



Introduction

The County Councils Network (CCN) represents 37 English local authorities that serve counties. CCN's membership includes both upper tier and unitary authorities who together have over 2,600 councillors and serve almost 26 million people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside of the big conurbations.

CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations to Government which can be supported by all member authorities. This submission has been developed in close consultation with member councils and is presented on behalf of CCN's cross-party management committee.

During the development phase of the Industrial Strategy Green Paper we have engaged with officials from the Department for Business, Energy and Industrial Strategy on several occasions, including attendance and presentations at the CCN Devolution Working Group.

CCN welcomes the publication of the Green Paper as the first phase of developing the Government's Industrial Strategy. The Industrial Strategy presents a crucial opportunity to move to the next phase of devolution – to empower the half of the English population who live in counties, alongside the big city regions.

This consultation response provides a high level overview of CCN's views and approach to devolution, economic growth and inclusion. Building on our work to date, and also looking ahead to our forthcoming research, our response is built around five core themes,

- 1) Understanding County Economies
- 2) Placed-Based Devolution – *A New Approach to Devolution*
- 3) Institutional Leadership – *Counties as System Leaders*
- 4) Investment – *Infrastructure, Housing & Planning*
- 5) Economic & Social Inclusion – *Brexit, Skills & Employment*



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Executive Summary

Understanding County Economies

- We welcome Government's renewed focus on economic growth and inclusion, and fully support the central ambition of the Industrial Strategy. Given the scale, opportunities and challenges of county economies CCN believe that there is a clear and substantial role for our members in delivering this ambition.
- While the Green Paper begins to articulate the opportunities and challenges facing rural areas, there continues to be an undue focus on city economies. CCN believe that this is built on a lack of dedicated analysis. County economies need to have greater prominence within this strategy if we are to achieve the Government's objective of an inclusive approach to economic growth.
- Government have identified increasing productivity as a central economic policy through the Industrial Strategy Green Paper; a focus we strongly welcome. Given the size of county economies and the contribution they make to the national economy, compared to the low levels of productivity, there is substantial economic potential which could be gained from increasing productivity in counties.

Placed-Based Devolution – A New Approach to Devolution

- CCN strongly welcome the place-based approach to the Industrial Strategy. Tackling complex economic issues will require strong local leadership and devolution, ensuring that sustainability and inclusive growth are embedded in all areas of the country, and nowhere is left behind.
- The Green Paper sets out some clear lines of argument in favour of decentralisation and empowering local areas, however it is currently unclear how the Industrial Strategy will seek to support devolution in practice. Issues which have been identified by CCN, including skills mismatches, infrastructure under-investment, and a lack of response to locally driven growth plans, are all contained within the document; however the suggested solutions focus heavily on centre-driven organisation.
- The first stage of devolution has proved successful in engaging city regions and this is clearly reflected in this Strategy. There are a number of references to supporting cities and consolidating the mayoral model for devolution, but no obvious references to devolution beyond cities in the Green Paper.
- Building on the clear economic rationale for devolution in county regions, CCN members have the capacity, track record and ambition to lead a new phase of place-based devolution for all areas. We suggest that building on the lessons from the first phase of devolution this industrial strategy can initiate a **new approach to devolution**.
- CCN suggest that now is that right time to move towards a devolution approach which speaks more directly to local and national partners' objectives. We believe that we now must move to the next phase of devolution, where a strategic suite of functions and budgets are made available to all areas.

Institutional Leadership – Counties as System Leaders

- CCN recognise that substantial devolved powers and finance mechanisms will need strong and consolidated local leadership, and an ability to bring together fragmented partners across an area. A key theme of the Green Paper is creating the right institutions to support growth and inclusion.
- Creating the right institutions, and ensuring we have a less fragmented approach to economic growth, has important implications in county areas. Equally, ensuring the right strategic and economic geography will be crucial to delivering a place-based approach to the industrial strategy. CCN believe that county authorities can provide strong, locally-led institutions and the appropriate geographies for a placed-based industrial strategy.
- Recent reports by Localis and IPPR have recognised county councils and county unitary authorities present a practical solution to achieving strong institutional leadership, spanning the functional economic area, providing the basis for economies of scale and strong links to LEPs and businesses, and maximising the potential for co-terminosity. We welcome these reports and suggest the Government consider their recommendations.

Investment – Infrastructure, Housing & Planning

- The Green Paper rightly recognises that infrastructure in the UK is below the standard of many other developed counties, and that this is having a knock on impact on productivity and living standards.
- The right infrastructure is a vital component of growth, productivity and inclusion. Yet research by CCN shows that infrastructure funding is being disproportionately channelled to London and city regions. Alongside disproportionate allocations of funds and powers to investment infrastructure, the infrastructure funding landscape is both complex and impenetrable.
- CCN believe we should build on the devolution agenda to consolidate infrastructure funding and devolve a substantial growth pot to each area. We should also ensure that county areas are provided the means to work with their businesses to raise infrastructure funding in the way big cities are.
- CCN have highlighted the fragmented nature of planning in two-tier counties. CCN welcome the Government's renewed focus on housing delivery and affordability, and the emphasis on both scaling up planning areas and integrating planning, infrastructure and growth agendas. Arrangements should seek to deepen working between counties and districts, and other key partners such as LEPs and CCGs. The preference should be towards transparency and simplicity, and any further complication of the system should be avoided. CCN suggest that there should be a strong and formal role for the county council in planning arrangements, to ensure that economic growth and infrastructure considerations across the broader area are built in from the outset.

