CCN

COUNTY COUNCILS NETWORK

Submission

Pre-Budget 2020

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THE POTENTIAL
OF COUNTIES

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County Councils Network

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Executive Summary

- While the long-term direction of travel on the future funding and reform of public services will be subject to decisions at the Spending Review and wider departmental government policies, this Budget provides the first fiscal opportunity of this Parliament to demonstrate the Government's commitment to ending austerity and 'levelling up' investment in public services.

- Counties are home to some of our most prosperous and successful areas, but many left-behind areas are located within counties; from deprived towns, rural and coastal communities in the north, south and east, to former manufacturing hotbeds in the midlands, to places where young people leave to go to university and never return.

- This submission sets out practical steps on how the Budget can truly unleash the potential of the entire country and ensure that counties are at the heart of the levelling up agenda. This is focussed on three key areas:

Sustainable & Fair Funding

- Over the last ten years, councils have needed to rapidly adapt to a climate of significantly reduced resources, growing and ageing demographics, and the changing needs of our residents.

- CCN analysis shows that as a result of the Spending Round, local government's projected cumulative funding gap over the next five years is now forecast as £30.4bn. A cumulative council tax rise of 12% by every council over the period could reduce the cumulative gap a further 24% to £19.1bn over the period.

- As a result the Budget must the provide further in-year financial support to meet councils spending need, delivering the fair funding review and reforming local government finance so it is more efficient.

- The Treasury should also use the Budget and Spending Review to provide MHCLG with sufficient support and resource to enact the fair funding review for the 2012/22 financial year.

Placed-Based Growth

- CCN has long called for a programme that will 'level-up' communities in England and we welcome the emphasis that the government has placed on this.

- A new analysis carried out for CCN shows that whilst county areas are the backbone of the UK economy, delivering 39% of GVA, over the last five years they have witnessed slower growth rates.

- County areas also suffer from structural weaknesses such as poor productivity and business growth, lower than median wages and significant skills gaps. Some 31 of the 36 county and unitary authorities have productivity levels below the national average, driven by low levels of business formation rates and structural challenges such as low median incomes

- We are therefore looking for the Budget to create the conditions for 'levelling-up' in England through fairer investment across the country, harnessing the role of county and unitary authorities in place-based growth, devolving skills budgets and investing in transport and connectivity.

Devolution for All

- A lack of devolution in county areas is giving urban areas a further economic advantage that prevents county areas to be able to level up with neighbouring urban areas.

- Devolution, and the ability for shire counties to access funding and levers currently afforded to urban metro-mayors, will therefore be crucial to the success of the 'levelling-up' agenda and securing better local economic growth as set out above.

- CCN has long argued that the Government should set out a clear framework for devolution. This presents an opportunity not only to provide clear guidance to local areas in developing proposals, but to reset the relationship on devolution with county and unitary authorities if there is a genuine and tangible offer from Government.

- As a result we would welcome the Budget starting the process of setting out a practical framework for devolved powers, institutional and structural reform that will genuinely drive powers down to local communities; from Whitehall to County Hall.

Introduction

1. The County Councils Network (CCN) represents 36 English local authorities that serve counties. The essential services they provide touch on the everyday lives of residents and businesses across 86% of England's landmass and 47% of its population. The areas represented by our members constitute 38% of local government expenditure; 44% of total public expenditure (£201bn); and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 39% of GVA and 44% of employment.

2. On behalf of our member councils, CCN welcomes this opportunity to submit evidence to HM Treasury ahead of the 2020 Budget. This Budget will be of great significance, coming at the start of a new parliament and following the UK's withdrawal from the EU.

3. In December, CCN set outs it prioritises for the new Government, detailing policies across six priorities that could help unleash the potential of counties.[1] It outlined our practical proposals to deliver **sustainable and fair funding**, **reforming adults & children's social care** and securing **devolution for all** to ensure our members have the foundations in place to achieve their ambitions. The document outlined how our members can build on this and do more for their places by **creating communities**, **growing our economies**, and **tackling climate change**.

4. While we recognise the long-term direction of travel on the future funding and reform of public services that will help deliver our proposals will be subject to decisions at the Spending Review and wider departmental government policies, this Budget provides the first fiscal opportunity of this Parliament to demonstrate the Government's commitment to ending austerity and 'levelling up' investment in public services.

