



CCN Submission to the Communities & Local Government Select Committee

The Government's Cities and Local Government
Devolution Bill

Introduction

- The County Councils Network (CCN) represents 37 English councils that serve counties. CCN membership includes both upper tier county councils and unitary authorities and is a distinct voice within the local government sector. CCN develops policy, shares best practice and makes representations to central government and the Local Government Association (LGA) on behalf of this significant proportion of the country. We are a member-led organisation which works on an inclusive and all party basis and seeks to make representations which can be supported by all member councils.
- CCN welcome the opportunity to submit evidence and answers to the Inquiry. We are answering the questions set by the Committee with the interest of ensuring devolution can be extended across the country to county and city areas, in a way that is appropriate to the local area. There has been much focus on city regions and metro mayoral combined authorities to achieve further growth and improved productivity, particularly from HM Treasury. We must ensure that the residents and businesses of county areas are also empowered through the appropriate means to improve outcomes and further contribute to the national economy.
- Full details regarding CCN's asks and offer regarding county devolution and corresponding evidence can be found within our [County Devolution reports](#), published in March 2015 and [Spending Review submission](#).

The Importance of County Devolution

- The CCN authorities represent 86% of England's landmass and 47% of the English population. This population has grown 2.6% between 2010-14 and the number of households is projected to rise 18% in county areas by 2037. CCN analysis shows that counties continue to be the drivers of growth outside of London. They contribute the largest proportion of GVA to the national economy at 41% and represent 36% of national GVA growth since 2007. Crucially, county businesses and residents contribute the most to the Exchequer, including 49% of all income tax in England, 41% of stamp duty and 39% of business rates. It is clear that given the importance of this contribution we must ensure that county areas have the tools needed to further sustainable growth and improved productivity, alongside cities.

- Below the headline figures there are some systemic issues that exist in county areas, which may be addressed by appropriate devolution, incentives and fiscal freedoms. There is a view that the Core Cities in England underperform, and that as such they must be the priority focus for devolution. However, there are important economic and productivity challenges which are faced by many county areas, which in many cases are more severe than those seen in cities. Given the size of counties and the contribution they make this must be taken seriously. Central government must actively consider devolution models which will empower county areas.
- DEFRA have recently highlighted the growing importance of the contribution of rural areas. They show that current trends are seeing a net migration from urban to rural areas, and that innovation and knowledge-based economies are thriving in rural areas. They conclude that such trends may see productivity in rural areas grow faster than urban areas – predicated on improved skills, connectivity and infrastructure.¹ Devolution will be key to achieving the potential of rural and county areas.
- On average counties are underperforming when it comes to productivity, the CCN average is 91 compared to the UK 100 Index. This is considerably below the London average of 122 and also below the Core City average of 94. This masks the fact that some counties are performing well above average, at a level that is competitive with London and internationally. However, many counties are showing very low levels, with the average of the lowest 5 being 76 compared to the UK 100 Index.
- This issue is also mirrored in other key economic aspects, such as skills, wages and employment. Outside of London CCN members have the highest proportion of level 2, 3 and 4 qualifications; however half of CCN members have qualification levels which are lower than the national average. Wage levels vary widely across counties, for example the top 5 CCN member work base wage levels are higher than the national average and only behind London. Conversely the lowest work base wages are below the average for all other types.
- In tandem with economic growth devolution could be a key to enabling ambitious public sector reform, integration and financial sustainability in county areas. CCN member councils face a £2.8bn funding gap by 2019/20 which demonstrates that the sector is beginning to reach the limit of efficiency savings that can be achieved within existing finance and policy parameters. Population growth has increased demand for services. Counties have the largest and fastest growing older population, with service demand for social care outstripping that of other areas of England.

¹ DEFRA, Policy Brief – how increased connectivity is boosting economic prospects of rural areas, December 2014

- It is clear that counties must form a key part of the devolution landscape and that governance and devolution models must be tailored to their county to ensure sustainable growth, productivity and living standards are bolstered across the country.

How far the Manchester devolution deal provides a model, and the extent to which this is applicable in other areas

