



COUNTY COUNCILS NETWORK

CCN Submission to the APPG on Reform, Decentralisation and Devolution

Better Devolution for the whole UK

Executive Summary

- CCN was at the forefront of demanding this more fundamental examination of the relationship between Westminster and the County & City Regions of England. In achieving an English devolution settlement, alongside enhanced powers for the home nations, Council leaders in CCN member authorities have been clear that devolution within England must look beyond a narrow focus on Parliament and English votes for English laws.
- It is clear that consolidation of the majority of the funds, powers and responsibilities outlined in CCN's *County Devolution Reports* at the local level will allow much greater synergy between the public and private sectors to develop joint strategies and leverage further investment, while reforming public services to deliver the efficiencies demanded as part of the Government's deficit reduction programme and improve resident outcomes.
- To drive economic growth and transform public services, county and county unitary authorities have the key strategic and leadership role in delivering a new English devolution settlement in partnership with district councils and local public service providers. Counties provide both the scale and capacity to deliver devolved budgets and 'hold the ring' in robust and accountable governance arrangements.
- CCN strongly believe in double devolution and subsidiarity; powers residing at the lowest appropriate level. Firstly, this means substantial devolution of powers and funding from Whitehall to county areas and regions. County and districts should then, as part of local deals, negotiate where specific powers and service delivery should sit. Devolution should seek to exploit the existing strengths, expertise and economies scale of county and district authorities.
- Given counties large geographies and more complex provider landscapes, extra consideration needs to be given to devolution governance. A focus on metro mayor's risks stunting county economies, disenfranchising county residents and creating the legacy of a complex and fragmented map of public service across the country. While the mayoral model may be suitable in some county areas, alternative governance arrangements with strong local leadership should be considered. County areas, and in some instances pairs and groups of counties represent functional economic areas, and travel to work geographies; this should ensure that in the majority of cases the integrity of county and LEP boundaries are the natural geography for devolved governance.
- It is clear that central government see LEPs as an integral partner in any devolution deal and local governance arrangement. In many county areas the LEP boundaries work well. However, in some places the LEP boundaries do not reflect the functional economic area and where locally requested, should be reviewed and rationalised to fit the functional economic area.
- To ensure an English devolution settlement is effective and can achieve the best value for money there will also be the need for more of the proceeds of growth to be retained locally and greater powers to set levies and subsidies consolidated at the strategic level.

Introduction

1. The County Councils Network (CCN) represents 37 English councils that serve counties. CCN membership includes both upper tier county councils and unitary authorities and is a distinct voice within the local government sector. CCN develops policy, shares best practice and makes representations to central government and the Local Government Association (LGA) on behalf of this significant proportion of the country. We are a member-led organisation which works on an inclusive and all party basis and seeks to make representations which can be supported by all member councils.
2. CCN welcomes the opportunity to submit evidence to the Inquiry. We are submitting evidence to the APPG with the interest of ensuring devolution can be implemented across the country to county and city areas, in a way that is appropriate to the local area. The information presented below builds on a range of evidence submitted to previous parliamentary inquiries and consultations focusing on devolution, decentralisation, and economic growth, including the County All Party Parliamentary Group (APPG) inquiry into economic growth and devolution, undertaken during the previous parliament. Of particular importance to this submission is the devolution proposals contained within CCN's [County Devolution reports](#), published in March 2015, and our recent [Spending Review submission](#). We urge the inquiry to consider these important reports alongside the evidence below.