5. Counties are home to some of our most prosperous and successful areas, but we must not forget that many left-behind areas are located within counties; from deprived towns, rural and coastal communities in the north, south and east, to former manufacturing hotbeds in the midlands, to places where young people leave to go to university and never return. The left-behind nature of many of these places are partly a product of resource and policy being overly London centric and city focused and lack of devolved powers in our areas.

6. This submission sets out practical steps on how the Budget can truly unleash the potential of the entire country and ensure that counties are at the heart of their agenda. It focuses on three core themes and asks, supported by specific proposals where necessary:

    1) **Sustainable & Fair Funding**; *Providing further in-year financial support to meet councils spending need, delivering the fair funding review and reforming local government finance so it is more efficient.*
    2) **Placed-Based Growth – Levelling Up**; *Creating the conditions for 'levelling-up' in England through fairer investment, harnessing the role of county and unitary authorities in place-based growth, devolving skills budgets and investing in transport and connectivity.*
    3) **Devolution for All**; *A practical framework for devolved powers, institutional and structural reform to genuinely drive powers down to local communities; from Whitehall to County Hall.*

[1] https://www.countycouncilsnetwork.org.uk/download/2681/

7. To provide more substantive evidence on the funding challenges facing local government, we include in Annex 1 our latest funding forecast for local authorities in England. These forecasts, updated following the Spending Round in September 2019, build on the findings of the *Independent Review of Local Government Spending Need and Funding* conducted by PricewaterhouseCoopers (PwC) for CCN in May 2019[2]; the most comprehensive and detailed analysis to-date on the spending requirements of councils up to 2025.

8. Separately, we have included interim findings from our forthcoming report *Place-Based Growth; Unleashing counties' role in levelling up England*. Based on extensive economic analysis and engagement with our member councils by leading global consultancy Grant Thornton, the interim findings demonstrate the economic opportunities and challenges facing county economies and the importance of ensuring that these are fully recognised in the government's 'levelling-up' agenda.

Sustainable & Fair Funding

9. Over the last ten years, councils have needed to rapidly adapt to a climate of significantly reduced resources, growing and ageing demographics, and the changing needs of our residents. Moreover, the distribution of funding no longer matches the needs of local areas.

10. It was welcome, therefore, that introducing the 2019 Spending Round, the Chancellor noted that 'we can now afford to turn the page on austerity'. The commitment was supported by the proposals for local government contained in the announcements, and confirmed in the recent local government finance settlement, which have resulted in the largest increase in local government funding in a decade.

11. The necessity of the investment announced at the Spending Round, and the need for a longer-term funding settlement, has been evidenced extensively by CCN, Local Government Association (LGA) and Institute for Fiscal Studies (IFS).

12. In 2019 PwC were commissioned by the County Councils Network (CCN) to undertake an independent analysis of the financial pressures that local authorities in England have experienced and expect to continue to experience over the period 2015-2025. This report, based on estimating councils 'spending need',[3] is the most extensive and detailed analysis of funding pressures facing councils to-date.[4]

13. To provide further evidence of the on-going challenges, CCN recently commissioned Pixel Financial Management (Pixel) to provide new funding forecasts to update the expected funding gap contained in this analysis, following the recent announcements in the Spending Round. The full revised estimates and supporting methodology are provided in Annex 1.

14. Our analysis shows that as a result of the Spending Round, local government's projected cumulative funding gap over the next five years is now forecast as £30.4bn, down 35% compared to PwC's original forecasts. A cumulative council tax rise of 12% by every council over the period could reduce the cumulative gap a further 24% to £19.1bn over the period.

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[2] https://www.countycouncilsnetwork.org.uk/download/2262/

[3] Spending need is an evidence-based estimate of the amount of resources local government, and specific tiers of councils, required to meet its demand and costs for services. PwC used 17 different service specific cost drivers (volume/demand indicators) across 10 different service areas. In addition, generic cost drivers are applied to unit costs over time, such as inflation, the living wage, pension obligations and the apprenticeship levy.

