have a status similar to those of urban areas. A process should be in place to ensure these arrangements can gain statutory status if required.

- Improve the alignment of transport infrastructure and services to ensure local road, rail and other strategic infrastructure mesh with county growth priorities

- Mechanisms, in addition to the IIS, for defining strategic investment priorities across boundaries, particularly regarding investment in transport, digital and energy infrastructure, alongside the location of new developments. There should be flexibility for counties to create their own effective funding arrangements for infrastructure matched to these priorities, including bond issuance and the pooling of devolved funding.

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CCN

COUNTY COUNCILS NETWORK

Founded in 1997, the County Councils Network (CCN) is a network of 37 County Councils and Unitary authorities that serve county areas. We are a cross-party organisation, expressing the views of member councils to the wider local government association and to Central Government departments.

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