- The devolved functions featured within the Greater Manchester Agreement, and subsequent Health and Social Care Memorandum of Understanding tend to reflect similar asks from across the country. CCN have articulated the asks and offer from our member authorities across a broad range of functional areas including health, transport, skills, planning and fiscal freedom, most recently within our *County Devolution reports* and *Spending Review submission*.
- There is scope to be more radical and ambitious in the extent of powers which are conferred through bespoke deals, particularly in fiscal freedoms and the extent to which devolved powers are embedded. Importantly the Greater Manchester deal, as with the Cornwall deal, is premised on on-going discussion and devolution. Given the complexities of county governance a process of iterative, yet ambitious, devolution deals is likely to work well to galvanise and incentivise county areas.
- However, in tandem with bespoke and ambitious devolution deals CCN have been calling for a *Core Devolution Settlement* for some time. Such a settlement would provide all local areas with the functional powers, budgets and fiscal freedoms needed to embed public sector reform, support sustainable economic growth and ensure that vital services are sustainable over time. Details of these recommendations can be found in our *County Devolution Summary Report*, enclosed with this submission. We continue to strongly advise central government to deliver such a core settlement for all areas in the country, alongside more radical bespoke devolution deals. We suggest that the Spending Review process presents an ideal opportunity to put this into action.
- Fiscal freedoms do not feature heavily in the Manchester deal, nor in the way central government talk about devolution. Equally there is no mention of fiscal freedoms within the Bill. We believe that this element will be key to ensuring ambitious public sector reform can take place and that county areas can properly manage their demands, set up a system of sustainable services and support sustainable growth. CCN have called for long term settlements, a greater retention of the proceeds of growth locally, greater use of earnback/payment by results type mechanisms and greater influence to design and use funds such as European funding locally. Central government must also extend their trust and empowerment of local areas to allow greater control of local taxes.

- The Greater Manchester and city region model works on the basis that there is one predominant city which acts as a nucleus for the identity, governance and service layout of the functional economic area. Some counties do have large cities, many have a diverse geography of small city, town and rural areas and some are predominantly rural. Counties are also functional economic areas, with the majority of people living and working within these areas, and with a strong sense of historical and day to day identity for people.
- Such a city hub model does not reflect the constitution of counties which adds further weight to the need for government to engage with the best options for county devolution and governance. Counties have diverse geographies and devolution deals should understand the unique contribution and attributes of the various parts of the geography. Given this diversity there is a sense from counties that mayors are unlikely to be the appropriate governance model in many circumstances.
- The Health and Social Care Memorandum of Understanding (MoU) agreed for Greater Manchester works on the basis of subsidiarity, design and commissioning of services made between local partners for the local area. However, it is useful to remember that the MoU retains executive power within central government and NHS England. Discussion within the House of Lords clarified that the Secretary of State could intervene in local decision making if they believed that there was a need to do so.
- This model does allow for local public sector and health partners to work much more closely together to design an integrated system and service, which can create the best parameters for commissioners, providers and services users to get the best results. Demographic pressures in adult social care are the largest demand-led pressure in county areas, and regarded as the biggest financial risk to the sustainability of county authorities. Public service devolution has an important role in delivering health and social care integration. We strongly recommend that opportunities for health and social care devolution are extended to county areas.

How the Bill will build on existing local accountability structures and ensure appropriate governance mechanisms are put in places for devolved functions

- CCN recognise and welcome the fact that the Bill gives flexibility for different devolution governance structures. But that the language in the Bill, as with much of the language of central government leans heavily towards metro mayoral combined authorities. This language has become more inclusive recently and we very much welcome this, but we suggest there is still some way to go to reflect the role the county areas have to play and the need to fully consider their governance needs.
- Central government have been clear that they wish every deal to be bespoke to realise the potential of each individual area. We must ensure that this is fully put into practice and that ambitious deals for counties can be established with bespoke

governance which reflects the challenges and attributes of the particular area. We must not fall into the trap of assuming the metro mayor combined authority model ,which has been designed for city regions, is the natural choice for counties also.

- While we welcome the bespoke model to ambitious local deals we believe that more could be done to recalibrate the balance of power between central and local government. The legislation invests power with the Secretary of State for Communities and Local Government, other Ministers and Parliament to agree individual deals. In practice we can also see that HM Treasury and the Chancellor play a strong role in designing deals and taking decisions. We believe that more could be done to make this process more transparent, to further empower local areas and share learning and good practice.
- In this same vein we believe it would be useful to better understand from government the principles behind their preference for directly elected mayors, and discuss the range of options for building visibility, accountability and rigorous scrutiny into local devolution governance.
- CCN have commissioned the Institute for Public Policy Research (IPPR) to consider appropriate county governance models and how differing models may be linked to devolved powers. This will explore county combined authorities, but will also consider other possible models. We are engaging with eight of our member authorities to illustrate different models, to identify barriers and solutions and to demonstrate rigorous and accountable county governance. A final report will be due for publication in autumn 2015 and we will be engaging central government through the interim and final findings and urge them to engage with potential models which show rigorous accountability and effective decision making.
- County areas, particularly two-tier areas, face the challenges of vertical integration of services and of building local government relationships and governance amongst a large number of partners. City areas have been given encouragement to come together in recent times with incentives such as City Deals, transport powers for ITAs/combined authorities and most recently devolution deals. Such incentives are just being offered to county areas, but even so much progress has been made in county areas in recent months, with some areas in detailed conversation between partners and Government with developed governance and devolution offers.
- Central Government must do all that it can to enable the consolidation of county partnerships, integrated working and devolution deals. This will entail ensuring the right incentives are in place, that the powers and freedoms are available allow ambitious public sector reform, sustainable services and local leadership, and that the devolution agenda responds intelligently to the particular circumstances of county and two-tier areas.

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