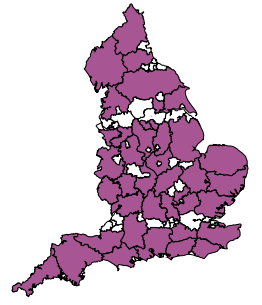
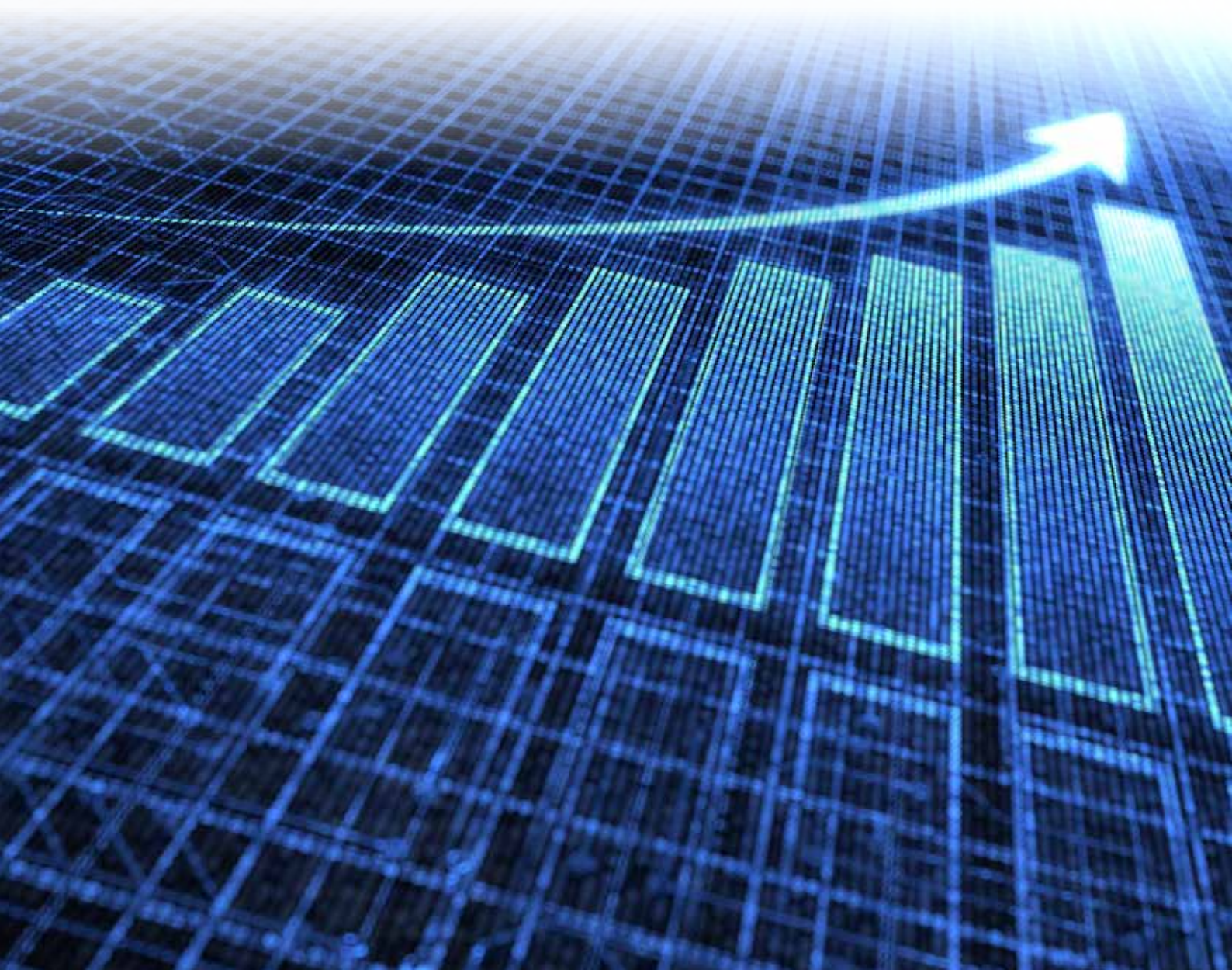


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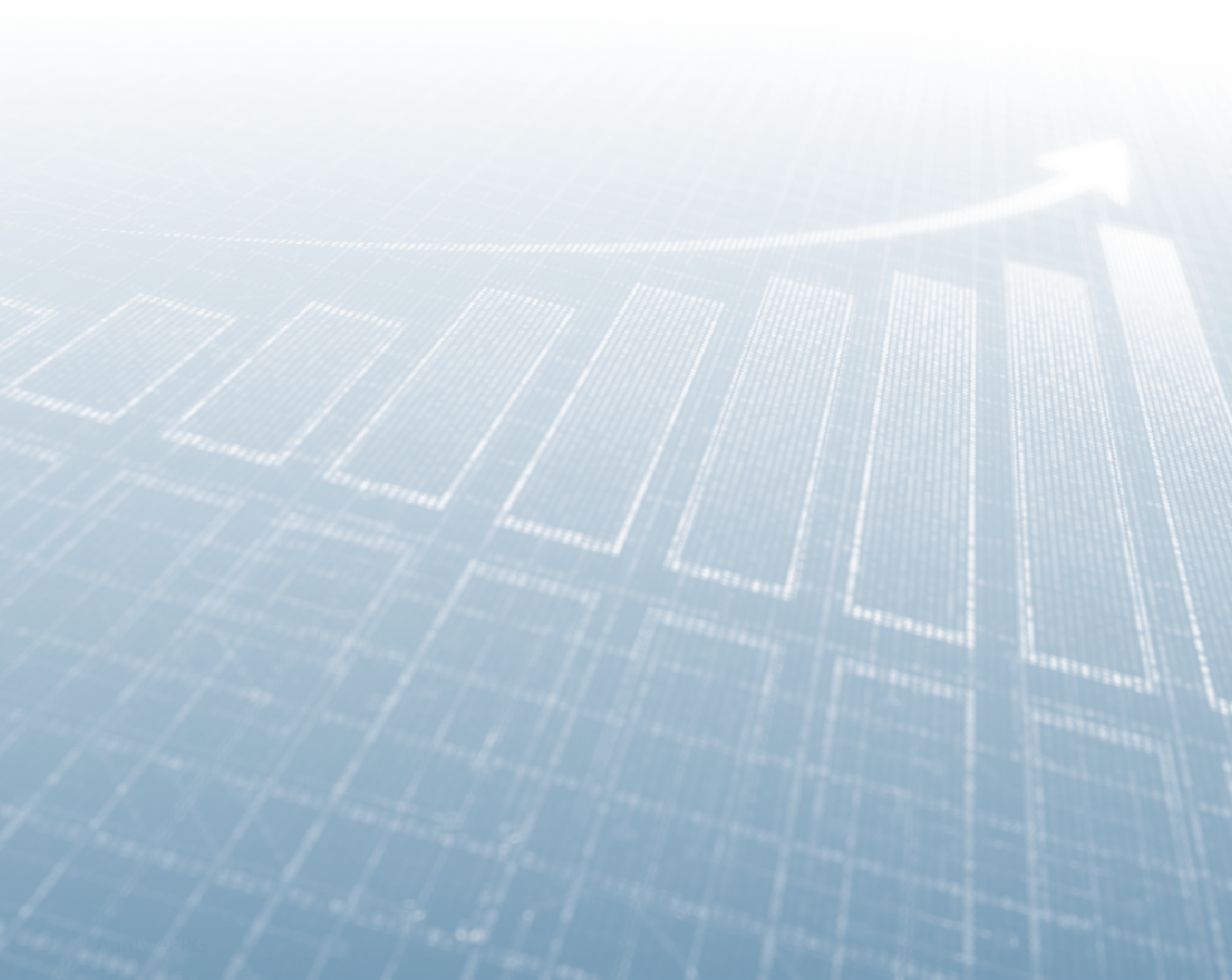
Ambitious growth deals for Counties

County All Party Parliamentary Group : June 2014



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The County All Party Parliamentary Group

The County All Party Parliamentary Group (APPG) was launched on 29 January 2014 with a remit to

“consider the issues and challenges faced by county areas and communities, the current and future contribution of these areas to the overall national economy and well-being, barriers and constraints that prevent the full potential of county areas from being achieved and to raise awareness of these matters in Parliament”.

Our Chairman, Henry Smith MP, is supported by a number of cross-party Vice Chairmen from both Houses of Parliament, Members of Parliament from constituencies in county areas throughout England and Members of the House of Lords. A full membership list can be found at Appendix I.

In February we announced our first inquiry ‘What should ambitious growth deals for counties look like?’ We received a significant number of submissions to our inquiry – a full list of respondents can be found at Appendix II.

Key messages that emerged from the call for evidence are summarised at Appendix III.

We explored these emerging themes in a roundtable held on 28 April 2014 which was attended by members of the County APPG, senior councillors and officers from county and district councils. This report draws on both the written evidence we received and the discussion at the roundtable.

We would like to thank all of those who submitted evidence to this inquiry, those who attended our roundtable event on 28 April, and both the County Councils Network and Shared Intelligence for supporting the County APPG through this process.



Defining what ambitious growth deals for counties should look like was the natural choice for the topic of the County All Party Parliamentary Group's first inquiry.

