

Written evidence submitted by the District Councils Network (LRS0081)

About the District Councils' Network

The District Councils' Network (DCN) is a cross-party member led network of 187 district councils. We are a Special Interest Group of the Local Government Association (LGA) and provides a single voice for district councils within the Local Government Association.

District councils in England deliver 86 out of 137 essential local government services to over 22 million people - 40% of the population - and cover 68% of the country by area.

District councils have a proven track record of building better lives and stronger economies in the areas that they serve. Districts protect and enhance quality of life by safeguarding our environment, promoting public health and leisure, whilst creating attractive places to live, raise families and build a stronger economy.

Introductory remarks

The impact of the pandemic on place, sectors and communities has not been equal or proportional across England. Whilst there will be broader alignment on the impacts felt by rural compared to urban areas, there will also be impacts specific to region, and to the nature of the local economy. This signals the need for both generic and tailored place-based policy responses designed and governed by local leaders.

District councils represent the best of local government – they are innovative and collaborative, they are strategic leaders and trusted deliverers, they are rooted in community and connected into every business, they drive growth and support some of the most vulnerable, they are pragmatic focusing on outcomes, and they are deeply embedded in the fabric of the communities, towns and cities serving 20 million people across the country. In market towns and new towns, in cathedral cities, coastal communities and the countryside, our district councils hold the statutory, regulatory and licensing levers to rebuild the national economy one local economy at a time.

The response to Covid-19 and the lockdown has proven the importance of local knowledge and relationships, and the unique role which councils offer, not just in a crisis. Districts are custodians of place and play a critical role in growing local businesses and generating economic growth. ONS data shows that non-metropolitan areas contribute 56% of England's Gross Value Added (GVA). Between 2010 and 2015, these areas increased their GVA per head by 13%, which was double the growth rate for London. In 2017/18 Districts were responsible for 44% of the net additional dwellings built in England and 45% of completions of affordable housing. Districts therefore represent a sound investment when trying to increase national economic performance.

As recovery from Covid-19 begins, this new way of working centred around the local state, strengthened with greater devolved authority, must form an essential part of England's social and economic recovery. The devolution of funding, resources, freedoms, and powers will be vital in levelling-up our economy and allowing local communities to take control of their own fate.

Although it is too early to understand the full impact, early evidence demonstrates significant variations between district council areas. In fact, in comparing the impact of Covid-19 on jobs and growth between places, Grant Thornton⁽¹⁾ concluded that the variation between district councils within county areas is not only more significant than between county areas but also between county areas and London and the Core Cities – connection into local economies at district level will be crucial to our national recovery. For instance, in Worcestershire the decline of GVA varied from 16.1% in Wyre Forest to 11.4% in Bromsgrove, by comparison the difference between all county areas and core cities was just 1%. Furthermore, county areas with the lowest overall GVA decline have the greatest variation, pointing to the risk that county-based approaches would mask underlying challenges at a local economic level.

It is a similar story when looking at the numbers of jobs at risk. For instance, in Leicestershire the percentage of at-risk jobs ranged from as high as 63.9% in Charnwood to as low as 39.8% in Blaby, by comparison the difference between all county areas and core cities was just 9%. And similar again when looking at claimant count. For instance, in Kent the claimant count ranged from as low as 4% in Sevenoaks up to 10.3% in Thanet. And the same again for earnings. For instance, in Surrey the difference between medium earnings between districts is as large as £23,290. The report suggests the variation within county areas was due to their 'polycentric nature', in that they do not reflect functional economic areas, but large administrative boundaries. For economic growth and connection into businesses large and small, any move towards sprawling county unitary councils would actually risk creating some diseconomies of scale.