Devolved Nations

Devolution of legislative and fiscal competence to and within England

3. The devolution debate has been raging across the Home Nations in recent months as a result of the Scottish Referendum and the General Election. Following the no vote, the recommendations put forward by the Smith Commission, the Greater Manchester devolution deal and subsequent Government legislation, the narrative on UK Devolution has widened to challenge the nature in which all its people are governed from Westminster.
4. CCN was at the forefront of demanding this more fundamental examination of the relationship between Westminster and the County & City Regions of England. CCN's *Our Plan for Government 2015-20*, published at the time of the referendum, called for a new **English Devolution Settlement** to underpin a wide ranging set of radical policy proposals to be implemented by the next Government. It argued that if the 5.3 million people of Scotland had the opportunity to debate their relationship with Westminster, we believed that it is equally important that the Government considered a new relationship with the 24 million people served by counties in England.
5. In achieving an English devolution settlement, alongside enhanced powers for the home nations, Council leaders in CCN member authorities have been clear that devolution within England must look beyond a narrow focus on Parliament and English votes for English laws. Survey findings from our County Devolution project showed that over half (57%) of Council Leaders and Chief Executives respondents did not think an English Parliament should be formed as part of a devolution settlement for England. Evidence showed an English Parliament would not solve the issue of bringing decisions closer to local people, with 90% of respondents believing Central Government should look beyond devolution to countries and implement devolution within England to local areas.¹ This is a view supported by a recent BBC poll where 82% of people in

¹ CCN: *County Devolution: Interim Findings* (2014)

England support giving more decision making powers on issues such as tax, education, policing to local areas.²

Local Government

Why County Devolution?

6. The argument for greater English devolution and decentralisation to local government has several facets, but the crux of the argument for empowering local areas is to drive economic growth, reform public services and provide a more sustainable footing for local government finance.

Economic Growth

7. While the Coalition Government and the Chancellor of the Exchequer, until relatively recently, focused on championing City Devolution to drive growth in England. CCN,³ and other independent inquiries,⁴ have outlined in detail the economic case for county devolution. It is important here to briefly recount three critical points.
8. Firstly, CCN analysis shows that counties continue to be the drivers of growth outside of London and are net contributors in employment and tax revenues. They contribute the largest proportion of GVA, 41% and represent 36% of GVA growth since 2007. They account for 43% of employment and more than 50% in key sectors such as manufacturing, motor trades and construction. Crucially, their businesses and residents contribute the most, including 49% of all income tax in England, 41% of stamp duty and 39% of business rates.⁵ With this in mind, an arbitrary focus on only devolving substantial new powers and fiscal freedoms to the home nations and city regions to improve national economic performance will put at risk key economic objectives of the Government, including securing long-term GDP growth, private sector job creation and reducing the fiscal deficit.
9. Secondly, with the UK economy relying disproportionately on growth in London, achieving the Government's aim to rebalance the economy fundamentally relies on county areas. While the economies of Scotland, Wales, and the eight English Core Cities have a vital contribution to make, they remain relatively small in comparison to county economies. They also do not have the economic diversity that comes with the urban and rural mix of CCN member areas. The Government's own research shows that the importance of this diversity is set to grow over the coming years and will result in rural areas growing faster than urban economies.⁶
10. Thirdly, as the Prime Minister has recently conceded,⁷ nationally directed public policy is failing to tackle some of our most entrenched socio-economic problems and structural economic weaknesses are contributing to stagnation in the UK's productivity.
11. In 2013 output per hour in the UK was 17% below the average for the rest of the major G7 industrialised economies, the widest productivity gap since 1992. Figures for counties show that their average productivity is 91, compared to the UK 100 Index. This is considerably below the average for London, at 122, and also the Core Cities average of 94. There is a huge variance in performance between counties, some with internationally competitive productivity rates and some with the lowest rates in the UK.

² CCN: *County Devolution: Interim Findings* (2014)

³ CCN: *County Devolution Reports* (2015) <http://www.countycouncilsnetwork.org.uk/county-devolution/>

⁴ Non Metropolitan Commission. Devolution to Non-metropolitan England (2014) http://www.local.gov.uk/documents/10180/6869714/L15-4_NC-Report_WEB+%281%29.pdf/3d40b736-fe14-4e96-9c4d-e55da4495d14

⁵ CCN: *County Devolution Full Report* (2015) <http://www.countycouncilsnetwork.org.uk/assets/files/245/County-Devolution-2015.pdf>

⁶ DEFRA. Policy brief - how increased connectivity is boosting economic prospects of rural areas (2014)