One of the inspirations for the creation of the APPG was the growing recognition in Parliament that Whitehall needs to change the way it views economic growth. County MPs from around the UK saw success of such measures as City Deals and wondered why the freedoms, flexibilities and programmes they contained were not being extended to their communities. This report aims to articulate what county regions can achieve if equipped with similar economic tool kits, though tool-kits tailored to county priorities.

With their strategic overview of their local economies, ambitious economic plans and tradition of leadership across and beyond their boundaries, county and county unitary councils, working with partners, have a pivotal role in coordinating the pursuit of local growth. Growth deals in county areas must reflect these strengths.

The vision of Lord Heseltine's *No Stone Left Unturned in the Pursuit of Growth* called for bold change from both central and local government. In researching this report, the County APPG have discovered how hard counties have been pushing Whitehall to remove the barriers to delivering this change.

Counties across England have described ambitious but well-grounded regional growth plans whose success hinge on greater devolution of powers and responsibilities and more local control over spending on economic growth. It is clear that working alongside their LEPs and key partners, including district councils, counties can contribute more to UK Plc if permitted to reinvest the proceeds of local growth back into their economies.

As the economic recovery begins to entrench itself in the UK, Government has recognised the need for that growth to reach all parts of the country. I hope that this inquiry report provides a clear roadmap for ensuring the better support of long-term economic growth in counties.

My sincere thanks to everyone who collaborated in making this report possible and to those who participated in our roundtable research session.

Henry Smith MP
Chairman, County All Party Parliamentary Group

1. Introduction and executive summary

- 1.1 The County All Party Parliamentary Group supports the vision for a devolved approach to driving economic growth set out by Lord Heseltine in his report, *No Stone Unturned*. We are equally clear that it is still far from being achieved in practice. This report sets out how the vision can become a reality in county areas up and down the country and why it is so important that the growth potential of our counties is encouraged and supported rather than, as now, often being frustrated.
- 1.2 It was precisely because of a growing concern that successive Governments have failed to provide the necessary policy tools county areas need to fully exploit their local economies that we announced in February that our first inquiry would focus on the question: **'What should ambitious growth deals for counties look like?'**
- 1.3 We have been impressed by the effort county councils and county unitary authorities working with district and borough councils, and in many case neighbouring unitary councils, as members of their local enterprise partnerships have put into preparing Strategic Economic Plans (SEPs) and in setting out how they could make use of the Local Growth Fund.
- 1.4 However, we also share the concern of the respondents to this inquiry that an arbitrary policy focus on the economies of the UK's largest Cities continues to undervalue the potential of county economies to the detriment of economic growth in the UK.
- 1.5 More broadly, we also believe that the government's response to the Heseltine Review has not matched Lord Heseltine's ambition. In fact the signs are that the government's focus is on funding a number of projects which can start in 2015-16 and that the vision of localities being genuinely empowered to set, fund and deliver local growth strategies will not be achieved. We have concerns about the ability of government to negotiate in a constructive way with 39 LEP areas. The current government has in effect recognised this by giving priority to agreeing deals with the major cities. We believe that the Government should respond to this reality by making a new devolved **core settlement** available to all places and negotiating more bespoke deals with those places with the greatest ambition and best track record, regardless of whether they are city or county areas.
- 1.6 We believe that a continuing policy focus on city economies is leading to a significant missed opportunity. The evidence that we have gathered on the strategic and economic significance of counties and the barriers to growth in county areas leads us to the clear conclusion that the key to enabling county councils and county unitary authorities and their partners to drive economic growth locally is to return to the ambition set out in Lord Heseltine's report. This should include:
- the devolution of substantial powers and centrally retained budgets to county partnerships;
 - the introduction of a local growth fund of the scope and scale envisaged in *No Stone Unturned*;
 - an ability for localities to share in the financial benefits of growth and raise resources locally to tackle the consequences of growth and support greater investment;
 - Structural reform to the governance and accountability of existing growth partnerships and LEPs.
- 1.7 This APPG inquiry has considered in detail the geographical level to which powers and funding should be devolved. In doing so we have given attention to economic geography, the need for strategic capacity and the importance of local democratic accountability. Our conclusion is that, outside London and the metropolitan areas, the core building block for devolution should be county councils and county unitary authorities or, where that is supported locally, such as in the North East, wider groupings of counties and adjoining areas.
- 1.8 Examples from the evidence that we received, and the round table session are cited throughout this report. The written evidence that we received will be published in full alongside this report.
- 1.9 Our core recommendations are set out in the table below and are developed in more detail in Chapter Four which puts forward our proposed approach to growth deals in county areas.

Table 1: summary of recommendations

| | |
|-------------------------|--|
| <p>Recommendation 1</p> | <p>Government policy is fundamentally reframed, acknowledging the economic potential of county economies, with a view to investing in success, exploiting the untapped potential of localities and delivering a greater return on investment both locally and nationally</p> <p>County areas are strong drivers of economic growth and merit the same status as urban areas and the same opportunities afforded them via city deals. The opportunity cost for government of failing to recognise this agenda is not just lower growth in county areas, but lower growth for UK plc and further regional inequality.</p> |
| <p>Recommendation 2</p> | <p>Re-establish a genuine local growth fund</p> <p>Based on the principles set out in <i>No Stone Unturned</i>, government should ensure the local growth fund is larger, with no internal ring fences, and genuinely devolved to local areas to use according to their own priorities for local growth.</p> |
| <p>Recommendation 3</p> | <p>Grant county areas devolved powers and budgets via a “core settlement”</p> <p>A core offer of powers and budgets to enable county areas, and wider groupings of local authorities, to make real decisions based on genuine local priorities and which reduce negotiation burdens on Whitehall. The Core Settlement must include;</p> <ul style="list-style-type: none"> • Skills, including centrally retained budgets and apprenticeships; • Employability, including the work programme; • Transport, including funding for major infrastructure, with some larger specific road and railway investment projects negotiated on an individual basis; • Strategic Planning, with county councils convening the development of a robust strategic framework in collaboration with district councils and other partners. |
| <p>Recommendation 4</p> | <p>Give county areas the opportunity to raise finances locally through new fiscal freedoms</p> <p>Granting county areas the access to finance needed to drive local growth via a range of potential options such as Tax Increment Financing, investment by local authority pension funds, bond issuance and other sources, some negotiated on an individual basis.</p> |
| <p>Recommendation 5</p> | <p>Grant further powers and devolved budgets to highly ambitious areas</p> <p>Beyond the core settlement, county areas with a proven track record of delivery and ambition should have further powers and budgets made available to them through bespoke negotiation with government. This would provide opportunities for a limited number of county areas and their LEPs to pilot new ways of working and new forms of collaboration.</p> |
| <p>Recommendation 6</p> | <p>Instigate a one-off review of LEP boundaries to give local areas the chance to define what would work most effectively for them locally</p> <p>In response to county area concerns that some LEPs do not constitute “functional economic areas” and in some cases, overlap or split counties into segments.</p> |
| <p>Recommendation 7</p> | <p>Provide Ministerial leadership</p> <p>Create a Ministerial champion for county areas to work alongside the Minister for Cities to ensure that all areas are enabled to support economic growth.</p> |

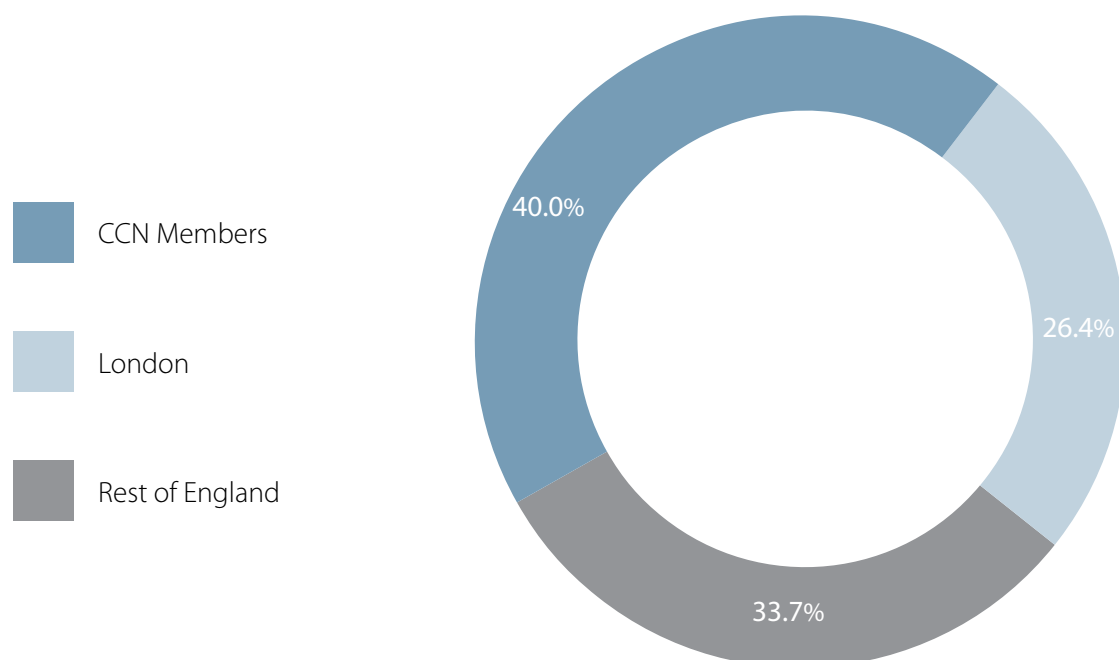
2. The strategic and economic significance of counties

- 2.1 In response to our call for evidence on the economic and strategic capacity of county areas, many respondents provided a range of compelling evidence outlining the economic output of county areas and role of local institutions in promoting and securing local growth. Given the right circumstances, including devolved funding and decision-making powers, counties would equally be able to offer the same kind of return on investment, both locally and nationally.