Our national economy is made up of many local economies, involving a mix of large and small businesses interconnected locally, nationally and internationally through various supply chains. Many of our best universities sit in district areas, as do our ports, airports, tourism, engineering, pharmaceuticals, and manufacturing. In shire areas, districts are the local leaders for economic development and regeneration, and strategic partners working with counties, LEPs and the 38 Growth Hubs, providing business advice and local intelligence, and attracting inward investment. The Government should work with District Councils to create local conditions for growth and targeting support. Future government support should be targeted at those sectors hit hardest, with the aim of safeguarding employment, upskilling the workforce, providing a secure safety net by making permanent the uplifts to benefits, investing in a green recovery, and building the homes the country needs. Measures to kickstart spending and revive footfall in our high streets and town centres, and support to diversify economies in areas heavily reliant on low-skilled, or seasonal employment, are necessary. For rural areas, it is important to retain the rural element within the proposals for the UK Shared Prosperity Fund, and provide certainty that the Rural Services Delivery Grant will continue with at least its present value.

Shire districts want to see the UK Shared Prosperity Fund devolved locally so that local areas can invest in bespoke, place-based interventions in jobs and skills, housing, and tackling climate change. The plethora of short-term, one-off funding pots with bureaucratic bidding processes must end, and instead equip our democratically accountable local leaders with the resources they need to deliver. The UKSPF should tackle inequalities between communities by raising productivity, enabling strong public and private sector partnerships, and drive our jobs, skills and green recovery, especially in those parts of our country whose economies are furthest behind. With a strong local evidence base,

¹Placed based recovery, Grant Thornton, 2020 <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/place-based-recovery.pdf>

district councils can target investments effectively to address local challenges. In this way, the UKSPF would also ensure local democratic control over funding to respond to local needs and priorities.

The forthcoming Devolution and Local Recovery White Paper presents a key opportunity to devolve and further target funding for people and places. We need a co-designed, locally integrated and delivered employment and skills offer within a broad, flexible national policy and funding framework, which should enable local and national leadership to combine efforts in to planning a recovery that works for all areas.

In its approach to devolution, government should:

1. Extend opportunity to all places

So far the devolution process has focused on economic growth in large metro-regions. One consequence of this narrow policy focus is that most other places, including mid-sized cities, towns, districts and counties, were locked out of the devolution process and the subsequent deals that were intended to rebalance the national economy.

This approach also overlooked an inconvenient truth. Smaller places were growing faster than larger ones. Not just in the UK but internationally. As numerous studies identified, much of the economic growth within OECD countries was now increasingly being driven by smaller cities and less densely populated regions. A report for the Key Cities Group identified that, year on-year, growth among 26 mid-sized cities (including city districts such as Cambridge, Oxford, Exeter, Norwich, and Preston) nearly doubled that of larger cities.

In fact the connectivity between places matters more than the size. One study argues that the UK has a 'regional problem', and that if policymaking is disproportionately focussed on larger cities without sufficient broader consideration of connectivity and co-ordination between a wide variety of places, then it will not achieve the stated objective of regional rebalancing.

2. Make it genuine and comprehensive

So far devolution in those metro-regions has generally taken the form of 'deals' with places, usually with an area receiving one-off grants to deliver agreed ambitions. This is a limited model of devolution, which looks more like a large programme or fund than a genuine movement of power into communities.

Furthermore, the focus has generally been on local economic growth which, although extremely important and relevant, is rather limited when considering the retained (or even strengthened) centralisation of funding and powers in national departments and agencies -like Department for Education, Department for Work and Pensions, Department for Transport, Department for Business, Innovation, Enterprise and Skills, Homes England, Skills Funding Agency, Education Funding Agency.

The current situation for local government finance is a good indication of the limits of devolution to date, councils are limited by a range of national rules and little freedom to raise finance locally. Where there has been some genuine devolution it has often been subsequently restricted, for instance the creation of the self-financing arrangements for Housing Revenue Accounts in 2012 has since been curtailed by national changes to 'rejuvenate' Right to Buy, the imposition of social rent regulations, moves to restrict access to PwLB rates to invest and build, and so on.

In looking forward devolution should look to move genuine power to places, this should mean fiscal freedoms, powers and leverage over the whole-state effort in and across our towns and cities so they can join-up and target investments to deliver maximum returns to communities, businesses and the exchequer.