⁷ Prime Minister Speech – Vision for a Smarter State <https://www.gov.uk/government/speeches/prime-minister-my-vision-for-a-smarter-state>

12. Our productivity weakness is also mirrored in other key public policy areas, such as skills, wages and employment. For example work based wage levels vary widely across counties, but on average county wages are below the national average and below other parts of the country. Moreover, the skills mismatch is seismic. CCN have calculated for example that in county areas around 10 people are training for every 1 job in hair and beauty. Conversely only 2 people are training for every 3 jobs in the key sectors of engineering and building.
13. Enhancing national productivity, investment in skills, employment support, and improving incentives to work are widely regarded as the key to improving living standards and tackling entrenched social problems. A devolution settlement of fiscal powers and economic growth budgets for county areas is clearly needed to capitalise on our economic potential and meet the unrelenting challenges facing UK Plc in a competitive global economy.

Fiscal Sustainability & Public Sector Reform

14. In tandem with economic growth, devolution within England is crucial to enabling ambitious public sector reform, integration and addressing the question of financial sustainability in county areas at a time of continuing fiscal austerity. CCN set out at length the full detailed fiscal outlook for CCN member councils in our recent submission to the Spending Review,⁸ but again for the purposes of the inquiry and the unique case for county devolution, it is important to outline a number of key points.
15. Our analysis has shown that without devolution enabling wide-ranging financial and public sector reform, county authorities will be unable to provide the services necessary to promote growth, protect vulnerable children, and care for our growing ageing population. Crucially, with county residents contributing more in taxes locally and nationally, they deserve a greater say over how all public resources are spent in their areas.
16. Firstly, the local government finance system is financially unsustainable following funding reductions and demand-led pressures, with counties facing a projected funding gap of £2.8bn by 2019/20.⁹ The current funding arrangements fail to reflect local needs and restrict councils from innovating, integrating and driving growth. Current funding streams such as the New Homes Bonus and Business Rates Retention also fail to incentivise local authorities to go for growth. Only financial and administrative devolution, alongside specific funding reforms, will enable local authorities and partners to solve key social and economic problems tailored to each area's unique circumstances and needs.
17. Secondly, in common with the rest of local government, we want to rebalance the fiscal relationship between Whitehall and local areas, with local government raising, retaining and spending more of its income locally. Our members want to bring decision making on public expenditure and the provision of services closer to local people. There remains a strong redistributive and equalising role for central government in the allocation of national resources. However, our communities currently contribute the most both locally and nationally. Despite this, they have the least say over how resources are spent in their area. County residents deserve the opportunity to benefit from the proceeds of growth locally and have a much greater say over how *all* public resources are spent in their local area. Through devolution and financial freedom, we need to provide CCN member councils with appropriate incentives, freedoms and specific fiscal measures to become more financially independent in the interests of their local residents.
18. Thirdly, local authorities need the scope to be able to take a holistic view of their services, tailoring economic and fiscal policies, and integrating and rationalising local services. Covering

⁸ CCN. *Spending Review Submission* (2015) <http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/>

⁹ *Ibid*, p. 25

86% of England's landmass, counties cover a vast array of complex provider landscapes that span the public sector. CCN estimates that, discounting central government bodies, there are approximately over 500 core public sector organisations and partnerships operating in county areas. This contrasts with London, with an estimated 87.

19. The status quo on public services and local government finance is no longer sustainable if the UK is to meet its future challenges. CCN believe that meeting the fiscal challenge requires a *One Place, One Budget* approach, with CCN member councils using their track record on public sector efficiency to drive cost savings in Whitehall budgets devolved to a local level. They must be empowered to reduce the complexity and cost of local public services across local areas, with Whitehall incentivising and actively promoting greater merging and integration of commissioning and service delivery.