[4] https://www.countycouncilsnetwork.org.uk/download/2262/

15. CCN authorities would face a cumulative funding gap of £13.2bn which equates to 43.2% of the overall funding gap for England over the 5-year period. A rise of 12% in council tax reduces the cumulative funding gap to £7.7bn, an average annual gap of £1.5bn.

16. The resources provided in the Spending Round will make a significant contribution to easing the financial challenges facing counties and wider local government. However, it remains the case that councils still face a significant annual funding shortfall over the next five years, including a £4.1bn shortfall in the next financial year.

17. **The Budget provides an opportunity for the Chancellor to provide further financial support to councils in the next financial year.** The ability to raise council tax by 4% next year will help us to address growing demand for care services and meet other rising costs in the short term. Our analysis shows that if all councils implemented the rise it would reduce the gap a further 16% for local government to £3bn.

18. In the short-term, we urge the Chancellor to use the Budget to announce the following measures:

- **Children's services;** If any further short-term financial support for councils was to be announced in the coming financial year, we urge the Government prioritise investment to meet rising demands and costs in children's social care. PwC's analysis estimated that spending need for these services is set to outpace all other local government services at 48% over a decade. Moreover, forthcoming analysis by CCN will show that funding reductions for children's services since 2015/16 have been seven times higher compared to those for adult social care.[5]

- **Living Wage;** Separately, we would also ask that the Budget provides support to meet the increased costs of the living wage, announced in December. Whilst our revised funding gap analysis does include an increase in living wage costs, it does not include the higher than anticipated increase announced. For county and unitary authorities and social care providers, this will add to staffing budgets for adult social care and also make retention and recruitment of staff more difficult.

- **Roads Funding;** We would also urge the Government to confirm capital allocations for local authorities of the £500m 'pothole fund' promised at the 2019 General Election. Recent analysis by CCN showed our member councils are able to spend £20,885 per mile on road repairs, pothole filling, and constructing new junctions and networks this year. In contrast, the 31 councils in London are able to spend £62,350 per mile. The 36 urban metropolitan councils are spending £41,929 per mile, while England's eight 'core cities' are in a position to invest £57,241 per mile. We therefore believe the funding should be distributed using the same methodology as 2018/19 which saw the shire counties receiving 74% of the total funding.

- **Business Rates**; The Queen's Speech made a commitment to reducing business rates, alongside a 'fundamental review' of the tax. If the Budget includes any reductions to business rates local government must be fully compensated for any new reliefs and discounts. Any fundamental review will need to consider the future of 75% business rates retention and as part the review of business rates, Government must fully engage the sector on its future.

[5] LG Futures analysis for CCN. To be published in March 2020.

19. Longer term, there remains a significant funding challenge beyond the next financial year. Our analysis shows even core funding levels grew in line with inflation, all temporary sources of income were retained, and council tax increased at a rate above inflation beyond 2021/22, councils would still require an additional £19bn of resources over the next five years.

20. At the same time, there must be a recognition that yearly council tax increases add to the cost of living for families, especially in county areas. Historically lower funding has led to average council tax rates in some counties that are double those in Inner London, at the same time median incomes in counties are below the national average.

21. CCN is committed to working with Government to deliver funding settlement that can help councils to sustain, enhance and improve local services, invest in growth, support housing delivery and continue to innovate service delivery to improve outcomes for residents.

22. While there is scope for reforming council finance so it is fairer and more efficient, our evidence shows the long-term funding needs of councils should be a priority for the forthcoming Spending Round. This would enable councils to preserve frontline services, invest in local and national priorities and continue to innovate service delivery to improve outcomes for residents.

23. **Local government should be exempted from the 5% departmental reduction recently requested by the Treasury and targeted as a priority for further investment.** The Spending Review should seek to set out a minimum four-year funding settlement for councils, reflecting the spending need requirements of different council types. It should also consider policy and legislative changes in specific areas to recognise new statutory duties and ease legislative burdens.

24. Alongside the Spending Review, proposals for the long-term funding of social care, and reforms to the New Homes Bonus and business rates retention, are crucial to the long-term financial sustainability of councils and the services local people rely on.

25. As part of the 'levelling-up' agenda, it would also help provide the necessary resources to support the implementation of the review of relative needs and resources – commonly referred to as the fair funding review - currently being carried by the Ministry of Housing, Communities & Local Government.