Economic & Social Inclusion – Brexit, Skills & Employment

- Aside from the economic case for county devolution and a strong role for counties in the Industrial Strategy, there is a crucial social and democratic case. The Prime Minister's foreword to the document directly links the vote to leave the EU with ensuring that the 'country works for everyone'. This is particularly important in the context of the EU Referendum, where counties and rural areas saw larger proportions vote to leave.
- The development of the Industrial Strategy and a new ambitious phase of the devolution agenda presents the opportunity to enable decisions to be taken closer to the people that they effect, and re-engage people in politics. There is a risk that without a clear and substantial role for counties through the Industrial Strategy the perceived democratic deficit between counties and big cities could grow, and opportunities to fix structural weaknesses in the most substantial part of the English economy will be missed.
- If the Government is to achieve inclusive growth and address underlying issues associated with the vote to leave the EU, it must focus on skills and employment in county areas, ensuring well paid, highly skilled employment opportunities so no areas are left behind. Workplace wages in counties are lower than the national average, while CCN analysis has also demonstrated that all counties across the country suffer from significant skills gaps and misalignments.
- The industrial strategy provides an important opportunity to address these issues. There are specific reasons why counties must be empowered to raise skills levels, create strategic links between skills providers and business in their areas and work with Government to deliver a technical education system. These include raising productivity levels across the country, but also ensuring growing county economies have the labour resources they need and growth is not stifled.

Full Response

1. We welcome Government's renewed focus on economic growth and inclusion, and fully support the central ambition of the Industrial Strategy described in the Green Paper as '*improving living standards and economic growth by increasing productivity and driving growth across the whole country.*'
2. Given the scale, opportunities and challenges of county economies CCN believe that there is a clear and substantial role for our members in delivering this ambition. CCN have consistently argued that counties need substantial devolution and the means to invest in infrastructure, reform skills provision and support local economic development to continue supporting sustainable national growth and housing delivery, and embed economic inclusion in all areas of the country. The development of a new Industrial Strategy presents a crucial opportunity to move to the next phase of devolution – to empower the half of the English population who live in counties, alongside the big city regions.
3. The Industrial Strategy Green Paper has been developed within the context of the European Union referendum result, to continue sustainable economic growth and build resilience in the approach to the UK's exit. The Green Paper highlights the importance of

addressing underlying structural weaknesses such as internationally low levels of productivity, and broadening the nation's options and approach to international trade.

4. The Green Paper also sets out to strengthen economic and social inclusion, in response to issues raised through the European Union referendum debate. Productivity and its links to living standards are important here, as are other Government priorities such as education, skills, housing availability and affordability.
5. Reflecting these Government priorities, this Green Paper comes at a time when Government are beginning the process of EU withdrawal negotiations and there are a number of interconnected Government consultations taking place in relation to the Housing White Paper and Reforms to Business Rates Retention; all of which will have a fundamental impact on the development of this Industrial Strategy. In addition, there continues to be significant uncertainty in relation to the Government's approach to both devolution and potential reforms to local authority governance. In particular, the design and decisions made around 100% business rate retention will be fundamental in ensuring all areas to have a stake in economic growth, as will the Government's approach to the devolution process.
6. Of equal importance, this consultation is taking place as CCN undertake a number significant pieces of research to inform Government policy in these areas. Of particular interest here is our work in understanding county economies and the implications for the Government Industrial Strategy.
7. CCN has recently commissioned one of the world's foremost independent economic forecasting and modelling advisory firms, *Oxford Economics*, to undertake a detailed analysis of county economies (further details are provided below). Publication of this research, and our response to the interlinked consultations, will take place following the conclusion of county elections.
8. Therefore, considering the above factors, and at this early stage of the Industrial Strategy development, this consultation response provides a high level overview of CCN's views and approach to ongoing economic growth and inclusion. Building on our work to date, and also looking ahead to our forthcoming research, our response is built around five core themes,
 - 1) Understanding County Economies
 - 2) Placed-Based Devolution – *A New Approach to Devolution*
 - 3) Institutional Leadership – *Counties as System Leaders*
 - 4) Investment – *Infrastructure, Housing & Planning*
 - 5) Economic & Social Inclusion – *Brexit, Skills & Employment*
9. We will continue to engage with Government as the Strategy develops, through White Paper, legislative and implementation phases. We will put forward our more detailed policy proposals as we undertake further granular economic analysis, and as the Industrial Strategy and European Union exit policy further develop.

Understanding County Economies

10. Over recent years, CCN has provided a body of research and advocacy that has demonstrated the central role of county economies in supporting national growth and

prosperity.¹ The research to date has shown that Counties have high levels of business start-ups and growth, make the largest contribution to the national economy, and are net contributors to HM Treasury². However counties also face structural weaknesses including low productivity, burgeoning skills and infrastructure gaps and indications of low social mobility.

