



COUNTY COUNCILS NETWORK

CCN Submission to the Political and Constitutional Reform Select Committee

Inquiry into devolution following the Scottish referendum

Summary

- The proposals outlined in this submission build on *Our Plan for Government 2015-20* published in September and our call for an **English Devolution settlement** to underpin radical and far-reaching reforms to our economy and public services.
- The CCN firmly believe that devolution *within* England to local areas is as important as considerations regarding devolution *to* countries. This cannot be restricted to certain regions or pilots. All areas need the right to take on devolved powers and budgets to ensure sustainable economic growth and the best outcomes for citizens across the country.
- Local areas understand their communities and economies and so are best placed to tailor services, manage local fiscal policy and stimulate local economic growth. Centrally administered policy and programmes cannot provide the nuanced solutions needed to tackle complex local issues. Decision making at a local level is trusted far more by the public than the Central Government level and has far more capacity to engage people. This is important in an era of increasing political apathy and disengagement.
- With the continued need for significant savings across the public sector and an ever increasing demand for services (both in quantity and quality), the status quo is not an option. Devolution to local areas presents an opportunity for increased demand management and to make efficiencies and savings both for the local area and for the Treasury.
- To achieve this CCN are calling for commitment from Government now to the principle of devolution to local areas. We believe that this should be followed by the development of a framework through which all local areas have the right to take on a package of fiscal powers and budgets, when they are ready. In this way those that are ready can begin the process first, but others can follow.
- This package should include fiscal powers such as greater business rate retention (up to 100%), powers to set business rates, removal of the council tax referendum policy, and other powers to raise and spend tax locally. A core settlement for economic growth will also need to be included, among other things devolving skills, transport and infrastructure budgets. Other important elements will need to include health commissioning and powers to tackle poor performance in schools.

- Local partners are showing a strong willingness and capability to work together, integrate, and to devolve powers to the most appropriate level within their area. They are committed to putting in place rigorous governance measures to best administer devolved powers and budgets.

Introduction

1. The County Councils Network (CCN) represents 37 English local authorities that serve counties. CCN membership includes both upper tier and unitary authorities who together have over 2,500 councillors and serve over 23 million people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside the big conurbations. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations to government which can be supported by all member authorities.
2. CCN welcomes the opportunity to submit evidence to the Political and Constitutional Reform Committee's inquiry into devolution following the Scottish referendum. To support our submission to the Committee we are conducting a survey with our members seeking their views on devolution within England. The survey includes questions on both national and local reforms to the UK system of Government. The emerging results from the survey are included within this written submission and we hope to present the full results to the Committee when they are published on 17th November 2014.
3. There is consensus among the three major political parties that devolution from Whitehall is the future direction. The discussion now should be focussed on what this will look like, and what will produce the best results for British citizens and local economies of the United Kingdom.
4. The CCN firmly believe that devolution *within* England to local areas is as important as considerations regarding devolution *to* countries – this is why we are calling for a new devolution settlement for England, which includes all local areas. This can be summarised by a quote for the Chairman of the Political and Constitutional Reform Committee: "going back to business as usual is not the way forward. We must ensure that the whole range of democratic measures are considered in any settlement, rather than just English votes for English laws."
5. The proposals outlined in this submission build on *Our Plan for Government 2015-20* published in September. This calls for an **English Devolution settlement** to underpin radical and far-reaching reforms to our economy and public services.
6. Prior to the Scottish referendum, Scotland and Wales were already gaining greater control over taxation and borrowing. It is recognised that following the referendum existing devolution legislation will be extended even further. There is an extremely strong case for similar devolution to the local areas of England – England's county areas and major cities are comparable to the other nations of the UK, in geographical size, GVA and strong local identities.
7. Devolution simply *to* England, for example through English votes for English laws, will not reap the great potential of local areas and will not make services and decision

making more accessible to the people¹. In the case of a potential English Parliament this would also add an extra layer to Government for which there is no public or political appetite. Emerging results from the CCN devolution survey are showing that the vast majority of respondents believe devolution must go beyond countries to local areas. CCN believe that we must look beyond devolution *to* England and ensure this does not become a distraction to devolution *within* England to local areas.

8. The status quo is not sustainable. CCN believe that the opportunity must be taken now to recalibrate the relationship between Central Government and local areas so as to ensure a more efficient and effective public sector. The sector must be capable of delivering the level of public sector savings, and improvement in resident outcomes, which will be demanded by whichever party/ies form the next Government in May 2015. Equally important is the role devolution can play in generating enhanced economic growth for the regions of the UK, rebalancing the economy on a more sustainable path towards prosperity for all. Given our members unique position on the future of UK Devolution, CCN would welcome providing oral evidence to the committee.

Why Devolution *within* England?