26. Our forthcoming independent research on the implications of this review, recently covered by the LGC,[6] showed that this policy has the potential to deliver a fairer funding settlement for CCN member councils, metropolitan and unitary boroughs, levelling up council funding in the midlands, the north, and south, towns, cities, rural areas and coastal communities.

27. **The Treasury should use the Budget and Spending Review to provide MHCLG with sufficient support and resource to enact this significant change in how local authority resource is distributed in time for the 2012/22 financial year.**

28. Placing adults and children's social care on a long-term sustainable footing is also critical. Funding, however, is only part of the solution and for this investment to be effective it must be accompanied by reform to the wider framework in which social care for adults and children is delivered.

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[6] https://www.lgcplus.com/finance/exclusive-analysis-finds-mets-benefit-overall-from-funding-review-31-01-2020/

29. CCN supports the Government's cross-party-approach to developing a long-term solution to adults social-care. This must be evidence-based, and engage in an honest debate on providing sufficient resources to meet existing demand for care. This is alongside the funding required to extend eligibility for services and reform to limit the care costs of individuals.

30. If reforms to care services are to be successful, then social care must remain a local service. Councils have showcased their track record in financial prudence during challenging times – ensuring services are protected for the most vulnerable and elderly. They have innovated and transformed services in partnership with health.

31. We would therefore seek the publication of the social care white paper within the next six months, and which must be supported by a national discussion and cross-party approach to consider the funding options for adult social care, including younger adults. Reforms should also seek to encourage preventative approaches locally to reduce or mitigate demand for social care, such as reforming the planning system to encourage the development of more extra care housing for older people.

32. Similarly, for children's services additional funding must be underpinned by evidence-based reforms that will ensure that quality of children's services retained and improved. For example, investment could be prioritised in family support services drawing on the growing bank of evidence and science-based approaches which ensure the 'best start for every child' in their earliest years. Similarly, local authorities could be empowered to address teenage mental health with Tier 1 and Tier 2 preventative approaches with a focus on supporting transitions to healthy adulthood. A forthcoming report, to be published in March 2020, will explore this in more detail.

Place-Based Growth – Levelling up

33. Since coming to office, the new government has rightly identified a need for 'levelling-up' communities, addressing many of the structural issues with the economy and the inter- and intra-regional disparities that exist within the UK.

34. CCN has long called for a programme that will 'level-up', supporting research from Localis about how to support 'stuck' communities,[7] and working with the County APPG on a report about how social mobility and economic opportunities in county areas can be brought more in line with those that exist in London and other big cities.[8]

35. To further evidence this, CCN recently commissioned Grant Thornton to undertake an in-depth study on placed-based growth and the role of county and unitary authorities.

36. This extensive study, undertaken over the past four months, will provide evidence and insight into placed-based growth through the lens of county and unitary authority areas. It will unpack the role of county and unitary authorities in delivering growth over the past decade by examining how local place-specific circumstances have shaped action and investment. It will analyse the extent to which growth has been enabled locally and in doing so identifies the barriers that either still exist or have emerged over the past decade.

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[7] https://www.countycouncilsnetwork.org.uk/download/1210/
[8] https://www.countycouncilsnetwork.org.uk/download/1811/

37. The final report, to be published in early March, will draw together a series of recommendations to inform policy discussions and debate around how place-based growth can be supported over the next 10 years and how the new Government's agenda for 'levelling-up' can be delivered.

38. To support this submission, we include *interim findings* from the project in Annex 1. This is principally focused on detailed data analysis of county authority areas using a broad range of different socio-economic datasets such as:
    - Business environment – e.g. number of business start-ups, size of business base, nature of businesses (e.g. services vs tradable), workplace earnings and productivity (GVA per job)
    - Infrastructure provision – e.g. key transport nodes, access to services, access to core cities, broadband speed and provision, housing growth, identifying and quantifying the infrastructure gap.
    - Living standards – e.g. index of multiple deprivation, fuel poverty, skill levels, employment rates, income levels.

39. The analysis shows that county areas are the backbone of the UK economy, delivering 39% of GVA, 48% of all businesses, and 42% of all employees. However, over the last five years they have witnessed slower growth rates. Business growth of 7.9%, for instance, has lagged behind the England average of 11.6% and 15.1% for non-county areas.

