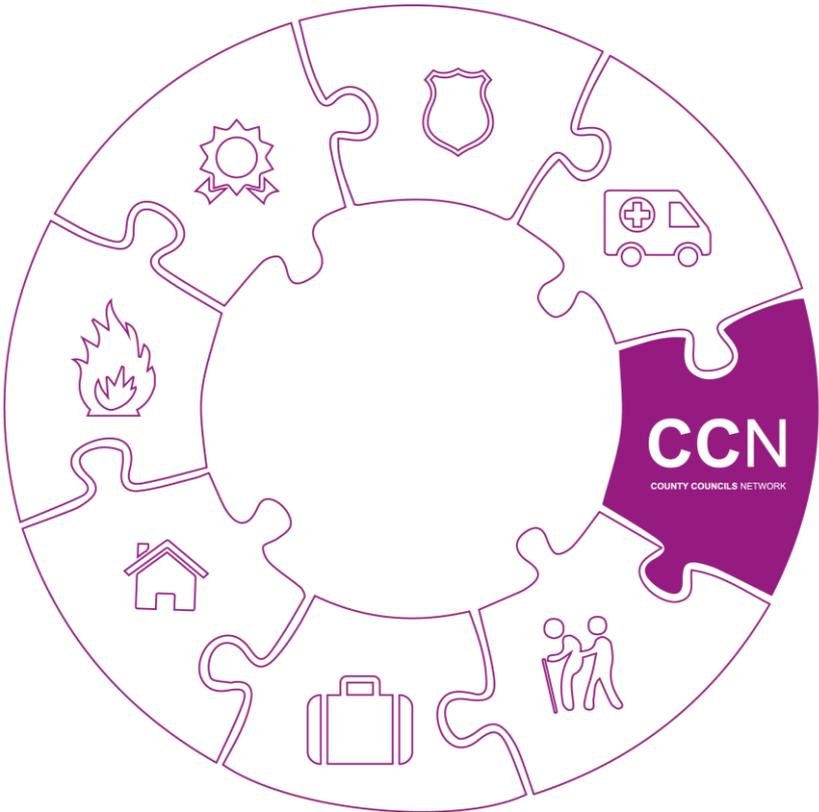


# CCN Response

## IPPR Independent Study into County Devolution & Governance



November 2015

## Overview

In March 2015 the County Councils Network (CCN) commissioned the Institute for Public Policy Research (IPPR) to undertake an independent analysis of devolution and put forward proposals for county governance. This is the first in-depth study into county governance since Government announced its intention to devolve major new powers to local authorities, firstly under the Coalition, and now through the Cities & Local Government Devolution Bill. The report presents an important milestone in the discussions around county devolution and models for effective governance.

In response, CCN broadly welcomes the findings of the independent study. The analysis on Government policy to date, devolution progress in county areas, and the opportunities and barriers to developing effective governance models represents an important contribution to the national debate.

Overall, the models and good practice presented demonstrate that counties and their partners are developing robust models to underpin ambitious local deals, but government and local areas have more to do. Crucially, while a few counties may feel a metro-mayor is suitable for their area, this report demonstrates that the Government must be open to developing alternatives rather than insisting this model is a prerequisite for 'substantial' and truly transformative devolution deals.

In insisting on this one-size-fits all model, Government is artificially limiting the ambition of local areas and the opportunities of devolution to *all* county areas. CCN believe that a continuation of this approach will undermine the Government's objectives for devolution, growth and public service reform in England, leading to a two-speed devolution process and a fragmented and disjointed local government and public service map.

This paper provides a response to specific aspects of the report and its recommendations, with a focus on its last chapter 'a way forward'. It sets out CCN's next steps in supporting member councils and Government to secure ambitious and wide-ranging devolution for county areas, underpinned by appropriate, robust and accountable governance arrangements. At the heart of this will be the establishment of new cross-party **CCN County Devolution Board**, consisting of CCN Spokesman and key figures from across our member councils, supported by our expert Devolution Working Group, consisting of lead officers from member councils.

## **A Broad & Clear Purpose**

CCN agree with the main thrust of the report on the economic case for county devolution. Counties already account for 41% GVA and 64% of businesses in England, with residents contributing 49% of all income tax and county businesses generating 38% of all business rates. But like other parts of the UK, counties continue to face specific challenges, such as a growing skills and infrastructure gap, and lagging productivity that is below the national average.