11. CCN is the only national representative body dedicated to presenting this type of analysis on behalf of non-metropolitan England. While other studies, such as the LGA's Peace Commission Report,³ provided further evidence to support the economic case for devolution to county areas, this has contrasted with a significant body of evidence put forward by multiple advocacy bodies and think-tanks on behalf of the Core and Key Cities.
12. **Reflecting this, while the Green Paper begins to articulate the opportunities and challenges facing rural areas, there continues to be an undue focus on city economies and the role of city region devolution.** CCN believe that this is built on a lack of dedicated analysis of county economies.
13. County economies, and the role of county authorities, including through devolution (see below), need to have greater prominence within this strategy if we are to achieve the Government's objective of an inclusive approach to economic growth. This is particularly important given the challenges faced by county economies, and the symbiosis between cities and counties which CCN has already articulated and will further evidence in the coming period.
14. In developing an Industrial Strategy we need a more detailed understanding of the economies of England. Different geographies and parts of the country function differently. More needs to be done by central and local government to understand county economies if we are to achieve a truly place-based industrial strategy. There is little doubt that efforts to date have not provided the level of granular independent analysis required to fully support an inclusive, evidence-based, industrial strategy and regional growth policy across the UK.
15. In recognition of this, CCN has recently commissioned one of the world's most foremost independent economic forecasting and modelling advisory firms, *Oxford Economics* (OE) to undertake a detailed analysis of county economies. CCN are working with OE to further understand the opportunities and risks present in county economies, particularly within the context of the European Union referendum and exit.
16. At the time of writing OE are conducting their analysis for CCN and have provided an overview on the scale of county economies in terms of GVA, productivity, employment and wages compared to the established Combined Authorities (CAs) and English average. Details of this are provided in Annex 1, alongside an overview of the modelling taking place across the other areas of this research project.
17. For the purposes of this submission however, the initial analysis by OE builds on our established research to demonstrate the following in relation to county economies;

¹ <http://www.countycouncilsnetwork.org.uk/county-devolution/>

² [ONS Report on Business Births and Deaths: 2016](#)

³ [Peace Commission on Non-Metropolitan Areas: March 2015](#)

- **GVA:** In 2017, the CCN area's GVA was £600bn (measured in constant 2013 prices). It represents 41% of the English GVA and £271bn (measured in constant 2013 prices) more than the combined authorities output. GVA growth in the CCN area is set to average 1.8% annually over the coming decade. This will fall slightly short of the pace of growth for England (2.0%). As a result OE expect to see a slight decline in CCN area's share of UK GDP by 2027. This rate of growth does compare favourably, however, to that of the combined authorities.
- **Employment:** The CCN labour market showed more resilience throughout the financial crisis compared with both the UK and the combined authorities, with only very modest job losses reported. This resilience was followed by faster than average employment growth. The CCN area accounts for 44% of the employment in England, equivalent to just over 13 million jobs. This is almost twice the number of jobs in the combined authorities (7.5 million jobs). The level of employment in the CCN area is forecast to grow 0.4% annually over the coming decade, a little ahead of the average for the combined authorities. This rate of growth will see an additional 565,000 jobs added in the CCN area by 2027
- **Productivity:** Productivity (GVA per job measured in constant 2013 prices) within the CCN area (£46,000) is above the average for the combined authorities (£43,700) and below the English average (£49,700). Again, the London effect on the England figures is an important consideration. However, over the last 10 years the CCN area experienced relatively weaker productivity gains compared with both the combined authorities and the UK. Productivity growth averaged only 0.3% per year from 2007, compared with an average of 0.5% for the combined authorities and 0.6% per year nationally.
- **Wages:** As with productivity, the level of workplace based earnings in the CCN area is below the England average. The sectoral composition of jobs is an important factor in this, with higher than average proportions of employment in lower paid sectors such as wholesale & retail in the CCN area than nationally. However, residence based earnings have typically been broadly in line with the national average.
- **Consumer Spending:** Consumer spending in the CCN area is estimated to be almost £465bn (measured in 2013 prices) in 2017, which is equivalent to almost 47% of total consumer spending in England. Consumer spending within the CCN area has increased on average by 1.1% per year since 2007, ahead of the combined authority average (0.8% per year) but slightly below England (1.2% per year).
- **Business Activity:** CCN's previous analysis has shown that Counties represent the largest total rate of business start-ups and the largest proportion of business start-ups per person outside of London.⁴ Much focus is being given to trends in the UK for strong business start-up rates, but much lower growth and expansion rates. It is likely that this is one of the underlying causes of low levels of productivity in the country.

18. The initial high-level findings from OE indicate that not only are county areas more significant economic contributors than CA areas, but that they are likely to outperform

⁴ [ONS Business Demography Reference Table 2017](#)

CAs over the coming period. This demonstrates the importance of county economies to the industrial strategy if it is to achieve its objectives in a post-Brexit landscape.

19. However, beyond the positive headlines counties face some serious structural challenges around productivity, industrial make up, digital and transport infrastructure, skills and housing affordability. This is examined in further detail in the following sections.
20. Looking ahead, the full report by OE will provide much granular level detail on the make-up of county economies, their strengths, weaknesses, opportunities, including forecasts and modelling on the potential economic and public service reform impact of devolving new powers and funding to county areas. The full analysis will help shape the Industrial Strategy, and crucially, provide a better understanding of county economies. It will enable CCN to put forward further evidenced policy proposals which can best enable counties to support stable and sustainable national growth, and put in place locally tailored measures to embed economic inclusion.