Economic Contribution

- 2.2 Respondents noted that county economies are unique and diverse, embracing both urban and rural areas. Some 25 million people, 47% of England's population, live in county areas¹. Counties encompass county towns and cities, as well as large rural and semi-rural areas with networks of market towns and smaller communities. They are the backbone of the UK economy and are not, as often assumed in the national dialogue, simply 'hinterlands' bordering cities.
- 2.3 In 2012 the economies of the areas served by the 37 Councils in membership of the County Councils Network alone accounted for, **54%** of Gross Value Added (excluding London) and **43%** of jobs. The combined economies of CCN member councils generated **40%** of England's GVA, with a combined GVA of £469bn from an English total of £1.17 trillion.²

Share of National GVA 2012 (ONS, 2013)

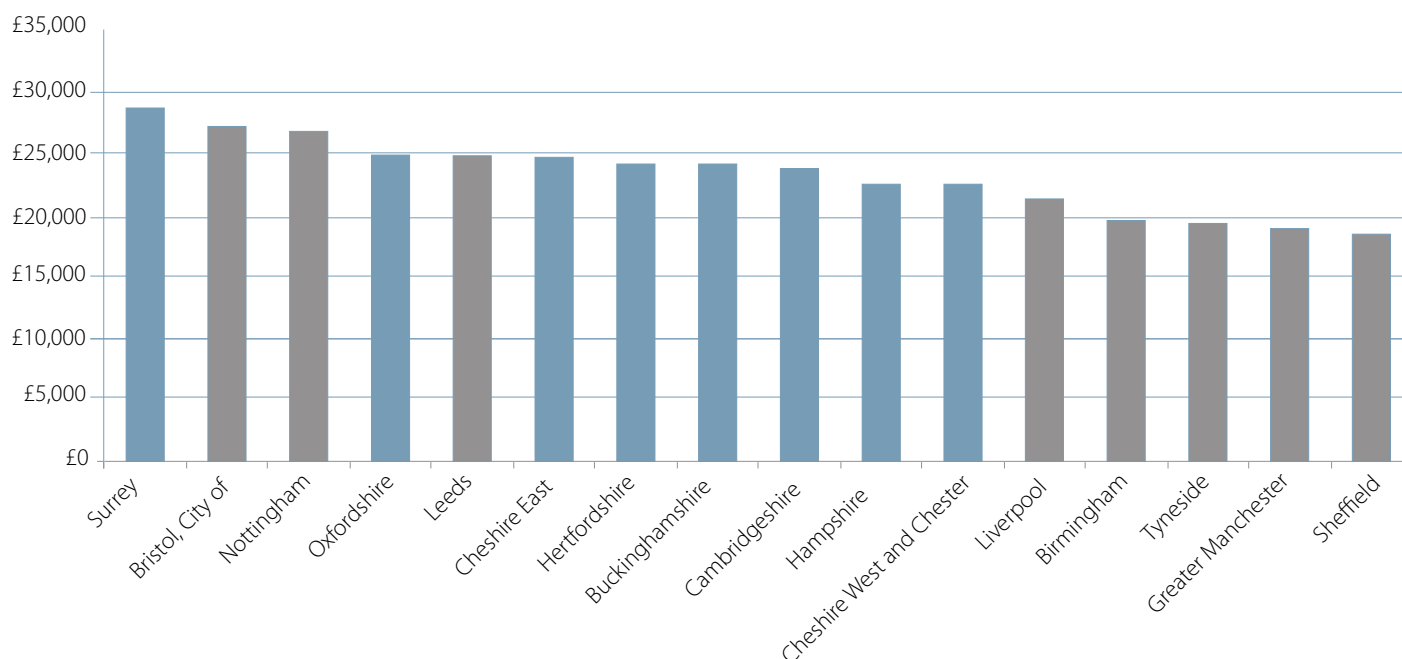


¹ Joint CCN & ACCE Evidence to the County APPG Inquiry, p. 2

² ONS (2013) Regional Gross Value Added (Income Approach), December 2013

2.4 Some county areas contribute higher levels of GVA per head than some of the core cities:

GVA per head in Counties and Core Cities 2012 (ONS, 2013)



Examples of County Area GVA

Gloucestershire County Council – Gloucestershire performs at, or above, the national average with the UK Competitiveness Index placing Gloucestershire as the 11th most competitive LEP in the country and 9th most resilient. Total output of the economy was approximately £12.7b in 2012, representing 12% of the value of output in the South West and 1% of the UK.

Hampshire County Council – the Hampshire County Council area, at 1,420 sq miles with a population of 1.3m (1.76m including Portsmouth and Southampton) has a £29bn economy generating 15% of the South East’s GVA and is a net contributor to HM Treasury.

Nottinghamshire –The county area is home not only to 74% of the total population but also to 27,000 businesses and provides 64% of total jobs.

Warwickshire County Council – In 2012 Warwickshire’s GVA equated to £11,685m contributing 1% to the GVA of England (0.8% of UK GVA).

2.5 The evidence provided to the APPG highlighted the diverse nature of county economies. Local economies are built on their market towns, larger towns and sub-regional service centres, which are often thriving economic hubs in their own right. They offer the space for larger scale industrial and economic activity which simply cannot be housed in cities and dense urban areas. County economies are also the areas driving the business and technological innovations of tomorrow, whether offshore energy in Norfolk and Suffolk, or med-tech in Cambridgeshire and Essex.

2.6 Counties had the same proportion of workers in knowledge intensive jobs as the country as a whole and they account for more than half the jobs in key sectors such as manufacturing, construction and motor trades³. County economies feature dynamic and innovative enterprises and businesses across all industrial groupings with strong growth in SMEs and business start-ups, and also have a higher rate of new business registrations compared to the Core Cities and metropolitan boroughs, highest rate of active enterprises, and the largest number of new enterprises created amongst all local authority types⁴.

³ ONS (2013) Business Register and Employment Survey

⁴ Joint CCN & ACCE Evidence to the County APPG Inquiry, p. 5

- 2.7 Submissions also stressed that whilst county economies generally perform comparatively well, structural weaknesses remain within county economies, including distinct pockets of deprivation, lower average earnings and declining manufacturing and industrial sectors. Evidence also highlighted that a lack of national investment in transport and infrastructure by successive Governments continues to disadvantage county economies.
- 2.8 Respondents maintained that it is not a zero-sum game. The first wave of eight city deals alone is hoped to yield an additional 175,000 jobs and 37,000 new apprenticeships over the next 20 years⁵, and the second wave more jobs and growth still. The evidence we received suggests the factors that add up to local economic growth are the same in cities and counties and show that **the performance and characteristics of county areas are not too dissimilar from those of Core Cities**. A successful local economy is built on people and place, rather than a Royal Charter.
- 2.9 However, it is clear from our evidence that the potential for counties to offer significant return on investment, particularly in those areas where GVA outstrips that of Core Cities, is not sufficiently recognised by Government. Moreover, the focus on the Core Cities could weaken the Government's attempts to rebalance the economy and tackle long-term structural weaknesses in the UK economy. As the CCN recently argued in a submission to the Communities & Local Government Select Committee, 'a concentrated policy focus on the economies of the Core Cities & City Regions has left many county economies to be left unsupported by existing government initiatives', the impact of which will be disproportionate growth opportunities; growing social inequalities; and misaligned policy incentives⁶.

Strategic Capacity

- 2.10 Evidence submitted to our inquiry showed one of the keys to exploiting the undoubted potential of county economies was enabling the strategic capacity of local institutions to promote growth locally. Currently this capacity, particularly the role of county council and county unitary authorities, is being frustrated by Government policy. The case for county councils and county unitary councils being the core building blocks of a new settlement in county areas is well made in the evidence we received.
- 2.11 Respondents outlined that it was the scale of county councils and county unitary authorities that enables them to act as the strategic lead for promoting growth locally. Despite historic funding reductions these authorities still retain critical mass that can not be matched by any other single institution within a county area.
- 2.12 It must also be remembered that alongside scale and capacity, it is county councils and county unitary authorities that are responsible for growth enabling services such as education, transport and highways, skills and infrastructure, as well as the services that support growth and maintain prosperity for local communities such as schools, adult social care and children's services. Respondents to this call for evidence pointed to the role of counties in a delivering a diverse range of growth enabling services, including;
- The existence of effective arrangements to provide local democratic accountability for action and investments undertaken by the LEP;
 - Strategic co-ordination and planning to identify and deliver future infrastructure, transport services, road, rail, skills, employment support, and targeted investment required to unblock any barriers to development sites;
 - Counties' experience of working with business (many councillors have spent a significant part of their career working in business), promoting inward investment, and supporting companies wanting to trade overseas;
 - Providing the strategic capacity to deliver key infrastructure projects including legal, financial and procurement expertise and the commitment to match fund where needed, as shown by counties' strategic leadership and delivery of the BDUK broadband initiative;
 - Working to influence skills and unemployment services to align them with local economic needs to ensure that the local workforce has the skills necessary to support the needs of local employers and growing businesses, enabling local people to access good local jobs;

⁵ <https://www.gov.uk/government/policies/giving-more-power-back-to-cities-through-city-deals/supporting-pages/city-deals-wave-1>