If Government was to empower counties to address the productivity gap through developed powers and budgets, raising productivity to the national average, CCN estimate this would enable counties to contribute an additional **£100bn** to the UK economy.<sup>1</sup> In addition, CCN has already shown that closing the skills gap in counties would contribute a further £8.2bn and 700,000 jobs.<sup>2</sup>

While we agree with IPPR on the need for county devolution deals to have a compelling and ambitious narrative on economic growth, we will continue to argue that economic growth and public sector reform are two sides of the devolution coin. Indeed, they are self-reinforcing, with public sector reform integral to delivering the Government core economic pledge to reduce the deficit.

The importance of public sector reform to county areas is borne out by the acute analysis of IPPR on the dual challenge of rising demand for services, particularly in adult social care, and the overly complex and costly public sector landscape in county areas. Given these facts, it is important to note that county devolution bids and expressions of interests submitted as part of the Spending Review were quite distinct in their wider focus on health and social care integration and wider public service reform, when compared to those submitted by non-county areas.

CCN's Spending Review submission demonstrated that CCN member councils continue to be the most efficient and effective part of the public sector, reducing costs and securing significantly more efficiencies than other parts of the sector during the past five years. CCN believe that there is much that the rest of the public sector can learn from the experiences and expertise of local government in driving efficiencies to secure better value for money across local services. Through devolution, counties to must be empowered and incentivised to drive efficiencies in other parts of the public sector, integrated services and deliver the most effective deployment of the totality of resources within an

area. This includes powers to reduce service complexity and duplication, and lead integration across all local services.

We do not believe that proposals for public sector reform should be side-lined or deprioritised in favour of economic growth. Through our County Devolution Board, CCN will seek to undertake further detailed analysis on the benefits of public service reform and devolution, promoting joint collaboration and innovation between member councils.

### **Enhancing the Coherence & Co-Ordination of Government Policy**

Building on their engagement with member councils and an expert steering group, IPPR provide a useful analysis of Government policy, the process of managing devolution proposals and negotiations to date.

#### *Prioritisation*

CCN support the conclusion that there has been a rebalancing of the devolution agenda to ensure that it reaches all four corners of England. CCN have been credit with influencing this change in direction by the House of Commons library.<sup>3</sup> This is a significant extension of Conservative Manifesto commitments on English Devolution. There is now clear impetus from Government, particularly the DCLG, to ensure counties play an important part in the English Devolution narrative.

However, we agree with the report that within Government there remains an inherent tendency, specifically within the Treasury, towards prioritising city devolution deals over county negotiations. This can be linked to the concerns described above over the prioritisation of growth over public service reform; a distinction we feel is counterproductive. We therefore fully endorse their recommendation that Government should do more to consider neighbouring deals together rather than prioritising city devolution deals over county negotiations. Failure to do so will leave a fragmented and disjointed local government map and two-speed devolution process that could be unviable ahead of the full localisation of business rates.

In achieving this, CCN agree that the Government needs to streamline its capacity to negotiate devolution deals with cross-departmental teams. Each team should be responsible for a specific set of devolution deals (perhaps organised by geography) to join-up Government decision-making and reduce

the amount of bilateral negotiation between proposers and individual government departments.

### *Timescales*

The Spending Review deadline of 4<sup>th</sup> September for devolution bids and expressions of interests has acted as an important catalyst for activity and collaboration. We hope, and expect, counties to secure deals during the Spending Review period. However, it is clear that this is an iterative process. IPPR are correct in their assertions that Government should provide a clear and unambiguous statement that bespoke devolution deals will be negotiated with all those county areas who seek them over the duration of this Parliament, with a series of key milestones. This is in line with the timetable for delivering County Devolution Deals outlined in our March 2015 report.<sup>4</sup>

### *Bespoke v Core Settlement Devolution*

We recognise and support the Government approach of negotiating bespoke deals with local areas, an approach endorsed by IPPR. However, following Government announcements on business rates retention, we believe that alongside this Government must indeed clarify the powers and functions that it is prepared to devolve to local all areas as part of the Spending Review and reforms to business rates retention.

In March 2015, CCN set out a detailed set of proposals for *devolution by default* across skills, employment, planning, infrastructure, transport and health and social care. Through CCN's County Devolution Board, we committed to building on these proposals, collaborating with Government in the design and implementation of a new financial framework for local government, including an ambitious core settlement of new powers and budgets devolved as part of business rate retention.

### **Geographical Scale and Co-Terminosity**

Counties have the economic and population scale, as well as 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. Equally, for public services, existing county boundaries often act as a logical footprint for pursuing reform through a devolved settlement.