9. The UK faces a continuing need to make significant public sector savings at a time when demand on public services is rising. We have an ageing population, our health and social care system is under unprecedented strain and public expectations of key services are rising. Sustainable economic growth is not guaranteed and is progressing at a slow rate in some areas, preventing the Government meeting its public sector borrowing targets. Moreover, our democracy is also at impasse; voter apathy is at all-time high, with engagement and trust in Central Government waning. A fundamental new approach is needed to delivering public services, one focused on demand management, integration and reengaging citizens. **It is clear that the status quo is no longer an option politically, economically and socially.**

Efficiency Gain

10. Local partners, particularly local authorities, have an excellent track record of professionalism and responsiveness - making significant savings while protecting valuable services, delivering outcomes for residents and stimulating the local economies. CCN believe that there is huge potential for local areas to help Government deliver even more – but for this potential to be maximised the appropriate powers and budgets would need to be devolved.
11. Local authorities also have a track record of financial and administrative prudence. Of all government bodies in the UK it is local authorities who have arguably been the most responsive to fiscal retrenchment. Despite significant cuts to budgets (around 40% over the past four years) and increasing demand on services, local authorities have managed to find efficiencies in a way Central Government Departments have not. Local partners are joining up and integrating their work, with an explicit focus on delivering the best outcomes for residents and the economy. A strong emerging theme from the CCN devolution survey is the confidence that county areas could make significant public

¹ CCN does not hold a position on the issue of English votes for English laws

sector efficiencies and improvements to outcomes if the appropriate powers and budgets were devolved to a local level.

12. It is clear local areas have the credentials to help deliver further savings and efficiencies – both locally and for Central Government – if appropriate powers and budgets were devolved to a local level. This potential is enhanced by the fact that with further powers local areas could take a much more holistic approach to service delivery, economic growth and demand management.
13. Increased budget cuts for local authorities and service demand pressures without devolution are not sustainable. Without devolved powers to generate revenue locally, increase demand management and budgets to innovate and stimulate growth, Local Authorities face the prospect of reaching a point where the delivery of valuable services will no longer be feasible.

Economic Growth

14. CCN welcome the policy direction of decentralisation so far through the Localism Act 2011, City Deals, Whole Place Community Budgets, the Single Local Growth Fund and partial localisation of business rates. However these projects have been far too limited in scope and in their exclusiveness to certain localities to achieve the desired outcomes.
15. The focus thus far on pilots and cities limits the impact devolution can have. To achieve the goals of Central and local government there must be a devolution settlement for England which encompasses all areas. The distinction between counties and cities is firstly impractical as most city areas sit within a broader functional county economy. Secondly the arbitrary focus on powers for cities means that full national recovery is inhibited, inequalities in growth opportunities are created and residents in county areas are disenfranchised.
16. Expert opinion, including the OECD is united in the view that sustainable recovery cannot be restricted to particular regions or any one of the four main industrial groupings. There is evidence from across the CCN member councils that broader based and more ambitious devolution policies could enable counties to better invest in local economies and promote growth; **however current government policy is preventing them from achieving their full potential.**
17. Counties currently account for more than half of all GVA outside of London, and 40% of the total national GVA. On most measures counties outperform other parts of the UK. They have more than 50% of the employment in key sectors such as manufacturing, construction and pharmaceuticals. They have the largest rates of private sector job creation, over one million active enterprises and the highest rates of new business registration in the UK. Assigning a greater role for counties in a locally-led devolution settlement to enhance UK economic output is not only desirable, but a necessity.

Political Engagement & Democracy

18. Voters are becoming more and more apathetic to the political process; the last four Parliamentary elections have seen the lowest voter turnout since 1945. It is clear that better engagement and involvement of the public in decisions that affect their lives is

needed if this trend is to be reversed. Bringing decisions closer to local people through devolution would be an effective means of achieving this.

19. County and city areas are identifiable to the public, at a level which makes decision making and service delivery accessible. Surveys by the LGA, the BBC and Ipsos Mori have shown that decision making at the local level is trusted far above that at Whitehall. Emerging results from the CCN devolution survey are showing that there is a strong feeling among respondents that Central Government is not very accessible to them or their residents.
20. Moreover, members of the public face a plethora of services delivered by different silo Government Departments which is both confusing and inefficient. For example the skills landscape can be confusing, inaccessible and unresponsive to local need. A devolution settlement to local areas is an opportunity to rationalise various services, and to ensure better evidence based commissioning to achieve better outcomes and efficiencies.
21. As part of their extensive transformation programmes local government have set a firm focus on achieving the best possible outcomes for their residents. This evidence led approach means that innovative programmes and best practice are being employed to drive up outcomes. Devolved powers and budgets could be used to best effect in this way with rigorous evidence of local needs and assets, and an understanding of local behaviours used to target solutions and improve outcomes across the country. Nationally administered policy and programmes are a blunt instrument in that they cannot tap into this local knowledge and understanding to design bespoke and effective solutions to produce effective outcomes.