⁶ CCN Submission to the Communities & Local Government Select Committee Fiscal devolution to cities and city regions, p. 7

- Levering and rationalising counties' and wider public sector asset portfolios to support economic growth, for example through partnering or more directly through channelling or releasing local assets to promote local growth programmes;
- Providing leadership, convening and cohering local partnership working across the whole range of public, private and voluntary sector stakeholders to drive local economic growth, including providing resources and leadership for LEPs (see section 3);

2.13 Evidence to our inquiry was clear that although counties are mandated to convene and provide leadership for local partnerships across their area, their delivery capability relies on strong and effective relationships with district councils in two-tier areas and cross-boundary collaboration with neighbouring. For instance, the City Deal agreed between Staffordshire County Council and Stoke City Council, and the North-East Combined Authority including the unitary counties of Durham and Northumberland County Councils. Of particular importance remains effective growth collaboration with district councils. As the District Councils' Network (DCN) told the inquiry 'district councils are key partners to county councils in pursuing economic development... as the statutory and strategic authority for housing and planning, district councils are critical to the success of... economic development and must be an integral part of any growth deals'

Examples of County Area Growth Activity

Basingstoke and Dean Borough Council – Counties operate alongside District Councils and need to work together to deliver economic growth. District Councils are well placed to drive forward economic growth due to their understanding of local issues and their proximity to local businesses, acting as the first point of contact for a business whether this is to raise an issue, apply for planning permission or to secure new commercial premises.

Hertfordshire County Council - Through the BIGHERTSBIGIDEAS programme, they are delivering a package of complementary transport schemes to improve the local economy in Watford, St Albans and Hemel Hempstead. In all £13m is being invested, drawing £9.7m of funding from the central government Local Sustainable Transport Fund (LSTF), and a further £3.3m of local match funding.

Oxfordshire County Council - Better Broadband for Oxfordshire is a £25m project to bring fibre broadband to over 90 per cent of homes and businesses in the county by the end of 2015. Investment comes from OCC (£10m), central government (£4m) and BT (£11m).

Suffolk County Council - Supporting growth through the strategic use of their own land assets to support employment and housing through their County Farms programme, which will see farmland owned by the Council used to develop businesses looking to operate or expand in key growth sectors.

Essex County Council - their work to date has supported recovery in the Essex economy, with job growth and employment rates showing continued trends of improvement since 2010. Examples of successful projects include Creative Business and Enterprise Centres in Colchester and Braintree; the ECC run Enterprise Centres at Ongar, Basildon and Clacton which together support 537 jobs in the county; a £25m programme to roll out superfast broadband across the county; and support for one of the world's largest health innovation centres at the Anglia Ruskin Medtech Campus. Essex CC have supported 140 SMEs through their Skills for Growth programme this year, and their focused approach to highways investment to ensure that businesses benefit from the effective operation of priority route network.

3. Growth Deals and counties today

- 3.1 Based on the evidence gathered for this inquiry, this chapter will reflect on the vision set by Lord Heseltine, the government's response to that vision and the reality of the government's current approach to strategic economic plans and local growth deals in county areas.

Local growth....a new agenda

- 3.2 The Coalition entered power committed to rebalancing the UK economy, with localism, decentralisation and 'local growth' central parts of their strategy. Significant progress was made by the Government on fiscal devolution and local growth, including the creation of the Regional Growth Fund, Enterprise Zones, LEPs and the negotiation of first and second wave 'City Deals'. The Government's commitment to delivering a rebalancing of the economy, more geographically spread, has been echoed by the Chancellor;

"Rebalancing the economy is not about trading the success of one sector for another. It's about spreading our success more evenly - both geographically and by sector - and supporting the world class industries we already have, as well as the new ones that we're developing."⁷

- 3.3 Our evidence has shown that despite a new agenda on local growth and fiscal devolution, the overriding **priority in rebalancing the economy has been through engaging with cities and city regions on the economic growth agenda**. Despite some limited county involvement in second wave city deals, this is reflected in the early action on much more ambitious and far reaching city deals (which were initially confined to the 8 core cities), and compounded by more recent initiatives such as county exclusion from the Youth Contact negotiations, city skills fund and the offer of University Enterprise Zones, which were also exclusively confined to the core cities. As the submission by ADEPT and CEDOS told us;

"we reiterate that strongly support the economic growth of our core and key cities. However, we are concerned that the economic contribution that is and can be made by England's county areas is being undervalued and by comparison neglected by government in its pursuit of a national policy that is often too 'city centric' in its priorities."

Heseltine review..... the right remedy

- 3.4 It is clear from the evidence we have received that county areas demonstrated considerable potential in using the recommendations of Lord Heseltine to rebalance this policy focus and deliver a more inclusive approach to driving economic growth at a local level.
- 3.5 Lord Heseltine argued the drivers of the UK economy, "business central government and local leadership", needed to be "organised and structured for success"⁸. This included ensuring "local communities [are] empowered and incentivised to collaborate for growth", as well as "a rejuvenated partnership between the public and private sectors involving both local and central government."⁹
- 3.6 *No Stone Unturned* tracked the "drift to centralism" that occurred in the UK during the industrial and post-industrial era, where the case for Central Government intervening in areas, such as basic social support and wealth redistribution, became stronger. He argued that subsequent costs could not be sustained at local levels. The APPG agree with his warning that the current "monopoly of Whitehall" risked:
- too many decisions being made in London without a thorough understanding of idiosyncrasies of local areas; and
 - no-one in government being tasked with taking a holistic look at the full range of issues facing a particular area, as responsibilities are divided up between different government departments continuing to operate in silos.
- 3.7 *No Stone Unturned* offered two interlinked routes to local growth. First, empowering "local places by letting them take the initiative to generate local growth", and second, ensuring "the incentives and structures of local places are organised in such a way as to secure the greatest possible economic contribution."¹⁰

⁷ Chancellor of the Exchequer, July 9th 2013.

⁹ *No Stone Unturned in the Pursuit of Growth*, 2012, p. 184.

⁸ *No Stone Unturned in the Pursuit of Growth*, 2012, p. 184.

¹⁰ *Ibid.*, p. 31.

Growth deals..... significant potential, but lacking ambition

- 3.8 A further critical aspect of empowering local places set out in *No Stone Unturned* was the creation of a single pot to devolve funding to local areas – now named the **Local Growth Fund**. In the report, the estimate for the size of the “single pot” over the current spending period of four years (2011/12 to 2014/15) was around £49bn. **Crucially, the “single pot” was to be devolved to local areas to give local decision-makers the flexibility to spend on local priorities as agreed with central government.**
- 3.9 The Government’s response to Lord Heseltine’s report was set out in the 2012 Autumn Statement, with further clarifications provided in the 2013 Spending Review. In particular, LEPs were asked to develop **Strategic Economic Plans (SEPs)** which would form the basis for negotiating “growth deals” with government. The government accepted the proposal to establish a local growth fund, but disappointingly it has only earmarked £2bn a year for the fund from 2015-16 to 2020-21.¹¹
- 3.10 Other elements of the government’s approach include:
- encouragement to local councils to develop governance arrangements to provide local democratic accountability for the SEP and the use of local growth fund;
 - access through the local growth deals to freedoms and flexibilities as well as to the local growth fund, building on the City Deal experience;
 - giving LEPs responsibility for delivering part of the EU Structural and Investment Funds for 2014-2020.
- 3.11 **We have been struck by the effort that county council and county unitary authorities and their LEPs have put into the development of their strategic economic plans and proposed growth deals.** In many places there has been extensive business engagement, robust business-focussed evidence has been used to underpin the strategies and creative thought has been given to the governance and delivery arrangements necessary to support the implementation of the economic plan.
- 3.12 Some examples of where counties are working with and supporting LEPs are:
- Hampshire County Council supporting the Solent LEP to deliver a vision for an Advanced Manufacturing Centre of Excellence at the Daedalus Enterprise Zone;
 - Hertfordshire County Council (which has a coterminous LEP) having significant input into the SEP which focusses on the county’s “global excellence in science, technology and creativity”;
 - through the county’s own resources such as Gloucestershire County Council’s Strategic Analysis team, which has been able to feed in up-to-date expertise and intelligence into the LEP and its growth planning process;
 - establishing business and innovation centres, such as the Hethel Engineering Centre supported by Norfolk County Council.
- 3.13 In short, notwithstanding the Government’s **dilution** of the original Heseltine vision, the requirement to submit a strategic economic plan and the prospect of negotiating local growth deals with government has galvanised activity in county areas to go further and faster in their drive to secure additional economic growth including additional jobs and housing, and the infrastructure to support them.

Examples County Strategic Economic Plans

Oxfordshire County Council - The Oxfordshire Strategic Economic Plan (SEP) identifies projects which will improve the connectivity of the ‘Oxfordshire Knowledge Spine’ and link the key hubs to the wider transport network locally, nationally and internationally. The Knowledge Spine runs through the centre of the county with the three key areas for growth potential in population, employment and housing at Bicester, Oxford City and Science Vale Oxford. The SEP programme for growth projects an uplift of £1bn in Oxfordshire’s GVA at constant prices, representing 30% uplift on current projections. It would deliver 80,000 new jobs by 2031 (a 1% annual increase) compared to 0.8% per annum achieved between 2001 and 2011, 85,600 new homes by 2031, and upwards of £800m in private sector investment.