Progress to date

20. It is clear that while the previous Coalition Government begun a significant process of devolution, CCN and its member authorities have been critical of Coalition policy for its arbitrary focus on devolution to City and City Regions, both before the referendum and immediately in its aftermath.¹⁰ Developments since the General Election have both quicken the pace and extended the potential scope of devolution. The Government has responded to the demands expressed by the CCN for a new devolution settlement for all of England, as outlined recently by the new CCN Chairman, Cllr Paul Carter;

*"The Government has rightly signalled a historic shift in power for the County and City Regions of England, something CCN has been championing. This is only right for the people of England, of whom 24 million reside in counties, who like the residents of Scotland and Wales deserve to have more control over their everyday lives and the local services they rely on to live and work."*¹¹

21. In announcing the Spending Review (SR), the Chancellor indicated that Government will use the review to take radical steps towards devolution across the UK. SR guidance stated that it will look at how transforming local government finance and further decentralising power can maximise local economic growth and the integration of public services.¹²
22. Alongside the commitments by the Chancellor, recent announcement of the first rural Devolution Deal in Cornwall is historic and significant in rebalancing the devolution agenda to ensure that it reaches all four corners of England. This is a significant extension of Conservative Manifesto commitments on English Devolution.¹³ There is now clear impetus from the Treasury, No.10 and DCLG to ensure counties play an important part in the English Devolution narrative.
22. Since March, CCN has been collaborating with member councils and Whitehall Departments to support local areas in putting forward ambitious proposals for local areas. All CCN member councils who responded to our Spending Review survey¹⁴ are now in discussions with local partners, with councils at varying stages of discussions with both Central Government and local partners. There is clearly added impetus in county areas, given Government proposals to date and those outlined in the Spending Review documentation. Some 52% of county leaders would like to see devolution to their area within one year and 40% within two years. The former is up from 38% in March 2015.¹⁵

¹⁰ CCN letter to the Prime Minister, September 2014 <http://www.lqcplus.com/Journals/2014/09/25/o/j/i/CCN-Cameron-letter.pdf>

¹¹ CCN. Chairman-Elect Statement <http://www.countycouncilsnetwork.org.uk/news/2015/jul/cllr-paul-carter-chairman-elect-statement/>

¹² HM Treasury. Guidance for submitting Spending Review representations (2015)

¹³ [Conservative Party Manifesto 2015](#).

¹⁴ See CCN. *Spending Review Submission* (2015) <http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/>

¹⁵ CCN. *Our Plan for Government: County Devolution* (2015)

The Cities and Local Government Devolution Bill

23. We broadly welcomed the introduction of legislation through the Cities & Local Government Devolution Bill to enable devolution deals in England, and strongly advocated the introduction of the words 'Local Government' into the title to ensure all parts of the country could benefit. We also note that the Explanatory Notes that accompany the Bill make specific reference to county areas.
24. We are disappointed, nonetheless, that there remains no explicit commitments to fiscal devolution through the Bill. It is also still subject to large amounts of central control by the Secretary of State for Communities and Local Government. These are issues we will engage with as the Bill proceeds through Parliament.
25. CCN recognises and welcomes the fact that the *Cities and Local Government Devolution Bill* gives flexibility for different devolution governance structures. But note that the focus of the Bill leans heavily towards mayoral combined authorities, matching the language of central government which leans heavily towards metro mayors for bespoke deals. This language has become more inclusive recently and we very much welcome this, but we strongly suggest there is still some way to go to reflect the role the county areas have to play and the appropriate governance for these areas. The concerns of CCN were summarised by the CCN Chairman;

"Although I welcome the Cities and Local Government Devolution Bill and recent devolution announcement to Cornwall, the Government must remember that devolution in counties will be unique and different. Counties already have strong leadership and governance arrangements, and we must build on existing partnerships. In achieving a fundamental and long-lasting decentralisation settlement, the focus must remain on ambition and outcomes, not process and creating additional unnecessary bureaucracy. We are committed to working with our partners, including districts and LEPs, but the Government must deliver on its promises to be flexible on local Governance and be extremely ambitious in its devolution offer to our areas."¹⁶