Productivity

21. **Government have identified increasing productivity as a central economic policy**, this has been reiterated by the Chancellor, and through the Industrial Strategy Green Paper. Government have made clear that it is a priority to improve productivity, across regions and within particular sectors, to make the economy more resilient, to add substantial value and to increase living standards and cohesion.
22. Despite high levels of GVA many county economies suffer from relatively low productivity levels. The initial analysis by OE provided in Annex 1 shows that over the last 10 years CCN area has experienced relatively weaker productivity gains compared with both the combined authorities and England.
23. Within the CCN area, there is a more diverse geographic mix of counties recording below average productivity. Cornwall and Staffordshire are among the weakest performing counties in this regard, again in part reflecting the industrial structure of the local economies.
24. Surrey is estimated to have highest level of productivity, at £57,700 in 2017. This reflects the area's relatively large concentration of high value sectors, including professional services and information & communications, alongside a highly qualified workforce. This places the county significantly higher than England's average level of productivity (£49,700). Cheshire East follows close behind Surrey at £57,200, with other strong performing areas generally found in the south east of the country.
25. The forthcoming full analysis by OE will provide a more granular analysis in due course.
26. Given the size of county economies and the contribution they make to the national economy, compared to the low levels of productivity, there is substantial economic potential which could be gained from increasing productivity in counties. In fact, given the economic in-roads which have been made in the core cities, and the already high levels of productivity in London, it could be argued that the most substantial economic

potential is in county areas. At the very least economic growth and increased productivity should not be considered a zero-sum game between counties and city regions, and the symbiosis between urban and rural areas should be recognised.

27. Those counties which show levels of productivity which are above the UK 100 Index also show relatively high levels of skills, wages and high value industries. However, as can be seen in the *Skills* section of this paper these areas suffer from particularly deep skills gaps, and may be areas which have particular skills risks as we exit the European Union.
28. It is also clear that these areas face some of the most pressing challenges of under-bounding, and housing and business premises affordability in the country. The case of under-bounding in Oxford and Oxfordshire for example is well researched⁵ and this can create a drag on growth. The challenges of under bounding were also explore in a recent by Shared Intelligence into the creation of unitary local authorities in the 1990s and 2000s.⁶
29. In their recent report Localis identify high growth 'stifled' areas alongside those that are 'stuck', as priorities for the Industrial Strategy. They describe these 'stifled' areas as being 'fast growing, with associated growing pains, but are often stymied by their administrative boundaries. They need the power to grow.' CCN suggest that there will be a place for strategic planning, sub-national transport and growth agendas, and substantial devolution to ensure roads, transport and skills are fit for purpose (see below).

Place-Based Devolution

30. CCN strongly welcome The Secretary of State, Greg Clark MP's place based approach to the Industrial Strategy. Managing substantial devolved powers and tackling complex economic issues will require strong local leadership. We believe that there must be a strong place based approach to the Industrial Strategy, ensuring that sustainability and inclusive growth are embedded in all areas of the country, and nowhere is left behind.
31. Through a place-based approach, the Strategy is a crucial opportunity to **take forward the next stage of devolution, and to better enable investment in growth and infrastructure outside of the big city regions.** A crucial component of this will be the **transfer of powers and funding streams from Brussels to local areas,** rather than simply retaining these in Central Government.
32. We would note that while the Green Paper sets out some clear lines of argument in favour of decentralisation and empowering local areas, it is currently unclear how the Industrial Strategy will seek to support devolution in practice. Issues which have been identified by CCN including skills mismatches, infrastructure under investment, and a lack of response to locally driven growth plans are all identified in the Paper. However the solutions set out in the document seem to focus on organisation from the centre.

⁵ [RTPI Report on Oxford: July 2014](#)

⁶ <http://www.countycouncilsnetwork.org.uk/news/2016/nov/ccn-sets-evidence-potential-local-government-reorganisation/>

33. The first stage of devolution has proved successful in engaging city regions and this is clearly reflected in this document. There are a number of references to supporting cities and consolidating the mayoral model for devolution, but no obvious references to devolution beyond cities in the Green Paper. Equally there is a recognition that supporting cities will play a key role in increasing national productivity and improving infrastructure. However there is little about counties' role, despite clear productivity, skills and infrastructure challenges, and substantial growth opportunities.
34. Building on the clear economic rationale for devolution in county regions, CCN members have the capacity, track record and ambition to lead a new phase of place-based devolution for all areas. But here, we suggest that building on the lessons from the first phase of devolution deals this industrial strategy can initiate a **new approach to devolution**.

A New Approach to Devolution

35. The first wave of English devolution was strongly welcomed by CCN and our members. At the early stages of the process CCN worked to organise and articulate counties' ambition and capacity for devolution. The voice of counties was heard through the symbolic change in the title of the *Cities Devolution Bill* to include a broader *Local Government* approach, and through the 22 of the original 34 devolution deal bids which came from counties.⁷
36. During the early stages of the devolution agenda CCN led work with IPPR to bring counties together to understand and develop approaches to devolution.⁸ CCN also articulated the ambition and offer of counties across a suite of economic, fiscal and public service functions through our County Devolution Reports.⁹
37. At the beginning of this process it was clear county plans were making good progress, with anecdotal evidence that two-tier areas were working constructively towards devolution bids which would add value to their shared economies and communities. However subsequent decisions to amend the Devolution Bill to remove requirements for counties and districts to work together, and the addition of requirements for a metro mayor meant that only two county areas were able to agree deals, one of them without a mayor.
38. While we welcome the paradigm shift in the way Central Government works, and the hard work from Ministers to get devolution off the ground, the first wave of devolution can be characterised as deal making, political, and city focused.
39. It is clear that a more balanced approach to city and county devolution will be needed to support continued growth in counties. While London has seen a number of devolution deals agreed, on top or already substantial planning, transport and fiscal powers of the Mayor and all the major second tier cities have been awarded deals, the surrounding counties have not. Rather than this asymmetrical devolution approach we must ensure

⁷ <https://www.gov.uk/government/news/landmark-devolution-bids-submitted-from-right-across-the-country>

⁸ [Empowering Counties and Unlocking County Devolution: IPPR Report 2015](#)

⁹ [County Devolution: CCN Report 2015](#)

that counties and cities can work together as strong and equal partners. There will be value in ensuring counties and cities can plan development and infrastructure together to manage growing populations and eke out the best value for both, rather than risk unplanned and potentially antagonistic city sprawl.