Devolution Asks

22. Working closely with CCN member councils and a range of public sector stakeholders, CCN recently published our blueprint for reforming local economies and public sector landscape of the county areas of England, *Our Plan for Government 2015-20*. This manifesto for change for whoever forms the next Government in May outlines our vision built on the principle of '**One Place, One Budget**'. This is a direction of travel through which the relationship between Central and local government is redefined, placing more trust, powers and budgets with local areas and bringing decision making closer to the people whom are affected.
23. Core to achieving this vision is a new English devolution settlement, which incorporates all localities. This will mean Central Government putting in place a framework to give all county and city areas the right to take on a variety of powers and budgets, when they are ready to do so. Emerging results from the CCN survey show that counties' priorities for devolution are powers over council tax, greater business rate retention, skills and transport budgets and health commissioning. Powers and budgets within such a settlement must include the following;

A core settlement for economic growth

25. The centrally retained funding identified in the Heseltine Review of Economic Growth should be devolved through a Core Settlement to local areas. Alongside this local areas

need to be granted a core set of powers and budgets, allowing them to make decisions based on genuine local priorities while reducing negotiation burdens on Whitehall.

26. All Whitehall **skills funding**, including centrally retained budgets and apprenticeships, should be devolved to the local area. Governance models could include local authority, combine authority, LEP or Skills Board. This would ensure that skills provision meets the needs of local employers, particularly in an area's growth sectors. Local areas have proven that they can deliver more effective and better tailored back-to-work programmes than national Government. The Government must explore options for localising commissioning of the **Work Programme** and access should be widened beyond the core cities to the **Youth Contract**.
27. Local areas should have the freedom to use a **greater share of capital receipts** to support economic growth, and the capacity to **share assets** with a wider range of partners in pursuit of growth.
28. The Duty to cooperate has to-date proved inadequate for delivering joined-up planning for more quality homes and infrastructure. CCN feel that counties require additional powers to provide sub-national county-wide investment and delivery plans for growth, infrastructure and housing, working with district councils, the private sector and investors. Local plans should be truly collaborative and joined up working should be incentivised. Additional budgets and powers should be fed down as a reward to those areas that are taking a place-based approach to strategic planning to maximise outcomes for their local area.
29. Transport and major infrastructure funding, should be devolved to local areas, with some larger specific road and railway investment projects negotiated on an individual basis. Local areas should be able to leverage their strong relationships with neighbouring areas, the Highways Agency and Network Rail to support national road and rail schemes.

Fiscal powers

30. Genuine devolution will mean the local authorities having the ability to raise a reasonable proportion of their own revenue. This would allow local government to reduce its dependency on Revenue Support Grants (RSG). CCN are calling for greater financial independence for local government, a position this Committee is supportive of. This would allow local areas to fully exploit the opportunities presented by the Core Settlement and reinvest dividends in infrastructure funds and growth incentives. As first steps towards greater fiscal independence, we believe the following areas should be devolved during the next parliament;
 - Local authorities should have the power to set business rates and much greater business rate retention, working towards 100%.
 - End the council tax referendum policy
 - To give all areas the power to raise finance through Tax Increment Financing, something that is currently restricted to Core Cities.

- Support to local authorities in their efforts to create additional channels for prudential borrowing at potentially cheaper rates than those available via the Public Works Loan Board.
- Grant local authorities the freedom to issue bonds via a Municipal Bonds Agency.

Health commissioning

31. The Government must commit to a more ambitious integration settlement of at least £7.8bn by 2020 to enable true integration to happen on a local level.
32. The statutory role of Health and Wellbeing Boards should be strengthened to force the pace of integration, with Boards commissioning primary, secondary and social care services and empowered to improve access to local health services.

Education powers

33. Local authorities need greater clarity over their role in school improvement and the expectations of both Government and Ofsted. CCN suggest that Local authorities are given powers to intervene in all schools where there is poor performance, and to act as advocates for parents and the community who wish to drive up standards.

Public Sector Reform

34. To further support the direction of One Place, One Budget, Government should further incentivise early intervention and integration, including incentives for Government Departments to work closely with local partners. Government should also remove disproportionate ring-fences and allow health and education partners to pool budgets along with others.
35. To support integration and achievement of outcomes CCN are calling for longer term funding settlements, at least five year indicative budgets and a fairer funding deal for all of the areas within the UK. There is for example a relatively strong emerging theme from the CCN survey that the Barnett Formula should be phased out – this could be reviewed and implemented as local areas take on more budgets and powers.