Governance arrangements for decentralisation

26. Given counties large geographies and more complex provider landscapes, extra consideration needs to be given to devolution governance, accountability and timescales for delivery.
27. County areas, particularly two-tier areas, face the challenges of vertical integration and of building relationships and governance amongst a large number of partners. There is particular complexity in bringing decision making and governance together between tiers of government who commission and deliver different types of services and whose structures, budgets and remits are quite different. This particular challenge does not occur in city areas, where horizontal integration happens between organisations with similar constitutions and remit.
28. Counties also differ from city regions in that they often have large, diverse geographies with multiple economic and cultural hubs. The city region model works on the basis that there is one predominant city which acts as a nucleus for the identity, governance and service layout of the functional economic area. There is a strong argument to say that this hub model is the reason that a metro mayoral model works in cities and why this has taken root in a quickly expanding number of city regions. Counties are also functional economic areas, with the majority of people

¹⁶ CCN. Chairman-Elect Statement <http://www.countycouncilsnetwork.org.uk/news/2015/jul/cllr-paul-carter-chairman-elect-statement/>

living and working within these areas, and with a strong sense of historical and day to day identity for people. However the city hub model does not reflect the constitution of counties, which adds further weight to the need for government to engage with the best options for county devolution and governance.

29. Added to this are the sometimes difficult historical relationships between districts and counties, although evidence suggests that these relationships are strengthening and progressing rapidly under the devolution agenda. County, district and unitary councils are working tirelessly together and with other partners across complicated county structures to build collaborative relationships, governance and offers to improve their economies and services. For Example the CCN and the District Councils' Network (DCN) have developed a joint statement and programme of collaborative support on two-tier devolution, with a focus on developing collaborative Governance. Alongside fiscal measures to incentivise collaborative two-tier work, we must ensure that this momentum continues and goes from strength to strength, with central government offering these areas substantial devolution with appropriate governance to incentivise collaboration.
30. Despite the greater complexity, progress has been made. CCN have set out a number of Governance principles ahead of the General Election to inform the incoming Government's proposals on devolution and set a framework for developing local solutions.¹⁷ City areas have been given encouragement to come together in recent years with incentives such as City Deals, transport powers for ITAs/combined authorities and most recently devolution deals. County areas are only just beginning to see similar incentives offered, but even they have made progress in recent months, with some areas in detailed conversation between partners and central government with developed governance and devolution offers.
31. Our research shows that many county areas are ready for substantial devolution, but others are at an early stage of engaging with both local and national partners to agree outline proposals and governance arrangements. For instance, table 1 below shows that while all two-tier respondents to our SR devolution survey were engaging with district councils, and 96% were engaging with their LEP, 43% of CCN member councils have engaged directly with the Treasury, and 61% the DCLG.¹⁸ We expect these later figures to increase following devolution expressions of interested submitted as part of the Spending Review, two thirds of which were led by or involved counties.
32. Table 2 summarises the results from our SR survey questions on governance. Some 67% of council leaders believe that a CA is either a quite or very appropriate governance arrangement for their local area. Our County Devolution project and supplementary qualitative evidence through our SR survey shows many county areas are in advanced discussions on forming CAs or have already submitted proposals.¹⁹

¹⁷ CCN: *County Devolution Full Report* (2015), p. 30 <http://www.countycouncilsnetwork.org.uk/assets/files/245/County-Devolution-2015.pdf>

¹⁸ See CCN. *Spending Review Submission* (2015) <http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/>

¹⁹ CCN. *Our Plan for Government: County Devolution* (2015)

Partner	Percentage
Districts	82.1 %
Unitaries	60.7 %
CCGs	64.3 %
NHS England	25.0 %
Police	50.0 %
LEP	96.4 %
Wider business sector	46.4 %
JobCentre Plus	17.9 %
Skills and education providers	60.7 %
Community and voluntary sector	28.6 %
DCLG	60.7 %
Treasury	42.9 %