Basingstoke and Dean Borough Council – Basingstoke and Dean Borough Council has worked closely with Hampshire County Council and Enterprise M3, the Local Enterprise Partnership, on planning for transport improvements to enable future housing development and to ease business congestion at key sites. These projects have been put forward as part of Enterprise M3’s growth bid to Government.

¹¹<https://www.gov.uk/government/speeches/spending-round-2013-speech>

- 3.14 There is a clear indication from the evidence provided to the County APPG that although local areas have been ambitious in developing SEPs reflecting Lord Heseltine's recommendations, so far the Government's response to the plans is failing to mirror even its own less ambitious criteria.

The current process is not fulfilling that potential

- 3.15 At the time of writing (June 2014) Government is reviewing the SEPs and discussions between LEPs and Government are underway. **The evidence we have received suggests that these discussions are far narrower than was envisaged in the government's description of the process, and was certainly the case in relation to the first two rounds of city deals.**
- 3.16 In particular the focus is very much on a national assessment of projects that are due to start in 2015-16 (for which only £2bn of local growth fund is available). All the signs are that only a very small element of the local growth fund will be allocated for use at the discretion of a local area in the context of the priorities established in the SEP and local growth deal. Rather, the bulk of the fund for 2015-16 will be allocated to specific projects. This falls way short of the level of devolution envisaged by Lord Heseltine and which we consider is necessary to encourage county and county unitary councils and LEPs to enable additional economic growth at a local level.

Respondents told us....

West Sussex County Council – "The re-alignment of existing government funding to support the delivery of the SEP...Government advice is clear that future funding allocations will be influenced by clear evidence of what other partners are investing against the priority outcomes which is fully supported by the Council's Cabinet. A challenge, however, for the County Council will be balancing the need to identify and agree greater capital allocations to deliver economic priorities in the SEP alongside exiting budgetary pressures and constraints".

Norfolk County Council – "Remove micro-management of projects [including] SEP, where it now appears that government will be the decision-maker about each and every scheme in the delivery programme no matter how small".

Wycombe District Council – "The economic development landscape is fragmented, with many national and local partners. The current process for producing a Strategic Economic Plan is a good example which requires significant capacity and energy to develop a local consensus. This can be an opportunity for collaboration but can equally be a barrier unless there are strong local relationships and a shared consensus".

- 3.17 **An important feature of the approach the government announced in response to *No Stone Unturned* was the negotiation of a local growth deal between localities and government.** This built on the negotiation process which was central to the concept of city deals. Based on the evidence we received our view of the process currently underway is that it cannot be described as a genuine negotiation. The early discussions between Ministers and partners in the 39 LEP areas are not taking place, apparently because of pressure on Ministerial diaries. We are also aware that while the negotiations associated with the first round of city deals were seen by participants to be part of a creative process, many of the areas involved in the second round report a more frustrating process. This reflects the experience of other initiatives involving negotiation between government and localities such as local public service agreements and local area agreements. In both cases, the negotiations involving a small number of pilots were creative and innovative, but the full roll-out became more bureaucratic and process-driven.
- 3.18 It may be that Whitehall is simply not capable of negotiating in a meaningful and creative way with more than a dozen localities. Yet focussing as the government has done on negotiations with the core cities significantly constrains the extent to which the full potential of councils to drive growth is mobilised. The county councils and county unitary authorities which have submitted evidence to us are clear that a consequence of this has been to neglect their economic potential and, as one county suggested, risks creating "a two-speed local government with cities on one hand as the toast of policy

makers and counties, districts and other areas on the other". Addressing this reality is a key feature of the new approach to local growth deals which we set out in the next chapter of this report.

And...partnerships need to be fit for purpose

- 3.19 The evidence submitted to this inquiry suggested that the development of LEPs as a replacement for Regional Development Agencies (RDAs) has been broadly welcomed in county areas; however counties have significant reservations about current growth structures. Recent research by the CCN showed that Council Leaders had confidence regarding the contribution of LEPs to local growth and improved economic outcomes, which is regarded as moderately high across a number of indicators. However, the research also indicated real local concerns and tensions regarding the democratic accountability of local partnerships, some the existing boundaries and functional economic areas, and the current resource capacity of LEPs.¹²
- 3.20 The evidence we received has reinforced these concerns. Respondents also demonstrated that where the relationship between county councils, county unitary authorities and LEPs works well it can be an extremely effective one. We see a key role for LEPs in continuing to:
- i. provide business leadership to work alongside political leadership;
 - ii. develop and deliver aspects of the strategic economic plan, particularly business-facing elements;
 - iii. articulate and marshal the business voice and contribution.
- 3.21 However, alongside concerns over the ambition and delivery of the Local Growth Fund, many of the responses to the call to evidence received by the County APPG **expressed concerns regarding existing structures to support economic growth locally**, including;
- increasing reliance on LEPs as the key organisations responsible for economic growth despite their relative immaturity, the limited resources available to many of them and the fact that they are not – and do not purport to be – democratically accountable at a local level;
 - additional complications in many county areas of LEPs encompassing a number of counties, and in some cases county areas being split between two LEPs. This makes the task of combining the relative strengths of the business-led LEP and the county council more difficult to achieve.
- 3.22 It is also evident from our evidence and the discussion at the roundtable that if this relationship is to be an effective one, two significant issues needed to be resolved:
- i. **boundaries** – the geography of LEPs; and
 - ii. the related issue of local **democratic accountability**.
- 3.23 In our view three factors are key to addressing this:
- Establishing the principle that in county areas the most appropriate body to which powers should be devolved is a county council or county unitary;
 - Establishing in each locality a clear mutual understanding of the respective roles and responsibilities of the county council, its partners (including district councils) and the LEP; and
 - Ensuring that effective governance arrangements are in place across a LEP or functional economic area to enable collective decisions to be taken and to enable collaboration on growth, whether this is through a combined authority, economic prosperity board, a statutory joint committee or alternative locally determined arrangement
- 3.24 This requires action by both government and within county areas. In many places economic geography does not respect county boundaries and there is a strong case for a LEP area to encompass more than one county and unitary country area. We are convinced, however, that in some places the current arrangements do not work either because they are too cumbersome and do not reflect local preferences for collaboration or because a county is split between LEP areas. In the latter case the county has to support multiple LEPs and multiple partnership arrangements to ensure that there is a coherent strategy for the county area. In this context, therefore, current proposals to change legislation relating to combined authorities and economic prosperity boards¹³ must be considered carefully, with the Government

¹²CCN. Report LEP Survey Analysis (2014)

¹³DCLG. Consultation on Proposals to amend Legislation relating to combined authorities and economic prosperity boards (2014)

listening closely to the full range of views on the potential impact of these changes in county areas. They may need to consider whether any further measures (such as those outlined in section four) are needed to ensure new legislation operates successfully.

- 3.25 With severe and increasing pressure on resources this cannot be an efficient use of scarce capacity. Given that LEPs are not directly democratically accountable, such accountability can only come through local government, and where a county is split between LEP areas that accountability is less clearly defined and significantly more complex.

Respondents told us

Cumbria County Council – “The Nolan principles are well established within the public sector and ensuring that those parties involved in the distribution of public funds are promoting probity and good governance. The private sector is also expected by Government, to provide support, both financial and in kind. This places a focus on ensuring good governance of the LEP and of the importance of county councils providing support as accountable body for the receipt and management of public funds”.

Hampshire County Council – “In creating LEPs the Government has introduced a new model for business-led public/private sector partnerships. LEPs are now key partners in promoting economic growth and we value their role in giving voice to business. Where counties and LEPs share the same geographic boundary, businesses are better able to make sense of what is on offer to support them in their locality. In counties such as Hampshire, where two LEPs operate within the county, the support offer to businesses is potentially fragmented. This can create confusion amongst businesses and instances where businesses located in one LEP area and in close proximity to the other are not able to benefit from the support available in the adjacent LEP areas. This can have a detrimental impact on businesses accessing suitable assistance to achieve their potential for growth”.

Nottinghamshire County Council – “Considerable progress has been made in Nottinghamshire towards the creation of effective public sector governance around economic growth. An Economic Prosperity Committee has been established and will oversee investment and growth plans against priorities agreed in the D2N2 Strategic Economic Plan. This new arrangement will form the foundation for any future discussions with the 2N2 LEP and government in terms of growth incentives, fiscal powers and freedoms and flexibilities”.

Staffordshire County Council – “There is a need to ensure that LEPS are coterminous with either administrative boundaries or evidenced economic boundaries. The possibility of a dual LEP area creates confusion and in two tier areas forces the planning role of Districts into the same sphere as economic development. Whilst planning has clear importance in terms of economic development it means that the overall approach is not strategic”.

4. Growth Deals: a new approach?

4.1 In essence the approach we recommend involves a return to the vision set out by Lord Heseltine in *No Stone Unturned*, but in a way which is bespoke to exploiting the economic potential of county economies and addresses the unique barriers to promoting growth. We also believe that any proposals must be practical, reflecting the inability of government to conduct negotiations with more than a small number of localities and certainly not with all 39 LEP areas, let alone all 27 county councils, 36 metropolitan boroughs, 55 unitary authorities (including 11 county unitary authorities) and 32 London boroughs.

4.2 The core elements of our suggested approach are:

- the devolution of a number of powers to a local county level;
- the evolution of the local growth fund into the strong, transformative model outlined by Lord Heseltine;
- further powers and freedoms for localities to share the financial benefits of growth in order to fund action to address the consequences of growth and invest in action to enable further growth.
- allowing local areas to review their economic geography, governance and accountability structures.