40. Now that the concept has been proved CCN strongly suggest that this process is consolidated by a second phase of devolution which is accessible to rural and county economies and communities. This should be a bold agenda which brings together the numerous local growth and public service functions still held by Government and makes these available to devolve by default to all parts of the country. There is a risk that without this the perceived democratic deficit between counties and big cities will grow, and opportunities to fix structural weaknesses in the most substantial part of the English economy will be missed.
41. CCN suggest that now is that right time to move towards a devolution approach which speaks more directly to local and national partners' objectives. This should include measures which would best support sustainable economic growth, housing and inclusion. We believe that we now must move to the next phase of devolution, where a strategic suite of functions and budgets are made available to all areas. This is particularly important in the context of the EU exit, and the need to embed economic inclusion in all parts of the country.
42. The design and delivery of the new business rates system, the review of fair funding and the transfer of functions alongside the 'additional business rates quantum' will also be crucial to ensuring all areas have the ability to invest in local growth. As such the development of the business rates retention system will be of importance to the Industrial Strategy and wider devolution settlement for local areas. CCN is currently developing its response to the second phase consultation on business rates retention and undertaking modelling with Pixel Financial Management, both of which will be published following the county elections.
43. CCN have called for the transfer of a package of strategic growth functions and powers to all areas alongside business rates, to ensure that counties have the power to drive up growth alongside big city regions. This is crucial because growing social care pressures take up an increasing proportion of county council and county unitary budgets compared to other authority types, and yet funding levels will be partially based on business rate growth. There is a risk that unless the system is designed properly and funding placed on a fair foundation, some areas will be held back by their history, geography and demographics.
44. CCN hope that we can now build on the Green Paper, and wider Government policies such as Business Rates Retention, to develop a more ambitious and accessible approach to devolution and economic growth.

Strong Institutions

45. CCN recognise that substantial devolved powers and finance mechanisms will need strong and consolidated local leadership, and an ability to bring together fragmented partners across an area.

46. In achieving this, a key theme of the Green Paper is creating the right institutions to support growth and inclusion. The Industrial Strategy Green Paper recognises the importance of '*creating the right institutions to bring together sectors and places*', covering private, public and community institutions, and to make strategic connections between agendas and across an area.
47. In a similar vein, CCN also note that the Secretary of State for Communities and Local Government, Sajid Javid MP highlighted the challenges of fragmented local government at the last CCN Conference. The Secretary of State pointed to the difficulties in devolving to county areas due to fragmentation, but also the opportunities for devolution to overcome some of these challenges and find '*a mechanism for [partners] to work together, and to cooperate over the space they represent*¹⁰, such as a Combined Authority or even unitary status.
48. Creating the right institutions, and ensuring we have a less fragmented approach to economic growth, has important implications in county areas. Equally, ensuring the right strategic and economic geography will be crucial to delivering a place-based approach to the industrial strategy.
49. While the mayoral model has worked in city regions the next phase of devolution should seek to work with the geographical, demographic and administrative structure of counties to find effective and pragmatic governance solutions between county, district and unitary partners. Devolution deals in counties have been different to city regions for a number of reasons. Two-tier county areas have multiple and sometimes competing power bases. Unlike city regions integration in counties does not only involve working between local authorities with the same powers, but both horizontal and vertical working.
- 50. CCN believe that county authorities, working with their local partners, are best placed to provide provide strong, locally-led institutions at scale and across the most appropriate geographies for a placed-based industrial strategy.**
51. The importance of empowering placed-based leadership at scale across county geographies has recently been supported by Localis and IPPR, with the former concluding that a common-sense approach to devolution and local government would use the UK's county geography as a basic building block for devolution;
- "Starting with the county geography arguably represents the most common-sense way to marry the principle of scale without wholesale change to established boundaries and working relationships".*
52. The report puts forward alternative models, including a 'County reform' model which places county councils in two-tier areas as the legal body for devolved powers or consideration of new unitary structures. The report argues that in two-tier areas, a county council is a strategic-level body that covers a sizeable population, often with a

¹⁰ [Speech by Secretary of State to CCN Conference: Nov 2016](#)

degree of co-terminosity with other public services and therefore already fulfils some of the same criteria as a metropolitan combined authority.¹¹