Governance Arrangement	Not at all appropriate	Not appropriate	Quite appropriate	Very Appropriate
Non-statutory Leaders'/public sector board	13%	4.2%	33%	13%
Unitary Authority	35%	12%	4%	35%
Power held by upper tier authority	8%	13%	29%	25%
LEP	38%	33%	33%	0%
Joint Committee	8%	33%	33%	4%
Economic Prosperity Board	16%	28%	24%	12%
Combined Authority	11%	11%	19%	48%
Elected Mayor	48%	32%	8%	0%

33. Central government have been clear that they wish every deal to be bespoke to realise the potential of each individual an area. We must ensure that this is fully put into practice and that ambitious deals for counties can be established with bespoke governance which reflects the challenges and attributes of the particular area.
34. Table 2 presented above shows that 80% believe that an elected mayor was either a quite or very inappropriate model for their area. It is clear that while some county areas may consider the mayoral model and it may be appropriate in some places, central government must engage with our members to agree appropriate models and avoid a two-speed devolution process. In many cases this requires county leadership, with a strong sense of unity, partnership and subsidiary between constituent county, district and unitary authorities. Given their economic and fiscal contribution, it is clear that counties must form a key part of the devolution landscape and that governance and devolution models must be tailored to meet the needs of counties to ensure sustainable growth, productivity and living standards are bolstered across the country.
35. A focus on metro mayor’s risks stunting county economies, disenfranchising county residents and creating the legacy of a complex and fragmented map of public service across the country. We must not fall into the trap of assuming the metro mayor combined authority model, which has been designed for city regions, is the natural choice for counties also.
36. Alternative governance arrangements, for example rigorously designed combined authorities with strong local leadership can provide central government with what they are looking for in terms of strong, easily recognisable and mandated county governance. The Cities and Local Government Bill makes provision for an expanded role for Combined Authorities, so that any public sector function may be included. CCN have campaigned for such local flexibilities and are very pleased to see that this has been listened to. An extended remit for CAs will mean that counties have more flexibility in deciding how public sector governance, powers and budgets should function in their area. Such an expansion in CA remit is important for counties, given activity in local areas to form CAs with local partners.
37. Counties have the economic and population scale and the sense of place to represent the logical area in which to devolve. County areas, and in some instances pairs and groups of counties represent functional economic areas, and travel to work geographies; this should ensure that in

the majority of cases the integrity of county and LEP boundaries are the natural geography for devolved governance.

38. It is clear that central government see LEPs as an integral partner in any devolution deal and local governance arrangement. Counties are very keen that locally elected bodies, LEPs and the broader public sector in an area are closely aligned and integrated, to ensure the provision of planning, infrastructure, investment, skills and economic growth are designed together over the long term. In this way the public sector and business community will be able support aims shared with Government to increase productivity, appropriate house building and sustainable employment and economic growth. This becomes even more crucial given the move towards greater devolution of functions and freedoms for local areas.
39. In many county areas the LEP boundaries work well with the functional economic area, and this is allowing areas to come together and build effective governance and devolution proposals. However, in some places the LEP boundaries do not reflect the functional economic area, boundaries overlap and create complex landscapes (particularly where authorities are members of more than one LEP) or cut through and divide economies. This is not conducive to creating an integrated, strategic and focussed view of local growth, nor will it support transparency and accountability in the use of public money in the operation of any devolved arrangement. Counties wish to build devolution governance which supports economic growth, effective and efficient local services and ensures that democratic and business views are both empowered but continue to make the case that LEP boundaries should, where locally requested, be reviewed and rationalised to fit the functional economic area.
40. CCN has commissioned the Institute for Public Policy Research (IPPR) to explore appropriate county governance models and how differing models may be linked to devolved powers. This will explore county combined authorities, but will also consider other possible models. We are engaging with eight of our member authorities to identify barriers and solutions and to demonstrate how rigorous and accountable county governance can match that of metro mayors. A final report will be due for publication in autumn 2015 and we will be engaging central government through the interim and final findings. We will ensure this inquiry receives the final publication.
41. Allowing counties to put the right governance in place for their areas will mean that both city and county regions will evolve together. County areas have shown the drive and leadership to develop devolution offers and governance which would create a meaningful and effective map of public service across the country and, working in conjunction with business and LEPs, drive growth and public service reform.