40. County areas also suffer from structural weaknesses such as poor productivity and business growth, lower than median wages and significant skills gaps. Some 31 of the 36 county and unitary authorities have productivity levels below the national average, driven by low levels of business formation rates and structural challenges such as low median incomes: 23 county areas have mean income levels below the England average and only 13 above. Over the past five years it appears that the gap in incomes for county areas is widening, with a 13% increase in the gap over the past 5 years.

41. Therefore, to truly unleash the potential of the entire country, government must ensure that counties are at the heart of their agenda and we urge the Chancellor to use the forthcoming Budget to set this out. Below we set out a range of other policy considerations that are essential to delivering the 'levelling-up' agenda.

Regional Investment

42. Since taking office the Government have clearly set out its invention to level up regional investment in growth and infrastructure. It has recently been reported that investment rules be reconsidered as part of this year's Budget, recognising the disparities in investment that currently exist. While much of the focus has been on the north/south divide, lower levels of investment between metropolitan and non-metropolitan areas are equally as important.

43. Emerging analysis from Grant Thornton, to be included in the final report, shows that investment across a number of key funding streams is significantly lower in CCN member councils compared to major urban areas. Moreover, as a result of more generous funding for urban councils, and disproportionate capital investment, these authorities have been able to investment significantly more in growth-related services.

44. Table 1 below provides a breakdown of funding received from EU Structural Funds, Growth Deals, and Innovate UK Funding *per capita*. It also provides an illustration of potential allocations for the Town's Fund if all 100 towns received a £25m allocation. Appendix 1 provides further detail on the methodology used to calculate the figures.

Table 1 – Growth Funding	Towns funding (£/capita)	EU funding (£/capita)	Growth deal funding (£/capita)	Innovate UK funding (£/capita)	TOTAL FUNDING (£/capita)
Core City	10.75	110.22	210.50	248.87	580.35
London	-	72.33	49.51	207.63	329.47
Metropolitan District	76.63	131.67	216.82	111.87	537.00
Unitary Authorities	58.59	84.92	160.90	163.20	467.62
CCN member councils	**52.47**	**98.41**	**165.01**	**121.87**	**437.76**

45. Table 2 shows the total revenue and capital expenditure by local authority type between 2015/16 and 2019/20 on growth related services.[9] While county, district and unitary authorities in county areas are responsible for 40% of the £82bn gross revenue and capital of investment by local government on growth related services between 2015-2019, investment per capita is significantly lower than major urban areas. In 2018/19 the combined investment per capita by county and district councils in two-tier local authority areas was £333, this is 34% lower than in London and 25% lower than in the Core Cities. Equally, CCN unitary authorities' investment of £347 per capita is 23% lower than London and 31% lower than London. It is important to note these figures exclude additional investment by the Greater London Authority and Mayoral Combined Authorities.

Table 2 – Growth-related expenditure	Total revenue & capital expenditure 2015/16 – 2018/19 (£bn)	Per capita expenditure 2015/16 – 2018/19 (£)
CCN Counties	14.43	168.0
CCN Unitaries	4.63	347.2
Districts	13.73	165.5
Core Cities	8.53	448.8
London boroughs	17.76	506.9
Metropolitan districts	9.95	307.4
Unitary Authorities	13.13	374.1

[9] Grant Thornton used data sourced from the Ministry of Housing, Communities and Local Government, local authority expenditure, both gross revenue and capital, has been segmented to extract services that were deemed as 'growth related' from planning to highways to cultural related services.

46. Non-metropolitan areas do not receive their fair share of infrastructure and day-to-day investment to support growth, while uncertainty on the future resources such as EU funding have hampered the ability of county and unitary authorities to undertake strategic investment.

47. Of particular importance to county and unitary authorities is the future arrangements for European Union's Structural and Investment (ESI) funds which were set up with the aim of reducing disparities in the level of development in the regions of the EU. The UK is set to receive around £15.2bn in funding over the 2014 – 20 period. The government has said that this funding will be replaced by a new Shared Prosperity Fund but has not yet shared details on the size or shape of the scheme

48. This Budget must take steps to tackle funding and investment inequalities and provide further clarity on the replacement for EU Structural Funds. We would therefore look to the Budget to deliver the investment on 'levelling-up' through growing local economies, ensure that county areas receive a sufficient share of this funding, and ensure that county and unitary authorities have a key role in directing this investment.