53. Equally, the recent *Localis* report '*The Making of an Industrial Strategy*' proposes that county geographies be the basis of devolved arrangements in county areas and that mayors may not be needed outside of big city regions.
54. Like IPPR, they suggest that devolved functions should be based on 46 strategic authority areas, broadly in line with county boundaries. A number of default powers should be devolved by default to the strategic level of governance in the locality; the county or county unitary authority.¹² For counties it is the county unitary authority or the county council, which covers the whole functional economic area, which have the capacity and track record to deliver, and have good links with LEPs, businesses, health partners and other key stakeholders. Alternatively this could also be a formal partnership of county council and district authorities.
55. These reports recognise that while partnership working with district and neighbouring councils is crucial, county councils and county unitary authorities present a practical solution to achieving strong institutional leadership, spanning the functional economic area, providing the basis for economies of scale and strong links to LEPs and businesses, and maximising the potential for co-terminosity. Counties have the capacity and track record of bringing sometimes disparate partners together to focus on priorities, and are directly responsible for delivering strategic growth services now.
56. In their report, IPPR concluded that the "geography of counties is recognised within the popular imagination and is also reflected in existing institutional arrangements in public services". They suggested that working at a county geography ensures coordination of strategic planning between urban and rural areas, with counties providing a geographic scale that is similar to that of other key strategic partnerships such as Local Enterprise Partnerships.
57. County authorities are already demonstrating their ability to act as the strong local and sub-regional institutions required to deliver a localised approach to economic development, providing the necessary scale, expertise and local leadership, while working closely with partners in formal and more informal partnerships.
58. For instance, Counties have been leading engagement with LEPs and the National Infrastructure Commission, and have been spearheading the development of Sub-National Transport Bodies (SNTBs) (i.e. Economic Heartland and Midlands Connect). The CCN Devolution Working Group has supported and shared information around SNTBs, and has engaged regularly with Government on the agenda.
59. In delivering a strong local institutions and devolution, it is important that potential wider reforms to local authority governance are considered. Government has set out that it is open to proposals for structural reform in two-tier areas, welcoming 'bottom up' proposals. This has resulted in proposals in places such as Dorset, Oxfordshire and Buckinghamshire, and wider discussions across the local government sector.

¹¹ <http://www.ippr.org/publications/rebooting-devolution>

¹² [The Making of an Industrial Strategy: Report by Localis 2017](#)

60. CCN have provided clear evidence that in the development of future devolution and governance arrangements, it is essential to avoid further fragmentation of county geographies through reorganisation on a sub-county / district cluster basis. Reports by EY and Shared Intelligence provide important independent evidence in understanding the implications of reform and their impact on local government finance, economic growth and public service reform.¹³ With EY analysing six different governance scenarios, these reports provide evidence on the economies of scale provided by county governance and the critical importance of county geographies in delivering a sustainable approach to any reforms.

Investment

61. Alongside devolution, we believe that a bolder and more accessible approach to investment is needed, including a new, fairer approach to the distribution of infrastructure funds alongside wide-ranging reforms to the housing and planning system.

Infrastructure

62. The Green Paper rightly recognises that infrastructure in the UK is below the standard of many other developed counties, and that this is having a knock on impact on productivity and living standards. The causes for this are given as lack of long-term planning and budgeting, the complex planning system, and failure to align planning for infrastructure with planning for housing and industry.

63. CCN welcome measures by Government to give more surety and long-term planning to infrastructure pipelines and funding through National Infrastructure Commission and National Infrastructure Assessment. We also welcome recognition within the Green Paper that better alignment is needed between Central Government infrastructure investment with local growth priorities, stating that:

We will align the planning of infrastructure more effectively with local growth priorities to ensure more places benefit. Infrastructure decisions will be better matched with local economic plans to boost productivity locally and support places that have suffered historical underinvestment. We will create a stronger institutional framework to support this process for cities and regions across the country.

64. Government and the National Infrastructure Commission acknowledge that much of our future infrastructure funding must come from private investment, and if we are to meet our shared ambitions then counties must be provided strategic powers to work with business and raise infrastructure funds alongside cities.

65. The right infrastructure is a vital component of growth, productivity and inclusion. Yet research by CCN undertaken as part of this submission has shown that counties struggle that infrastructure funding is being disproportionately channelled to London and city regions. In addition to this city mayors are being given powers to work with business to raise infrastructure funds which are not being made available to most county areas.

¹³ [CCN sets out evidence on potential local government reorganisation: Nov 2016](#)

66. Research by IPPR North has shown that infrastructure investment from Government has been largely directed to city regions, in particular London has seen disproportionate investment compared to counties and other parts of the country.¹⁴ In addition London has used powers to raise CIL and Business Rate levies which are not available to most county areas.
67. CCN has undertaken an analysis of infrastructure investment and expenditure to further illustrate the disadvantage faced by county areas.
68. When looking at the distribution of Governmental infrastructure funding, through the National Infrastructure and Construction Pipeline, CCN found that while Greater London covers less than 5% of the nation's road network it received over 55% of identifiable funds. This sees London receive almost 4½ times more funding per person than any other part of the country.¹⁵
69. When considering local authority spend there has been a significant and worrying trend in counties – between 2010/11 and 2015/16 CCN members have seen a 58% reduction in maintenance and transport budgets. Metropolitan areas have seen much smaller decreases over the same period at just over 22%. Bucking the national trend Greater London is the only area which has managed to increase its expenditure on maintenance and transport. The benefits to London are demonstrable. For example the only area that has seen bus usage increase rather than decline in recent years.
70. We will be undertaking further research into the causes of this, but it is likely that this is in part due to the fact that social care cost pressures are increasing at the fastest rate in counties, and these take up a more significant proportion of county budgets than other authority types. This is borne out by the fact that it is county councils in two-tier areas that have seen the most significant decrease in maintenance and transport budgets.
71. In terms of local authorities capital expenditure on transport and connectivity infrastructure there is a more optimistic national picture, with all authority types increasing their budget. The NAO have however recently warned that the risk of borrowing on diminishing revenue budgets must be considered, and that some authority types will find this more challenging than others.¹⁶
72. CCN members have seen lower levels of budget increase than the metropolitan boroughs and non-CCN unitary authorities. But within the CCN membership county unitary authorities have actually been able to increase their budgets by the highest proportion of any authority type at 60%. Both London Boroughs and the GLA have seen decreases in budget, with the GLA seeing an almost 40% reduction.¹⁷ This may be explained by the magnitude of Central Government investment in the capital, and significant funds raised through mayoral levies such as Community Infrastructure Levy and Business Rates Levies.