4.3 **In order to address the negotiation challenge we have identified a package of measures that should be devolved to all areas by right** (enabling all parts of the country to play their full part in enabling growth). Further powers should be available through negotiation, but the trigger for access to this negotiation **should not** be geographical, rather it should comprise a combination of track record and ambition.

4.4 The following sections of this chapter set out:

- **A Core Settlement:** the package of budgets and powers we envisage being devolved by right to all areas;
- **Growth Related Funding & Incentives:** our thinking about what other growth-related funding streams could be made available locally;
- **Beyond the Core Settlement:** how additional powers, freedoms and flexibilities might be made available locally;
- **A Genuine Negotiation:** the parameters of our proposed local growth fund that addresses the current weaknesses in the current process; and
- **Evolve LEPs:** looking again at the geography, governance and accountability of local growth partnerships in county areas

A Core Settlement

4.5 It is clear from the evidence we have received that the key areas of responsibility which must be addressed in any core package are skills, employability, transport and clearer powers over strategic planning. **These powers should be devolved by right to all areas, as part of a non-competitive package of new powers.** To exploit the undoubted potential of county economies, the evidence shows that county councils, county unitary authorities, and their partners (including district councils, neighbouring unitary councils, private enterprises and local businesses) should be granted greater growth related powers and devolved budgets in the following areas;

Skills

4.6 If they are to play their full part in enabling additional economic growth, localities must have the ability to ensure that skills provision meets the needs of local employers, particularly in an area's growth sectors. This applies to both increasing the skills of the existing workforce through, for example "bite-sized" courses and developing the workforce of the future through high level apprenticeships.

4.7 City Deals have focussed on matching up local supply and demand for skills, and many have emphasised the importance of putting businesses at the centre of deals for skills in order to achieve a locally responsive skills system. **Some areas have created Skills and Employment Boards** which are new partnership boards

for businesses, skills providers and other local partners to come together and set the strategic direction for skills in their locality. Partners involved in the Liverpool City Region Deal have suggested varying incentives for the £100m of local funding for skills by implementing a payment-by-results approach for providers who give training that local employers need.¹⁴

- 4.8 Further integration and co-ordination between different partners within localities has occurred through the SEP process. For example, The West of England LEP has agreed with a consortium of local FE providers that their planned provision reflects the LEP's assessment of local skills needs, and those FE providers will be held to account by the LEP's Work and Skills group.¹⁵
- 4.9 In particular local areas, through an employer-led skills board or similar structure, require an ability to incentivise providers to meet business needs and a way of addressing any perverse incentives which discourage learners from pursuing opportunities which reflect the strengths of the local economy. For example, Oxfordshire County Council told us that there are insufficient people with the right intermediate level skills flowing through into STEM (Science, Technology, Engineering And Mathematics) occupations and that only 5% of SFA funding for those aged 19+ supports STEM qualifications despite 19% of Oxfordshire businesses being STEM based.
- 4.10 Devolving skills funding directly to local areas, either to the county, LEP or Local Skills Boards, would enable the kind of growth envisaged in city deals and SEPs to be available to all areas as an automatic right. In turn this would allow local partners to take control over skills locally, and bypass the requirement to negotiate for skills funding that was earmarked for devolution in *No Stone Unturned*.

Examples from County Areas

Oxfordshire County Council has recruited 260 apprentices and 2013's cohort of 49 young people was the highest ever intake. As "corporate parents" Oxfordshire offers guaranteed interviews for young care leavers, and fourteen apprentices (29% of the 2013 intake) came from a background of being Looked After or leaving care. 91% of Oxfordshire's Health and Social Care apprentices complete their training (well above the National Average of 59%), and the programme won the Best Employment Support for Apprenticeships Award at the Skills for Care Accolade ceremony in March 2014. Oxfordshire is the only organisation ever to have won the award twice.

Surrey County Council – Surrey established a business led Surrey Employment and Skills Board, which provides a collective voice on skills and employment issues to both Enterprise M3 and Coast to Capital LEPs. The Board is chaired by a high level representative from BP and brings together large employers, SMEs, FE colleges, schools, universities, private providers and district and borough councils to present a coordinated argument for skills investment in the Surrey area. The ESB has influenced the development of the Skills Strategies, European Plan and SEPs for both LEP areas and will take a proactive role in shaping delivery mechanisms and frameworks.

Essex County Council – the Council has been instrumental in advocating for a localised skills system that is more responsive to local employer need. As a result of Essex's Community Budgets programme, the Essex Employment and Skills Board has been created as a partnership between employers large and small, local authorities and colleges to create a platform for change. The Board seeks to create a skills investment fund for Essex and an online skills portal for employers as well as advocating for policy change in Whitehall to make the skills system easier to navigate.

¹⁴ APPG on Local Growth, Local Enterprise Partnerships and Enterprise Zones: skills and employment in the age of local growth deals, located at http://appglocalgrowth.files.wordpress.com/2013/06/appg-skills-inquiry-report_lowres.pdf

¹⁵Ibid.

Employability

- 4.11 City deals focussed on boosting employability through improved partnership working with agencies such as Jobcentre Plus, the Skills Funding Agency and other providers. The Stoke-on-Trent and Staffordshire City Deal will, for example, deliver a pilot to improve the “alignment of learner demand and employer need through increased local influence over the Skills Funding Agency’s Adult Skills Budget”. The deal will create 3,900 additional apprenticeships, 1,100 traineeships and ensure that 9,000 people not in employment, education or training receive employability skills training by March 2024.¹⁶
- 4.12 As part of the employability drive, the **Work Programme** would be devolved to county areas to make sure that all local support employment programmes were well co-ordinated, and tailored to local needs to deliver improved outcomes. That could mean full devolution of responsibility for commissioning the Work Programme in county areas. However, should that not be feasible in the short-run, then county areas should at least be granted far greater influence over the design and delivery of the Work Programme in partnership with other local stakeholders.
- 4.13 Respondents to the call for evidence specifically cited local **access to Youth Contract funding** to help accelerate locally tailored apprenticeship schemes. As Herefordshire Council told us, Youth Employment Contract funding “should be made available to county areas and not restricted to major cities..... restricting the bidding process to Core Cities completely ignores the needs of young people in rural areas, and leads to striking discrepancies and inequalities in funding”. County areas should work with LEPs who could act as commissioners for government funded apprenticeship programmes.

Respondents told us.....

Surrey County Council - “There is a clear resistance to devolving budgets and control for skills and employment to the county level where it can be best co-ordinated and delivered. National skills programmes delivered by a huge array of agencies, working over a multitude of geographies, are not tailored to the needs of local employers and do not effectively address the skills gaps that exist in county areas. The consequence of this is that schemes, such as the national Work Programme, have delivered extremely disappointing results and return on investment”.

Transport

- 4.14 Around £1bn of the £2bn annual local growth fund devolved to LEPs from 2015/16 is funding for transport, and areas have submitted their bids via their LEPs’ strategic economic plans. In addition to this, however, our devolution settlement would see localities having greater influence over national road and rail schemes through strong relationships with the Highways Agency and Network Rail which would lead to a “negotiated settlement” over the national schemes in order to ensure new schemes still provide the maximum benefit to local areas. Where spatially logical to do so, it is likely these negotiations would be led by the LEP, but with significant influence and input from the counties. And as Gloucestershire County Council told the inquiry, there is a need to reduce the cost and timeframe requirements for feasibility and planning of major infrastructure schemes and to improve coordination with the Highways Agency.

Strategic Planning

- 4.15 The lack of a clear strategic planning responsibility within two-tier areas at county level has a negative effect on growth and development. Although the duty to co-operate is having some impact, the lack of an integrated approach to planning, investment and infrastructure means decisions take too long, processes for making decisions are complicated, and efforts are duplicated across district areas. Evidence provided during the course of this Inquiry showed that some counties in two tier areas are taking on the role of working with partners and brokering a strategic overview across the county area, even in the absence of a clear framework to support this role.

¹⁶ Stoke-on-Trent and Staffordshire City Deal, located at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/289615/Stoke-on-Trent_and_Staffordshire_City_Deal.pdf

- 4.16 If the type of core settlement that we are proposing were adopted we believe that counties would deploy their mandate to convene to work with district councils and other partners to put in place a robust strategic framework. This would provide a way of addressing the key link between housing and economic growth and would enable critical infrastructure to be put in place more quickly to promote economic growth and to meet the needs generated by such growth. County councils also have an appetite to lead work to ensure more effective use of public sector assets through the establishment of single property boards that would bring together all holders of public assets and land locally.

Respondents told us.....

Derbyshire County Council - "the major challenge to coordinating economic growth in county areas remains the two tier local authority structure despite the very positive partnership arrangements we enjoy in Derbyshire. The separate local planning responsibilities between District and County councils are fraught with potential to obscure an effective approach to delivering cohesive and coordinated economic and physical development in key areas such as in inward investment".

Norfolk County Council - "The current lack of any clear strategic planning responsibility at larger than District level is a significant barrier. While the duty to cooperate is beginning to bite, the jury is still out on the extent to which it can deliver coherent and ambitious planning strategies that deal with strategic needs and opportunities. The move back to local plans from the portfolio approach of LDFs, coupled with the need to demonstrate a five year housing supply in all plans, seems to have made it more difficult to produce statutory joint core strategies covering multiple districts".