Implementing English Devolution

36. The CCN believe it is essential that the Coalition Government and political parties commit to a cast-iron guarantee to the principle of devolution to local areas.
37. Where achievable and legislation is not needed CCN propose that Central Government announce some aspects of devolution as soon as practical, ideally within the next Autumn or Budget statement. This includes the devolution of skills and transport funding to local areas and increased business rate retention.
38. CCN are currently not convinced by the case for a Constitutional Convention. We believe that this could needlessly delay the process. Although emerging results from the CCN survey are inconclusive as to whether counties are in favour of a written UK constitution,

there is strong support for codifying the place of local government. CCN support the Political and Constitutional Committee's call for legislation to protect the roles and responsibilities of local government, including enhanced devolved powers.

39. With regards to instigation of a full devolution settlement set out in the previous section, CCN would like to see a plan for this fully articulated within the next Comprehensive Spending Review and full implementation to take place within the spending review period. The emerging results from the CCN survey are showing that CCN member councils would like to see devolution to local areas within 2 years.
40. Implementation would need to be an iterative process with a framework for devolution to local areas set out by Government – local areas could then take on powers and budgets as they are ready.
41. In addition to the core settlement for all areas, the CCN propose that those areas with the ambition and capacity make enter into enhanced deals with Government to pilot further devolution, now.

Governance

42. CCN and our members recognise that there is a need for robust and transparent local arrangements to enable devolution. We also believe that there are likely to be different governance arrangements which are suitable for different devolved powers and budgets.
43. CCN suggest that Central Government should clearly articulate the principles they will be looking for in local governance arrangements to enable devolution - this should include expectations for scrutinising work and monitoring outcomes. We also suggest that a transparent and non-bureaucratic method of assessing readiness of governance is set up, so that local areas know what they are working towards.
44. There has been some discussion over the perception that devolution could create a 'postcode lottery'. CCN maintain that simply applying blanket policies from Whitehall to different areas with different needs in fact enhances inequalities. Government should hold the ring on what outcomes need to be achieved and local areas should be allowed to tailor solutions intelligently to their areas to address inequalities. In this way devolution should see improvement in outcomes across the country.
45. The emerging results from the CCN survey show that the majority of respondents would change their governance arrangements to take on devolved powers, and most have said these conversations are happening locally. CCN maintain that governance arrangements work best if they are determined locally.
46. With regards to holding devolved powers and budgets the emerging results from the CCN survey show that combined authorities, upper tier local authorities and county regions are considered to be the most appropriate. Health and Wellbeing Boards, Skills Boards, LEPs and partnerships between county and/or city areas are also all likely to play an important role. Regional government and elected mayors are emerging as the least popular options. We believe that regional government/assemblies are not viable as this extra level of government does not have public and political support and does not bring decision making close enough to those it affects.

47. Local authorities have an important role to play in holding the ring on public services and bringing partners together – they can provide the political accountability needed for any local arrangements.
48. Combined Authorities are a potentially effective form of partnership arrangement which could be used to hold devolved powers, however it also should be recognised that two tier local authorities face specific challenges when undertaking vertical integration between district and county council partners, this is a different situation to the horizontal integration between partners of a similar tier in unitary or city areas. It is also possible that partnerships between a number of county and/or city areas will have a place in holding strategic place based planning or commissioning.
49. The CCN would also like to see rules around Combined Authorities to be made more permissive, particularly the time consuming and centrally controlled review processes, the ability to hold a wider range of public services and the ability to form an Authority with partners beyond local government.
50. Local areas should be empowered to develop new models of collaboration and integration of local government tiers, health services, the police, and other partners including directly with Government Departments. This could lead to the eventual creation of single points of commissioning and procurement for a range of public services, coordinated at the local level.
51. The CCN supports LEPs but has called for a review to further hone their effectiveness. We believe that the next government should instigate a review of LEPs early in their administration. This should ensure they fit with functional economic areas, that they are working closely and effectively with the local authorities and that they are clear on their remit.
52. There has been continued debate in Parliament around the potential for local government reorganisation; this is creating an unhelpful sense of uncertainty in the sector. The CCN would like clarity from the new Government early in their administration as to their intentions regarding local government reorganisation, for the full parliament.
Any reform must not be a distraction or a pre-condition to the agreement and implementation of devolution to local areas.

Partnership Working & Public Sector Reform

53. CCN and our members recognise that strong partnership working and continued public sector reform will be key to enabling devolution and continuing to deliver outcomes. Local authorities and their partners have a good track record of joining up and integrating work and of ongoing public sector reform.
54. There is a strong emerging theme from the CCN survey that local partners are interested in working together to put measures and governance in place to take on devolved powers. Most have said they are having these conversations locally, others have said they are already putting arrangements in place.

55. There is also a strong emerging theme for the survey that there is an appetite for devolution of funding and powers below the county level, for example through empowering Town and Parish Councils.

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