¹⁴ <http://www.ippr.org/news-and-media/press-releases/transport-secretary-urged-to-close-1-600-per-person-london-north-pending-gap>

¹⁵ [National Infrastructure and Construction Pipeline 2016](#)

¹⁶ [Financial Stability of Local Authorities: NAO Report 2016](#)

¹⁷ [Local Authority Capital Expenditure Receipts](#)

73. The City-focus devolution process and additional revenue raising powers handed to Metro-Mayors are also set to further increase the gap in infrastructure investment between city and county areas.
74. Metro Mayors and city regions have been guaranteed almost £5bn in infrastructure funding via devolution deals over coming decades.¹⁸ The magnitude and the long-term surety of these investment funds are again a significant advantage for the big cities. There is also concern that with the devolution of these funds to cities and continued Government austerity there will be a diminishing pot for any future devolution and investment in county areas.
75. Moreover, Metro Mayors will be handed a suite of capital raising powers, which they will be able to use in dialogue with local business to invest in sustainable growth, regeneration and housing. CCN have calculated that from one such power, the 2p levy on business rates, the new Metro Mayors will be able to raise almost £64m in their first year in post. This is a significant advantage for these areas, which is not being extended to counties primarily due to the Government pre-requisite for new mayoral and combined authority structures.
76. Alongside a disproportionate allocations of funds and powers to investment infrastructure, the infrastructure funding landscape is both complex and impenetrable.
77. The approach which sees local areas bidding for numerous pots of money has meant much time spent on process and a lack of certainty for private investors. CCN believe we should build on the devolution agenda to consolidate infrastructure funding and devolve a substantial growth pot to each area. We should also ensure that county areas are provided the means to work with their businesses to raise infrastructure funding in the way the big cities are.
78. CCN would suggest that we have come to the end of the utility of 'bidding' for government funding, which takes a lot of time and effort, provides no assurances for business and can be opaque and hard to understand. Looking back at *'No Stone Unturned'*¹⁹, recent analysis by the LGA and Shared Intelligence²⁰, and looking forward at the need to find a new mechanism to replace European Structural Funds, we would suggest that there is a real imperative for devolution and infrastructure funding with no strings attached. We would endorse a simple formula for one growth (investment) pot to be devolved to strategic authorities to support sustainable growth in all parts of the country.

Housing & Planning

79. The Green Paper rightly acknowledges that growth and productivity issues are being caused in part by '*a complex planning system, and failure to align planning for infrastructure with planning for housing and industry*'. The Green Paper notes that 'Local authorities can help to coordinate the different things that local industries need to thrive,

¹⁸ <https://www.gov.uk/government/policies/city-deals-and-growth-deals>

¹⁹ [No Stone Unturned: Report by Lord Heseltine, 2012](#)

²⁰ [Fragmented Funding for Local Growth: Report by Shared Intelligence, Jan 2017.](#)

from planning decisions, transport and skills to investments in culture and the quality of life’.

80. This mirrors findings from the Local Plans Expert Group which noted that the call to facilitate strategic planning was one of the most frequent points made by public and private sector respondents to their consultation. They concluded that ‘joint working needs to be actively facilitated if housing needs are to be effectively addressed’ and that ‘some issues of agreeing the distribution of housing needs may prove intractable without a wider plan’. Additionally the National Infrastructure Commission has picked up on strategic planning as key to growth, stating that a priority for the Oxfordshire – Cambridgeshire corridor should prioritise a ‘joined-up plan for housing, jobs and infrastructure across the corridor’.²¹
81. Again, when considering this as part of the industrial strategy, there are particular connotations in county areas.
82. It is important to note that counties cover the vast majority (86%) of the landmass of England, and have far lower population density than other types of authority.²² Over half (53%) of national housing development in 2014 took place in CCN authority areas,²³ yet the areas of highest demand and lowest affordability for housing and business premises outside of London remain counties.²⁴
83. CCN have highlighted the fragmented nature of planning in two-tier counties. This sees local plans being set at the individual district level, covering a small geographical area and population. Additionally each district will set CIL requirements, yet the county council is responsible for planning and delivering the infrastructure needed to support housing, services and economic growth. There is no formal mechanism which requires these partners to work together, aside from the Duty to Cooperate, which has seen little effect.
84. CCN welcome the Government’s renewed focus on housing delivery and affordability, and the emphasis on both scaling up planning areas and integrating planning, infrastructure and growth agendas. We wish to ensure that the opportunity presented by this political capital, the Housing White Paper and future legislation is taken to **place planning on a truly strategic basis** and ensure arrangements are **as effective as possible**.
85. Areas such as Greater Manchester are now working towards strategic spatial plans covering the shared geography of their member authorities. CCN believe that strategic planning may be even more important in county areas, where there are serious issues of under-bounding and managing the impacts of growth in some areas, and the need for a joined up approach to development and infrastructure to stimulate growth in others.
86. Arrangements should seek to deepen working between counties and districts, and other key partners such as LEPs and CCGs. The preference should be towards transparency and simplicity, and any further complication of the system should be avoided. CCN suggest that there should be a strong and formal role for the county council in planning

²¹ [New East-West transport links could provide a once in a generation opportunity for ‘Britain’s Silicon Valley’ - November 2016](#)

²² [Population density, persons per hectare, NOMIS, 2013](#)

²³ [English Housing Survey, DCLG, February 2015](#)

²⁴ [ONS Housing Affordability in England and Wales 1997-2016](#)

arrangements, to ensure that economic growth and infrastructure considerations across the broader area are built in from the outset. The development of the Statement of Common Ground to include these requirements could help place planning on a more strategic footing in counties.