- **Sustainable and fair funding, including a multiyear funding settlement, reforms to New Homes Bonus and business rates retention will allow counties to increase growth-related expenditure.**

- **The National Infrastructure Commission Infrastructure assessments should ensure greater consideration of the infrastructure requirements in non-metropolitan areas and consider how this could link to wider growth-related matters that would help to level up the economy across the country.**

- **The Government should commit to publish a consultation on the UK Shared Prosperity Fund as soon as possible. It must ensure it gives counties fair opportunities to access future funding opportunities that will reduce economic disparity and generate future economic growth.**

Strategic Partnerships

49. CCN welcome the introduction of the High-Streets and Towns Fund, including guidance ensuring that county councils are represented on the local Towns Boards bringing forward proposals for the fund.

50. However, it is important to recognise that a narrow focus on high-streets and small-scale regeneration, which underplays the role of county and unitary authorities, will not deliver better outcomes for many of the left behind areas which reside in county areas. Therefore, the Government must ensure that the strategic role and capacity of county and unitary authorities is strengthened in Government policy.

51. Ensuring a wider, more strategic approach to 'levelling-up' economic outcomes in left behind town, coastal and rural communities will require continuing investment in growth enabling infrastructure and reforms to growth partnerships.

52. Despite significant other financial pressures, county and unitary authorities have continued to make a significant contribution to growth related spend. Forthcoming analysis by Grant Thornton will show that of the £32.8bn gross revenue and capital expenditure on *growth*

related services in shire counties between 2015 - 2019, 58% of this was by county councils and county unitaries.

- **Any new funding should be focused on building capacity to deliver strategic growth priorities. This could lead to increased efficiencies with the result that more money is actually spent on frontline delivery.**

53. Recent reforms to Local Enterprise Partnerships (LEPs) have reduced the role of local government in their governance. This is despite LEPs reliance on the significant resourcing and delivery capacity provided by county and unitary authorities since their inception, alongside their role in bringing democratic oversight to the investment of public funds. At the same time, , subnational transport bodies have become an increasingly important part of the regional growth and transport landscape.

- **As part of the 'levelling-up' agenda that the government revisit reforms to Local Enterprise Partnerships to better recognise the role of local government in driving forward place-based growth**.

54. By convening partners county and unitary authorities have been able to leverage resources and ensure a shared focus; however, more can be done to support their strategic role.

55. To facilitate this, our final report with Grant Thornton will consider whether Growth Boards should be established in every county authority area. As part of this a statutory duty could be placed on county and unitary to convene and coordinate key stakeholders (which could include neighbouring authorities).

56. The Growth Boards could be governed by a national framework and guidance. This framework would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity. The establishment of these boards should learn from the existing examples already in place across the country. A potential framework for this is set out in more detail in the draft report from Grant Thornton that has been attached.

Transport & Connectivity

57. Between 2010 and 2018 over 3,000 bus routes have been reduced, altered or withdrawn. We welcome the manifesto commitment to invest in the bus network to "improve infrequent or non-existent services in the countryside, including more on-demand services".

58. However, the Government intends to only allow bids for the £4.2bn Local Public Transport Fund from combined authorities and elected mayors. This is despite county and unitary authorities witnessing a 46% reduction in funding for local bus services since 2009/10 compared to 19% in combined authority areas.

- **An announcement should be made at the Budget that bids will be allowed for the Local Public Transport Fund from county and county unitary authorities to ensure that they have the powers and funding to improve transport within counties and across local government boundaries.**

59. A key part of infrastructure spending is on transport and roads. Roads maintenance is one of the most publicly visible county authority responsibilities. Given the funding pressures on local government we welcomed the £2bn pot hole fund, as Shire counties are responsible for

70% of council-maintained roads, with county and rural roads historically not receiving the same level of support as London and City Regions.