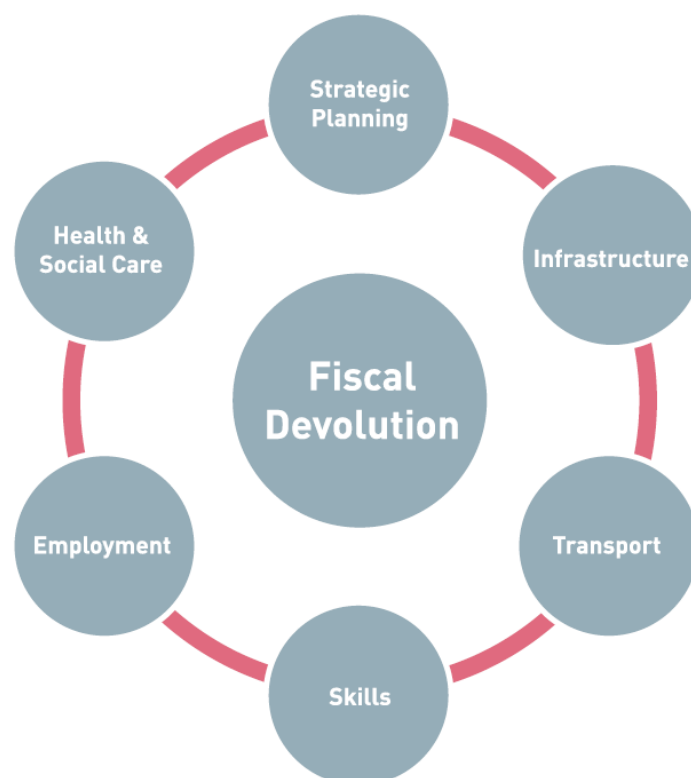
Central powers in the UK and intra-UK relations

A Core Devolution Settlement

42. We believe that delivering devolution through the SR process and beyond is an opportunity to reset the relationship between central and local powers in England, and across the UK. It is integral to the future of local government, particularly at a time of financial restraint. This is emphasised by our SR survey. Some 67% of county leaders believed a 'lack of access to devolved powers from government' to be a risk or high risk to their authorities financial sustainability over the next five.²⁰ In addition, a 'comprehensive devolution settlement of functions and budgets' is regarded as the second top priority for ensuring fiscal sustainability over the course of this parliament.

²⁰ See CCN. *Spending Review Submission* (2015) <http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/>

43. Following our county devolution project and extensive campaigning, we welcome commitments to place devolution at the heart of Government policy and the Spending Review, extending the offer of 'substantial' devolution deals to county areas. It does offer the opportunity to reset national and local public policy, fundamentally redrawing the balance of powers and responsibilities between Whitehall, the Houses of Parliament and local areas.
44. Each devolution deal for local areas will be a combination of *devolution by default* and *bespoke* negotiation. Alongside bespoke and ambitious devolution deals, we suggested that Government use the Spending Review to devolve certain growth budgets and powers by default, while other powers of health, social care and public sector reform are negotiated on a bespoke basis. We do not attempt to repeat the extensive analysis contained in CCN's County Devolution Reports²¹ or our Spending Review²² analysis, which outline CCN's specific proposals for devolution across the areas outlined in the below diagram. We ask that the committee study our proposals in detail and the implications for the interrelationships between central and local government.