87. CCN are in the process of developing further evidence and solutions regarding strategic planning, housing and growth which we will be submitting to the Housing White Paper consultation. We hope to work closely with DCLG and BEIS to develop ideas as a key partners in strategic planning going forward.

Economic & Social Inclusion

88. Aside from the economic case for county devolution and a strong role for counties in the Industrial Strategy, there is a crucial social and democratic case. While deprivation is prevalent in areas surrounding big cities we also know that some of the most deprived wards in the country are in counties.²⁵ Lower levels of productivity in counties will also have a significant impact on living standards, and research by CCN has found indications of low levels of 'social mobility' in counties compared to cities – this is particularly apparent when looking at education and employment outcomes for children eligible for free school meals.²⁶

89. County economies and communities face particular geographical and demographic challenges. For example sparsity poses particular risks for social and economic exclusion, for public transport, infrastructure and road maintenance. Beyond physical infrastructure many county and rural areas also have less access to digital connectivity.²⁷ Larger and faster growing older populations mean that county areas are increasingly having to prioritise spend for social care, leaving less resource to invest in growth and regeneration. Aging populations will also have an impact on the labour resource of counties, compared to cities who generally have good inward migration of younger workers.

90. It is also interesting to note that while the big cities saw higher proportions of votes to remain in the European Union the counties and rural areas saw larger proportions vote to leave. Indeed some of the most consolidated leave votes were to be found in county and coastal areas. There has been much debate preceding and following the European Union referendum about economic inclusion, and the perception that not all areas and communities have benefited from the nation's economic success. In the Industrial Strategy Green Paper the Prime Minister's forward states:

Last summer's referendum was not simply a vote to leave the European Union, it was an instruction to the Government to change the way our country works – and the people for whom it works – forever.

91. The development of the Industrial Strategy and a new ambitious phase of the devolution agenda presents the opportunity to enable decisions to be taken closer to the people that they effect, and re-engage people in politics. Devolution also allows for locally

²⁵ [English Indices of Deprivation: 2015](#)

²⁶ [Widening participation in higher education: 2016](#)

²⁷ [Connected Nations: Ofcom Report 2016](#)

tailored solutions to address specific issues such as economic inclusion, which lay under the surface and which cannot be addressed by blanket government policy. A bolder and more accessible approach to devolution and infrastructure investment will also allow sustainable growth to be embedded in all parts of the country, and help alleviate structural weaknesses such as low productivity levels.

92. Recent months have seen intense debate in Parliament around the representation of rural areas and fair funding for counties. There is likely to be on-going concern if the Industrial Strategy and the devolution agenda only addresses city concerns, channels larger proportions of funding to big cities and only seeks to address the feeling of political disengagement in these areas.
93. There is a risk that without a clear and substantial role for counties through the Industrial Strategy the perceived democratic deficit between counties and big cities could grow, and opportunities to fix structural weaknesses in the most substantial part of the English economy will be missed.

Skills & Employment

94. If the Industrial Strategy is to achieve inclusive growth and address underlying issues associated with the vote to leave the EU, it must focus on skills and employment in county areas, ensuring well paid, highly skilled employment opportunities so no area is left behind. Workplace wages in counties are significantly lower than the national average, while CCN analysis has also demonstrated that all counties across the country suffer from significant skills gaps and misalignments.
95. While low productivity levels are apparent in most counties, there are more specific areas where there are additional embedded issues of low average skills levels and corresponding low wages and low value industry. Counties in the north, midlands, east, and west in particular show lower proportions of level 2, 3 and 4 qualifications, compared to the national average.²⁸ CCN's work with OE will undertake further analysis of 'economic inclusion' in county areas and the skills misalignment in county areas, as set out in Annex 1.
96. CCN analysis has also demonstrated that all counties across the country suffer from significant skills gaps and misalignments. The breadth, depth and structure of skills misalignments across counties is similar to that in English city and metropolitan areas. It has been argued that this endemic issue is due to the centralisation and fragmentation of skills agendas, and the lack of links between business and education and skills providers, and the irresponsiveness of the current system in linking skills provision to current and future labour market realities.
97. Given the fact that these skills misalignments are so pervasive, and that half of the population who reside in counties are affected as much as those in cities, we must ensure that the devolution of skills functions and budgets includes all areas of the country. This is going to be particularly important given the context of the exit from the European Union, where we will need to ensure stability for the economy and a ready

²⁸ [Qualifications and Students, local authorities in England and Wales: Census 2011](#)

supply of skilled labour to support our growing and high value industry, in cities and counties.

98. There are also specific reasons why counties must be empowered to raise skills levels, create strategic links between skills providers and business in their areas and work with Government to deliver a technical education system. These include raising productivity levels across the country, but also ensuring growing county economies have the labour resources they need and growth is not stifled.