60. The additional funding provided in the 2018 Budget allowed county and unitary authorities to fund well over 2,000 roads. This significant track-record demonstrates what CCN members could do with a similar level of investment, benefiting motorists, public transport and businesses.

Broadband

61. Connectivity however, is not just about physical infrastructure. CCN research has shown that county areas suffer from broadband speeds that are significantly lower than their urban neighbours. The analysis by Grant Thornton in Annex 1 provides further evidence to support this.

62. Extending broadband to an area can affect productivity, the number of businesses, and local labour market outcomes such as employment, income and wages. Better broadband and mobile infrastructure could transform the rural economy with greater potential for home working and small business growth.

- **Should the Budget provide additional funding for broadband, we would welcome a clear roadmap for how this is to be achieved in partnership with county and unitary authorities.**

Skills & Employment

63. Counties face significant challenges in ensuring skilled employment for residents. Counties' occupational profile is skewed towards the skilled trades, reflecting the high proportion of manufacturing and construction jobs. However, employment growth in recent years has been led by the service sectors, and this will continue, with professional, scientific and technical sector employment becoming increasingly important.

64. CCN welcomes the commitment to introduce a £3bn national skills fund, but it remains unclear how this fund will be invested. It is crucial that local government has a key role to play. Devolving responsibilities and budgets for skills to county and unitary authorities will ensure that they are better placed to respond to the skills challenges in their areas and better guide and grow their local economies.

65. The geographic scale of county and unitary authorities provides an opportunity to think strategically about the commissioning of skills for places. For this to succeed skills funding would also need to be devolved to this spatial scale.

- **Any extra support for skills announced at the Budget needs to be aligned with local growth priorities. At the heart of this sits a need to ensure that the current and future workforce have the skills required to deliver future growth. In part this relates to digital and technology skills, but it covers a much broader range of growth needs (and skill levels) from climate change to housing provision to the delivery of core infrastructure.**

Climate Change

66. Councils are showing local leadership in declaring climate emergencies and have already launched a series of actions to reduce their own carbon emissions and those of the communities they serve. However, they need to be given the responsibilities to ensure that they can follow-through in promoting policies that will achieve the local targets that they have set.

67. Government must engage much more with councils, giving them the funding and freedom needed to ensure that action will be taken, safeguarding the environmental inheritance of future generations. This includes in areas such as energy efficiency upgrades to buildings and assets and air pollution.

- **The government should use the budget to create a climate transition fund for councils, to enable the rapid conversion of assets including council properties, schools and fleets.**

- **The government should devolve powers to councils on transport and infrastructure will help county and unitary authorities meet their ambitions on this agenda.**

Devolution for all

68. Devolution, and the ability for shire counties to access funding and levers currently afforded to urban metro-mayors, will be crucial to the success of the 'levelling-up' agenda and securing better local economic growth as set out above.

69. The Conservative manifesto committed to giving towns, cities and communities of all sizes across the UK real power and real investment to drive the growth of the future and unleash their full potential. There was a stated ambition for full devolution across England, with a Whitepaper to be published in the new year.

70. CCN has long argued that the Government should set out a clear framework for devolution. This presents an opportunity not only to provide clear guidance to local areas in developing proposals, but to reset the relationship on devolution with county and unitary authorities if there is a genuine and tangible offer from Government.

71. While the Devolution Whitepaper will be delivered outside of this Budget, it provides an important opportunity to set out a clear direction of travel to move beyond the narrow focus of devolution to cities undertaken to date.

72. A lack of devolution in county areas is giving urban areas a further economic advantage that prevents county areas to be able to level up with neighbouring urban areas. Indeed, the Social Mobility Commission has previously identified this as a barrier to achieving greater social mobility in areas without devolution.[10]

73. An increasing number of county and unitary authorities are cognisant of the high levels of growth in neighbouring areas, particularly those that border city authorities and large urban conurbations. The success and vibrancy of city economies is intrinsically tied to the success of its neighbouring – often county authority – areas. These neighbouring areas are increasingly part of the wider functional market area and managing the interaction between

10 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/662744/State_of_the_Nation_2017_-_Social_Mobility_in_Great_Britain.pdf

the two economies would be easier to manage if there was a parity of powers and opportunity for county areas.