45. It is clear that consolidation of the majority of the funds, powers and responsibilities outlined in our proposals at the local level will allow the design of a whole system which is responsive to the needs and ambitions of business, public service providers and communities. It will also enable much greater synergy between the public and private sectors to develop strategy and leverage further investment, while reforming public services to deliver the efficiencies demanded as part of the Government's deficit reduction programme.
46. Delivering a new relationship between central government and county areas will mean ensuring subsidiarity and double devolution in two-tier areas. CCN strongly believe in double devolution and subsidiarity; powers residing at the lowest appropriate level. Firstly, this means substantial devolution of powers and funding from Whitehall to county areas and regions. County and districts should then, as part of local deals, negotiate where specific powers and service delivery should sit. Our research shows a strong commitment to 'double devolution' to district and parish

²¹ CCN: *County Devolution Reports* (2015) <http://www.countycouncilsnetwork.org.uk/county-devolution/>

²² See CCN. *Spending Review Submission* (2015) <http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/>

council level, with counties already devolving and seeking to do more as powers are drawn down from government.²³

47. Our County Devolution Report was clear that for devolution to drive economic growth and transform public services, county and county unitary authorities have the key strategic and leadership role, which will mean specific strategic responsibilities being pooled at a county or combined authority level. It should also exploit the existing strengths, expertise and economies scale of county and district authorities: for instance, health and social care, skills, apprenticeships, transport, and infrastructure at a county level, and the locality work of district councils on planning, housing, business support, and community safety. However, we have always maintained that solutions should not be imposed and local areas should be able to design their own arrangements to best meet their local needs, with powers presiding at the most appropriate level.

Fiscal Devolution

48. To ensure such a settlement is effective and can achieve the best value for money there will also be the need for more of the proceeds of growth to be retained locally and greater powers to set levies and subsidies consolidated at the strategic level. This includes, in the short-term, significant reforms to funding incentives such as the New Homes Bonus, community infrastructure levy and business rates retention and the exploration of the local retention of a proportion of stamp duty, greater freedom over local taxation, and borrowing capacity.
49. The Chancellor's recent announcement on the localisation and full retention of business rates is a much more radical and bold plan by the Chancellor on fiscal autonomy. It proposes a long-term overhaul of the local government finance system, and paves the way for Government to devolve a number of new functions as part of a new funding and devolution settlement with local areas, as indicated by the Chancellor.
50. We welcome the principle of this move, but at the time of writing no details of the proposals have been published and the process of reform will need to be considered carefully over a period of time.
51. At a time when councils face unprecedented strain on their budgets, it is absolutely critical that the extension of business rate retention, a measure CCN has called for, does not put further unnecessary pressure on county budgets. The start point here is putting in place basic equalisation mechanisms. Central government cannot relinquish its responsibility to provide sustainable funding. Checks and balances must be developed to ensure areas with low business rate yields are able to properly fund services and there are sufficient safeguards against economic cycles and shocks.
52. The new landscape of 100% business rate retention also allows space for government to redress some inherent inequalities in current funding settlements, at the same time as unleashing the entrepreneurial spirit of local government to drive growth and deliver efficient public services.
53. The Government should bring forward its planned reset to baseline allocations and review the local retention rates between district and county councils. CCN have continuously argued that existing formulae does not adequately reflect the demographic pressures in county areas and additional costs of delivering rural services, while the 80:20 ratio in local business rates between district and county councils is inequitable and requires a fundamental review.
54. If the system can provide baseline financial stability for counties, these reforms to local government finance could provide the impetus needed to incentivise councils to go for growth

²³ CCN: *County Devolution: Interim Findings* (2014)

and lay the foundations of a devolution settlement for England. Fully liberating county areas and achieving the Chancellor's 'Devolution Revolution' will mean trusting all areas with the ability to competitively lower business rates, and where necessary, propose additional levies. The ability to propose a 2p levy for infrastructure projects cannot just be restricted to mayors. This is an arbitrary prerequisite, particularly given the fact that the business community will have the opportunity, through LEPs, to agree any proposal and should therefore be open to all areas.

55. If we are to fully see the benefits of Business Rate retention and allow local areas to create their best offer for business and communities then a full suite of fiscal, economic and public service powers will be required. We suggest that the government works closely with CCN, the LGA and local areas to design a package of powers, including greater control over local taxation and borrowing, to enable areas to drive growth and public sector reform.

CCN

COUNTY COUNCILS NETWORK

CCN Submission to the APPG on
Reform, Decentralisation and
Devolution

Better Devolution for the whole UK