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.

One of the current 'unwritten' rules and mixed messages in the devolution process referred to by IPPR is the prioritisation of devolution deals with coterminous LEP boundaries, or the strong steer that only devolution deals in line with current boundaries will have a realistic opportunity of agreement. Given the Government's reticence to review boundaries, this means for many counties this remains an insurmountable stumbling block. Such an approach 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.

Central government see LEPs as an integral partner in any devolution deal and local governance arrangement. But while CCN support LEPs and the vital role of the business community in devolution process, we have consistently maintained the need to review the boundaries of LEPs, their functions, and remit. IPPR have reached the same conclusion, which we strongly endorse.

## **Governance**

The report is right to emphasise the rich and historical nature of county government. It is the bedrock of local democracy dating back to as early as the 7th century and forms the basis of the local government map for 86% of England's landmass. Counties are embedded as important entities within our collective cultural imagination and many identify equally, if not more, strongly to their county as others do to their home city.

Historically counties have provided strong local accountability, with councils operating executive arrangements that allow local people to hold local council leaders to account for the powers they currently exercise. While we agree with IPPR that "a dramatic shift in decentralisation and devolved powers and budgets to local areas.... will force all local areas to strengthen existing accountability mechanisms", it is absolutely critical that new models of

governance complement and build on counties existing governance and do not seek to create unnecessary bureaucracy.

### *Metro-Mayor*

CCN have consistently maintained that given counties' large geographies and more complex public sector landscapes, extra consideration needs to be given to devolution governance. As the report rightly outlines, while the Cities & Local Government Devolution Bill is permissive, allowing any powers to be devolved to either a directly elected mayor and combined authority, or an alternative model, the current position of Government is it insist on the establishment of the former in exchange for more wide-ranging powers. This is despite a manifesto commitment that only 'cities' receiving substantial powers would be subject to the expectation that they would put in place a directly elected mayor.

While a few counties will feel a combined authority mayor is suitable for their area, this report demonstrates that the Government must be open to developing alternatives rather than insisting this model is a pre-requisite for 'substantial' and truly transformative devolution deals.

The report provides a telling analysis on why a metro-mayor model may be less appropriate in a county area than a city region. Our own research, quoted by IPPR, showed that 80% of Council Leaders believed a metro-mayor form of governance to be either quite or very inappropriate. The report concludes, as CCN has continuously argued, that while the mayoral model may be suitable in some county areas, alternative governance arrangements with strong local leadership should be considered.

An undue 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. In insisting on this one-size-fits all model, government is artificially limiting the ambition of local areas and the opportunities of devolution to *all* county areas. CCN believe that a continuation of this approach will undermine the government's objectives for devolution, growth and public service reform in England, leading to a two-speed devolution process.

The clarity and flexibility on the utilisation of elected mayors recommended by IPPR is therefore important. We welcome the recommendation that 'Government must accept (or deny) that the directly-elected mayor model of governance which may be highly relevant in more monocentric city regions,

might not be the best model of governance for counties and therefore demonstrate genuine openness to alternative models.'

### *Single Points of Accountability*

Counties recognise that with additional powers over significant functions and funds, new governance arrangements must allow not only for more sophisticated decision-making processes but also for higher levels of public visibility and accountability and provide arrangements for doing so. With an elected mayor not suitable for all areas, alternative solutions will be needed and therefore it should not be prerequisite for substantial devolution. Previously unpublished results from our recent devolution survey (below), show CCN member councils believe that the most appropriate way of achieving a single point of accountability is an indirectly elected leader/chairman/mayor appointed by combined authority or local authorities, with 50% seeing is as quite appropriate or very appropriate.

<b>CCN SR Survey: Government have put forward a preferred model of a directly elected mayor. Do you believe that any of the following options provide a workable alternative for counties, which would provide the single, visible point of accountability which Government wish to see?</b>					
	Not at all appropriate	Not appropriate	Quite appropriate	Very appropriate	Undecided
A directly elected county governor/commissioner	34.62%	34.62%	7.69%	7.69%	15.38%
A directly elected mayor with small, well defined remit and executive power shared with combined authority/local authorities	25.93%	44.44%	11.11%	7.41%	11.11%
Indirectly elected leader/chairman/mayor appointed by combined authority/local authorities	15.38%	15.38%	26.92%	23.08%	19.23%
Elected Assembly	34.62%	26.92%	15.38%	3.85%	19.23%
Directly elected leader of the upper tier authority/ies	19.23%	26.92%	26.92%	7.69%	19.23%

## *Combined Authorities*

Although many counties will not accept the Government's one-size-fits all approach on metro-mayors, this does not mean that CCN member councils do not recognise the need to strengthen existing governance arrangements when receiving additional powers, particularly in light of reforms to business rate retention.