Northamptonshire County Council - "Economic growth is also being held back as a direct result of the lack of a coherent strategic plan. In Northamptonshire, there are two core spatial strategies, which operate independently of each other in the West and North of the County. They are prepared to two different timetables, with two different governance structures, and duplicate work at significant cost to the local taxpayer. There is also a disjoin between the core spatial strategies, infrastructure planning and delivery which is conducted at county level. This adds significant confusion and potential conflict and acts as a barrier to real economic and housing growth. It is a fragmented approach which does not deliver confidence across a recognisable functional economic area. The 'duty to co-operate' deals with the symptoms of the problem, but not the cause. A new type of strategic plan is required, which reflects the need to integrate these functions across a functional and democratically accountable area, with proper business oversight".

Growth-related funding

- 4.17 Alongside a core settlement, we agree with county councils and county unitary authorities that they and other councils require additional sources of income if they are to play their full part in enabling economic growth. It is essential that county areas benefit from increased financial independence and autonomy. They should be able to retain and reinvest a larger share of the proceeds of growth in local communities to adequately fund key local services, such as additional schools places, and to provide further support to local economies.
- 4.18 Evidence provided to us demonstrated some of the current constraints and limitations surrounding growth related funding, particularly in two tier areas. As Warwickshire County Council told us "the new artificial limits on the amount local authorities can borrow through the Public Works Loans Board also acts as a blockage. The level has been capped in recent years, which does not make sense given existing safeguards to ensure prudent use of borrowing." As Nottinghamshire County Council pointed out "central government often downplays or underestimates the complexities of delivering growth in two tier areas. Central decisions relating to the disbursement of local funds, including business rate receipts and new homes bonus, could have been better balanced, and current arrangements in terms of the community infrastructure levy and the new homes bonus should not be used as a blue print for any future devolution of powers".

- 4.19 We also received examples of how county areas are imaginatively using existing funding mechanisms to achieve the best local outcomes. Lancashire County Council provided us with an example of how the Wave Two Preston, South Ribble and Lancashire City Deal will address strategic infrastructure and development challenges to unlock nationally significant economic and housing and growth. The City Deal Infrastructure Delivery Programme is funded through pooled local and national and public sector resources including CIL and other contributions, DfT Local Major Transport Schemes funding and investment from the Homes and Communities Agency through the local retention of value uplift from land sales. The county council and Preston and South Ribble councils will invest contributions from NHB, capital programme resources and land contributions. The Lancashire County Pension Fund has allocated £150m to be invested commercially in housing and development schemes in the City Deal areas and also across the wider county footprint. The Lancashire Pension Fund has already invested £14.4m in 2 schemes in the City Deal areas, with a further investment scheme of £11m undergoing legal due diligence and two further schemes under active consideration.
- 4.20 Local government finance is a difficult and sensitive issue, but we are keen to initiate a discussion with government and the political parties about what a new funding package might look like. The table below sets out a menu of options which could be explored in those discussions.
- 4.21 While we believe that many of the below fiscal options should be devolved to all localities, such as greater business rate retention, and a review of existing arrangements for NHB and CIL should take place, we accept that some of the funding options should be explored as part of a detailed negotiation **beyond the core settlement**.

Table 4: the menu of options for additional local resources to support growth

| The Options | |
|-------------------------------------|---|
| Business rates | The possibility for local authorities to set or vary business rates locally. |
| Business rate retention | A greater percentage (up to 100%) of business rates to be retained locally, with a fair distribution between counties and districts in two-tier areas. |
| Council tax | Local authorities to have the power to hold revaluations, determine the number of bands and ratios from band to band, and to set the tax rate. |
| Stamp Duty | Local authorities to have an option to retain stamp duty land tax receipts, up to 100%. |
| Community Infrastructure Levy (CIL) | A removal of the restrictions on how CIL can be spent would further facilitate the idea of local decision-making based on local priorities. In addition, in two-tier areas, the share of CIL going to districts is heavily weighted against counties; there should be a more even distribution in recognition of the role counties play as well as in light of any new strategic planning powers they may have. |
| Tax Increment Financing (TIF) | Local authorities already have some powers to raise finance through TIFs, although there is currently a cap on the amount that can be borrowed (£150m), and the power is restricted to the core cities. Extending the power to counties would provide another source of finance for upfront development. |

| | |
|-----------------------------|--|
| <p>Pension Funds</p> | <p>At the end of March 2013, the market value of 81 funds in England was £167bn.¹⁷</p> <p>More flexibility for local authority pension funds to invest in infrastructure to support growth where it is financially prudent for them to do so.</p> |
| <p>Bond issuance</p> | <p>Local authorities routinely issued bonds throughout the 20th century until greater controls on capital finance were introduced by central government in the 1970s and 80s.</p> <p>Granting further freedoms to local authorities to issue bonds, perhaps via a Municipal Bonds Agency ¹⁸. Such an agency would remove the need for each authority to obtain a credit rating, as well as attracting lower rates of interest than individual issuances, and potentially cheaper borrowing than via the Public Works Loan Board.</p> |

Beyond the core settlement

- 4.22 For high performing areas with a track record of delivery and ambition, we maintain that there should be more scope for negotiation with Government going beyond the core package. Unlike the current Government approach, we believe that the trigger for this negotiation process should not be simply geographical (as with the cities) but should be built on a combination of track record, ambition and ensuring that local economic capacity is being maximised. Over time some of the items agreed in such negotiation could well become part of the core package.
- 4.23 We have been impressed by the ambition of some county areas to take on a wider range of devolved responsibilities and recommend that there should be an ability for them to do so. This would build on recent initiatives such as whole place community budgets and the public service transformation network. For example, it would provide an opportunity for county areas and their LEPs to:
- Develop the case with Government and its agencies for major strategic investment in infrastructure which is needed to improve the functioning of the economic area and remove major blockages (typically road, rail and flood defence);
 - Agree a wider gain share agreement (building on the options for growth related funding identified above) so that proceeds of further economic growth are shared with the local area for reinvestment;
 - Pilot new ways of working and new forms of collaboration with businesses, local partners (such as higher and further education and chambers of commerce) and national agencies such as the Skills Funding Agency, the Technology Strategy Board and UKTI.
- 4.24 Initiatives of this type would have to be the subject of negotiation and, indeed, collaboration with government. As we have argued above, this means that only a limited number of places can be involved in the process at any one point in time. **We urge government not to manage this by continuing to prioritise engagement with the core cities.** Rather we recommend that the places with which government pursues negotiation of this type should be determined by a range of factors, including:
- The ambition of an area’s proposals and the degree of innovation involved;
 - The area’s track record in using the powers available to all, including, in the case of county councils, the extent to which they have addressed the governance and related issues set out below.
- 4.25 Two further factors are significant in this context. First, we envisage that, over time, approaches pursued in these bespoke negotiations would, if they prove to be successful, feature in the core package. Second, we see no reason why these negotiations should follow a fixed timetable. This in itself should increase the capacity of Government to participate in a process of this type.

¹⁷ Local government in England: capital finance: www.parliament.uk/briefing-papers/sn05797.pdf

¹⁸ For further information see: http://www.local.gov.uk/finance/-/journal_content/56/10180/3684139/ARTICLE

A genuine negotiation

- 4.26 To ensure that county partnerships are able to take advantage of the core settlement, and then negotiate more extensive devolution deals, we must learn from the policy mistakes currently taking place in Growth Deals negotiations.
- 4.27 The “single funding pot for local areas” as envisaged by Heseltine was large, without internal ring fences, and for local areas to use at their discretion to promote growth, enterprise and jobs. A key element of the fund was the competitive process used to decide how best to allocate it. LEPs would lead on the process of developing a long-term strategy and business plan for their areas to be used as the bid for funds from Central Government
- 4.28 In line with the original vision, the work to develop strategies and local business plans is done, and county areas have played a hugely significant role, and contributed substantial resources. However, the vision set out by Government has not been delivered. We strongly urge the government to learn lessons from the current process of allocating the local growth fund, which has become a bidding process based on individual schemes for 2015/16, and fully engage once again with the idea of devolving funding strategically over longer timespan. Local areas have signed up to the idea of competitive bidding, and the idea of making a “deal” with Government. To maintain trust and confidence in the process, we recommend revisiting the early principles and using them to rekindle the local growth fund **through a genuine negotiation.**

Evolve LEPs to support local growth

- 4.29 **We recommend that the Government should facilitate a one-off review of LEP boundaries** where local partners consider that there is a strong case for doing so. We envisage that this should not involve more than a quarter of LEP areas.
- 4.30 **Whatever geography is agreed, it is essential that effective governance arrangements are in place.** These are necessary in order to:
- provide local democratic accountability for the development and delivery of local growth strategies and associated investment;
 - marshal and co-ordinate the contribution of the local councils and their partners to support economic growth; and
 - provide a mechanism for collective binding decisions.
- 4.31 This is particularly important in areas where a LEP covers more than one council area (for example in the South-East LEP, or Swindon and Wiltshire) but can also fulfil an important role in single county LEPs such as Gloucestershire where a joint committee has been established comprising the county and district councils.
- 4.32 It is also important that county councils and county unitary authorities work with their partners to ensure that there is a coherent strategic framework in place to underpin the SEP. This provides a way of addressing the key issues relating to transport, housing and employment land which must be addressed in order to support and enable growth locally. The nature of the framework would need to be explored in more detail, but could take the form of a Joint Committee, a Combined Authority, or where there are coterminous boundaries, LEP boards feeding into existing county area governance arrangements.