74. The case for devolution to counties is therefore compelling. Devolving powers and funding on economic growth and public sector reform would have a major impact on economic growth in county areas. Harnessing the strategic role of county authorities must be at the heart of the devolution proposition in shire counties, and the new Government should seek to build on the foundations already in place in our areas.

75. Devolution could help drive wider public service reform and the 'levelling-up' agenda in county areas. Oxford Economics for CCN have estimated that full devolution to counties could save up to £36bn over five years, as well as bringing decisions closer to local people.[11] A devolution settlement for all should therefore present opportunities for reform to existing partnership arrangements to promote whole-place public service reform.

76. The county acts as a practical and effective layer of government, being strategic, yet inherently recognised and celebrated by residents. County boundaries are an asset, not a brick wall; with the ability to reach into district and parish economies, but also work constructively across borders at a strategic scale with sub-national and national bodies.

77. We urge the Chancellor to use the Budget as an opportunity to set out that devolution to shire counties is a priority for the coming period. Moreover, as the Treasury engages in the development of the Devolution Whitepaper, we ask that the following issues be considered;

- **Provide as much parity with Mayoral Combined Authorities on devolution as possible. This includes powers for a Statutory Spatial Plan; responsibility for the Shared Prosperity Fund; delivery of the Education and Skills Funding Agency; and powers over Bus Franchising.**

- **Provide clear guidance to local areas on acceptable devolution geographies, seeking coterminosity with county boundaries and avoiding inappropriate geographies that could undermine continuing service delivery.**

- **Set out a broad range of Governance options, including non-mayoral combined authority models. This should include options for the strategic authority within the area to take on accountable body status supported through the formation of a joint or special committees, with full district, unitary and LEP representation.**

- **Any mayoral combined authority should be tailored to recognise the additional complexity of two-tier areas, including voting rights between partners.**

- **The Devolution Whitepaper should set out the options for a county council to strengthen direct accountability to unlock further devolved powers through the constitutional adoption of the directly elected mayor/leader and cabinet model, permissible under current legislation.**

- **The Devolution Whitepaper should set out a criteria for unitary reform. This should include confirmation of a minimum population limit 'substantially more' than 300,000 with no upper population limit; ensure proposals offer better**

11 https://www.countycouncilsnetwork.org.uk/download/901/

public service delivery across the area; and provides the thresholds and tests of local consensus.

Appendix 1 – Grant Thornton Growth Funding Analysis Methodology

Funding option	Description
Growth deals	Growth deals provide fund to Local Economic Partnerships for projects that benefit the local area and economy[12]. In 2014, all LEPs submitted Strategic Economic Plans to be used for negotiations on Growth Deals from the Single Local Growth Fund created in the 2013 spending review. By 2017, three rounds of growth deals had been awarded with a total value of £9.1 billion [13] In order to calculate funding for county authorities from LEPs, we have proportionally allocated the total LEP funding to individual districts based on their population.
EU funding	Every EU region may benefit from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The ERDF focuses on innovation & research, the digital agenda, supporting SMEs, and the low-carbon economy[14]. The ESF focusses on improving employment, social inclusion, education, and institutional capacity[15]. In order to calculate funding for county authorities from LEPs, we have proportionally allocated the total LEP funding to individual districts based on their population.
Towns funding	101 towns across England have been awarded a Town Deal from the £3.6 billion Towns Fund[16]. The objectives of the Towns Fund are: • to drive Urban regeneration, panning and land use • To support skills and enterprise infrastructure • To develop physical and digital connectivity. For these calculations we have assumed that all towns will get a maximum allocation of £25m.
Innovate UK	Innovate UK is part of the UK Research and Innovation, driving growth by enabling, supporting, and funding business research collaborations that drive business investment into research and development[17]. Government backs funding is awarded to organisations that research and develop a process, are testing innovation ideas, and collaborating with other organisations[18].

12 https://www.gov.uk/government/collections/local-growth-deals
13 https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN07120
14 https://ec.europa.eu/regional_policy/en/funding/erdf/
15 https://ec.europa.eu/regional_policy/en/funding/social-fund/
16 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843843/20191031_Towns_Fund_prospectus.pdf
17 https://www.gov.uk/government/organisations/innovate-uk/about
18 https://www.gov.uk/apply-funding-innovation