In line with the findings outlined in the IPPR report, the results from our Spending Review Survey conducted during September 2015 showed that counties are open to exploring new forms of governance. For instance some 67% of council leaders believe that a combined authority is either a quite or very appropriate governance arrangement for their local area. Many county areas, including those featuring in this study, are in advanced discussions on forming combined authorities or have already submitted proposals. A key motivation for counties in pursuing this model has been the expanded remit of combined authorities, facilitated under the Cities & Local Government Bill, which allows combined authorities to have wider health and public sector reform function and extended membership beyond local authorities. This was a change CCN campaigned for.

In seeking to form county combined authorities, we believe local areas and Government need to consider a number of factors which this IPPR report outlines. In particular, extra consideration needs to be given to the complexity and difference between horizontal integration and pooling of powers between a set of unitary councils, and the vertical integration and pooling of powers between authorities with different powers.

Government has a track record of misunderstanding the complexities and operation of two-tier local government. Government needs to ensure that the new governance arrangements build on, rather than replace, the key strategic, leadership and accountability role of upper-tier authorities – there is no need to reinvent the wheel. Devolution deals should exploit the existing strengths, expertise and economies scale of county and district authorities. While the principle of pooling responsibilities, such as transport and planning, are central to the formation of combined authorities, they will primarily be used as the main vehicle for providing strong and accountable oversight for newly devolved powers and budgets as part of county devolution deals.

The report is right to emphasise that counties believe in double devolution and subsidiarity; ensuring that powers reside at the lowest appropriate level. This includes district councils, town and parish councils, and voluntary and community providers. With regard to district councils, CCN endorse the conclusion that two-tier collaboration is improving and CCN will continue to work with the District Councils' Network to support local areas and promote the principles of double devolution and local delivery.

It is also imperative that new governance arrangements maintain a strategic focus and avoid the creation of unnecessary bureaucracy. This is particularly important in relation to the exercise of existing powers and responsibilities. The sharing of models and best practice will be needed to ensure robust, streamlined and effective combined authorities are established in multi-tier local authority areas.

Of equal importance are IPPR's arguments around scale, identity and cultural imagination. Counties and their boundaries are long established and recognised historical entities, whereas awareness of structures such as LEPs, is minimal. In designing new models of governance, IPPR are correct that ignoring this could potentially undermine public engagement by being seen to be working at a distant regional level rather than established and recognised county boundaries. Without careful management, a combined authority could be seen as an additional tier of government, further removed from its population.

In addition, IPPR are correct to indicate that an elected mayor could exacerbate this tension: the identity of a mayor of a multi-county region could be divisive if half the population perceive themselves to be governed by someone from outside their county. It is also worth noting here that the same argument can apply within counties. Within a single large county there are normally numerous identities, whether rural and urban and between different urban centres. Counties are often a collection of strong individual community identities, which means it is harder for an Elected Mayor to represent collectively.

CCN support a wide-range of models being developed that provide strategic and accountable oversight; promote better joint-collaboration and delivery; and are open to robust scrutiny by the public and Parliament. While local areas should have discretion to develop their own solutions, tailored to local circumstances and each individual devolution deal, the CCN County Devolution Board will work with local areas to share developing best practice and guidance for local areas, particularly in relation to development of combined authorities.

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<sup>1</sup> If we raised county productivity to the national average we could add approx. £100bn GVA to the national economy. This figure is worked out by taking the GVA, population and GVA per capita of all counties who's GVA per capita is below the national average – the GVA per capita of these is then raised to the existing national average which gives a corresponding increase in GVA.

<sup>2</sup> CCN. Our Plan for Government 2015-20: County Devolution (2015)

[www.countycouncilsnetwork.org.uk/county-devolution](http://www.countycouncilsnetwork.org.uk/county-devolution)

<sup>3</sup> House of Commons Library. Devolution to local government in England

<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN07029#fullreport>

<sup>4</sup> CCN. Our Plan for Government 2015-20: County Devolution (2015)

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

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If you would like further information on CCN, including the latest policy briefings, publications, news and events, please visit our website at [www.countycouncilsnetwork.org.uk](http://www.countycouncilsnetwork.org.uk)

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