5. Conclusions

- 5.1 The case for devolution in *No Stone Unturned* was strong and compelling. In this paper we have set out our case for further devolution to county areas to help facilitate that vision and ensure they have the requisite rights and responsibilities to be able to fully participate in the devolution agenda.
- 5.2 Given the same freedoms and flexibilities, county areas have the same potential as urban areas to deliver growth and jobs, and strengthen the UK economy. **The creation of a Ministerial champion for county areas would be a clear symbol of intent from government.** The new position would work alongside the Minister of State for Cabinet Office (Cities and Constitution) and be able to help tackle the silo departmental mentality across Whitehall. In addition, a new Ministerial position would further strengthen the case, and clamour for ambitious devolution to local areas.
- 5.3 **We urge government to reflect on what it has learnt through the current bidding round relating to the strategic economic plans produced by the 39 LEPs.** Our proposal recommends direct devolution of a range of central government powers and budgets, and genuine negotiation around some critical areas, such as national road and rail schemes. While negotiation was promised for the current growth deals, the reality resembles a bidding process, assessed on a scheme by scheme basis, with priority being granted to “shovel ready” schemes for 2015/16.
- 5.4 We want to build on the success of city deals and growth deals, which have brought together business and civic leaders locally with central government, and harness the potential by ensuring growth deals, devolve powers to the right spatial level.
- 5.5 While we welcome government’s recognition that county geographies can benefit from Wave 2 city deals and growth deals, it is not enough. **The growth potential of all local areas can only be realised through deals made with any area – including county areas – that can make a compelling case for local devolution to drive growth.** This includes ensuring tools for growth – such as University Enterprise Zones are available to all areas.
- 5.6 **With a core settlement made available to county areas, the burden of negotiating with an increasingly large number of authorities and LEPs would be significantly reduced.** The precise nature of the “core settlement” is to be agreed, and we have made some suggestions here. It is clear, however, that to maximise the devolution agenda government must prioritise automatic devolution in some areas, with scope to extend devolution on a negotiated basis.
- 5.7 In this paper we have set out our case for devolving more powers directly to county areas to promote growth, with potentially substantial rewards to the UK as whole. Many of the specific implementation details will need to be developed in partnership with Government; the case we have presented here is intended to start the conversation as soon as possible. If county areas’ ambitions were reflected in government’s commitment to growth deals as we’ve set out in this report, we are confident in their ability to drive the local growth agenda, create jobs and prosperity, and ensure a better deal for UK PLC.

Appendix I

County APPG membership (February 2014)

| MPs | | |
|------------------------------|--|------------------|
| Name | Constituency | Party |
| Mr John Woodcock | Barrow and Furness | Labour |
| Mr David Tredinnick | Bosworth | Conservative |
| Mr David Ruffley | Bury St Edmunds | Conservative |
| Mr John Stevenson | Carlisle | Conservative |
| Ms Rebecca Harris | Castle Point | Conservative |
| Ms Fiona Bruce | Congleton | Conservative |
| Mr Andrew Sawford | Corby | Conservative |
| Mr Henry Smith | Crawley (Chairman) | Conservative |
| Mr Christopher Heaton-Harris | Daventry | Conservative |
| Mr Joseph Djanogly | Huntingdon | Conservative |
| Mr Philip Hollobone | Kettering | Conservative |
| Mr Eric Ollerenshaw | Lancaster & Fleetwood | Conservative |
| Mrs Annette Brooke | Mid Dorset and North Poole | Liberal Democrat |
| Mr David Morris | Morcambe and Lunesdale | Conservative |
| Ms Anne-Marie Morris | Newton Abbot | Conservative |
| Mr Bob Walter | North Dorset | Conservative |
| Ms Pat Glass | North West Durham (Vice Chairman) | Labour |
| Mr Andrew Bridgen | North West Leicestershire | Conservative |
| Mr Michael Ellis | Northampton North | Conservative |
| Mr Brian Binley | Northampton South | Conservative |
| Mr Mark Hendrick | Preston | Labour |
| Mr Nigel Evans | Ribble Valley | Independent |
| Ms Caroline Nokes | Romsey and Southampton North | Conservative |
| Mr Mark Pawsey | Rugby | Conservative |
| Mr Stephen Metcalfe | South Basildon & East Thurrock | Conservative |
| Ms Andrea Leadsom | South Northamptonshire | Conservative |
| Mr Andrew Selous | South West Bedfordshire | Conservative |
| Mr David Amess | Southend West | Conservative |
| Mr Stephen McPartland | Stevenage | Conservative |
| Mr Bill Cash | Stone | Conservative |
| Mr Nadhim Zahawi | Stratford on Avon | Conservative |
| Ms Tessa Munt | Wells (Vice Chairman- designate) | Liberal Democrat |
| Ms Harriett Baldwin | West Worcestershire | Conservative |
| Mr Tim Farron | Westmorland and Lonsdale | Liberal Democrat |
| Ms Priti Patel | Witham (Vice Chairman) | Conservative |
| Mr Jonathan Lord | Woking | Conservative |
| Mr Ben Wallace | Wyre and Preston North | Conservative |

| MHL | |
|---|------------------|
| Names | Affiliation |
| The Baroness Eaton DBE, DL (Vice Chairman – Designate) | Conservative |
| The Lord Phillips of Sudbury OBE | Liberal Democrat |
| The Baroness Bakewell of Hardington Mandeville (Vice Chairman) | Liberal Democrat |
| The Lord Jones of Cheltenham | Liberal Democrat |
| The Baroness Farrington of Ribbleton | Labour |
| The Lord Harrison | Labour |
| The Lord Faulkner of Worcester | Labour |
| The Baroness Golding | Labour |
| The Lord Berkley OBE | Labour |
| The Lord Liddle | Labour |
| The Baroness Howarth of Breckland OBE | Crossbench |
| The Lord Ahmed | Non Affiliated |
| The Lord Walpole | Crossbench |
| The Lord Best OBE | Crossbench |

Appendix II

Respondents to County APPG Call for Evidence

| No. | Respondent | Type |
|-----|--|--------------------------|
| 1 | Basingstoke and Dean Borough Council | District Council |
| 2 | Cambridgeshire County Council | County Council |
| 3 | The Chief Economic Development Officers Society & The Association of Directors of Environment, Economy, Planning and Transport | Umbrella Organisation |
| 4 | Cheshire West and Chester Council | Unitary Authority |
| 5 | County Councils Network & Association of County Chief Executives | Umbrella Organisations |
| 6 | Cumbria County Council | County Council |
| 7 | Derbyshire County Council | County Council |
| 8 | District Council's Network | Umbrella Organisation |
| 9 | Essex County Council | County Council |
| 10 | Gloucestershire County Council | County Council |
| 11 | Hampshire County Council | County Council |
| 12 | Herefordshire Council | County Unitary Authority |
| 13 | Hertfordshire County Council | County Council |
| 14 | High Wycombe District Council | District Council |
| 15 | Norfolk County Council | County Council |
| 16 | Northamptonshire County Council | County Council |
| 17 | Nottinghamshire County Council | County Council |
| 18 | Oxfordshire County Council | County Council |
| 19 | Staffordshire County Council | County Council |
| 20 | Suffolk County Council | County Council |
| 21 | Surrey County Council | County Council |
| 22 | Warwickshire County Council | County Council |
| 23 | West Sussex County Council | County Council |

Appendix III

Summary of Key Messages from the Call for Evidence

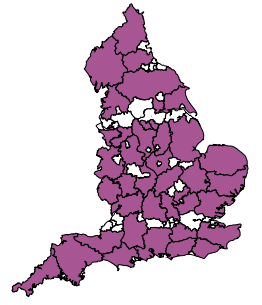
Our call for evidence sought to explore the unique contribution of county economies and how this can be fully exploited; the barriers that currently hold back local partnerships from driving growth; and the potential policy solutions and fiscal devolution measures which would free counties to drive economic growth and secure improved economic performance for local communities and UK Plc.

We received a significant number of submissions to our inquiry. The key messages that emerged from the call for evidence are summarised below.

Summary of key messages from the call for evidence

| | |
|---|---|
| Counties are: | <ul style="list-style-type: none">• major contributors to the UK economy;• delivering significant growth;• currently overlooked by government policy that has given priority to urban areas and LEPs;• democratically accountable and have well-established and effective democratic governance arrangements;• providing strategic leadership and capacity for growth within their localities; and• well versed and experienced in strategic economic development. |
| LEPs: | <ul style="list-style-type: none">• are key strategic partners for county areas;• vary significantly in size, scope and resources;• are in some cases, badly drawn – where they split county councils for example; and• are not democratically accountable. |
| Barriers to growth for counties are: | <ul style="list-style-type: none">• devolution as envisaged in No Stone Unturned has not yet been delivered;• continuing cuts to local authority funding;• a lack of fiscal tools and powers to raise and keep revenue locally; and• a lack of clarity around the precise role and responsibilities of LEPs. |
| To deliver growth counties need: | <ul style="list-style-type: none">• more devolved powers and funding, including the possibility to use new fiscal powers to raise, keep and reinvest locally;• more freedom and flexibility to make decisions locally, in partnership with other local stakeholders, without having to seek prior approval from central government; and• a joined up approach from Central Government. |

County APPG



The Officers of the County All Party Parliamentary Group would like to thank the County Councils Network which has co-ordinated this inquiry and report in its capacity as Secretariat to the APPG.

For any queries related to this report or the County APPG, including how you could get involved and support its future work, please contact:

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