This should mean genuine long-term influence over the spending on skills, employment, welfare, health, housing, business support and more. For instance allow places to commission all further education and skills providers across a functional economic geography, allow places design health and employment programmes and to adjust national welfare rules with focus on employment, allow places to run affordable housing investment programmes, allow councils to set Right to Buy discounts locally, allow places to lead and deliver infrastructure projects, and so on.

3. move forward quickly building on what is working, choosing recovery not lengthy debate on bureaucratic local government reorganisation

Currently there is a crisis in our communities and an unique opportunity to build a more prosperous future, “to connect with people’s identities and sense of community; to capture the energy and dynamism which have been hallmarks of our response to this crisis; to rebuild the economy so that it benefits everyone”.

Government should back districts to deliver. As billing authorities, licensing authorities, housing and planning authorities, and delivers of business grants, leaders of high streets, drivers of regeneration and development, districts deliver for business every day. Across the pandemic, districts delivered the greatest number of business grants most quickly, supported businesses and visitor economies to adapt, enabled high streets to re-open investment, provided support and advice to small business, continued the planning system, and more.

And districts deliver for some of the most vulnerable in the local community, supporting them through tough times and spreading opportunity. As housing authorities, welfare authorities and homelessness authorities, districts are uniquely able to align local efforts for job creation with skills and employment and practical help for people to take and thrive in those jobs. Across the pandemic district councils accommodated and supported rough sleepers, delivered new support systems for shielded and non-shielded vulnerable groups, mobilised and organised the local community effort, delivered the hardship fund, and more.

National and local government should find ways to move quickly to capture this opportunity to allow all places the opportunity to improve outcomes for residents and businesses, while setting the conditions for significant public service reform in the medium term. This might include measures that can be quickly introduced to help all councils respond locally (such as adjusting PWLB rates), measures for national agencies to better to respond to local need (such as adjusting national incentives of jobcentres), measures to empower existing local partnerships with funding, commissioning influence and other leverage over national investments in places.

In moving quickly for recovery, it is essential the progress on devolution is not tripped up and bogged down in a debate on the reorganisation of local government. District councils are clear, the debate on reorganisation consumes huge senior officer and political time and effort diverting it from the crisis in local communities and economies, as well as impacting on collaboration between councils in those areas.

The Government has acknowledged this to some extent and the Secretary of State Robert Jenrick wrote to all Conservative Councillors highlighted the need to focus on the crisis in our communities rather than reorganisation. However, despite this, the Government has still written to three county shire areas inviting reorganisation proposals, making a conscious decision to plunge those areas into a debate on reorganisation at this critical time.

Furthermore, we know that at least three county leaders (not any district leaders in those areas) have, at around the same time, received a letter from the Minister Luke Hall encouraging them to continue dialogue on local government reform despite not being formally invited to progress at this time – causing further uncertainty in these areas.

There are few (if any) genuinely well-evidenced arguments for reorganisation into larger county unitary councils at any time. All the genuinely independent evidence (rather than paid for consultancy reports) is conclusive that bigger local government is not better or more efficient, and that it is less responsive and democratic. The public agree, consistently voting against the creation of large new councils whenever asked.

4. Retain 'local' government, do not sweep it aside to create supersize councils

District councils are not closed to change and are in fact lead innovators in developing new partnerships and other innovations. They are most likely to share services and back offices, they are open, collaborative often working boundary blind and across political administrations.²

Districts remain guided by the evidence of what works. It is for these reasons we call on the government and others to reject the false arguments from those wanting county unitary councils everywhere. Devolution must be about empowering communities, moving decisions closer to them, not centralising decisions into huge new councils with populations well over a million, often the size of US and German states.

More than 300 pieces of independent academic research over 50 years have found no consistent or conclusive results showing that increases in council size are a guarantee of improvements in efficiency, effectiveness, performance or cost reduction³. Councils of all sizes can be efficient, effective, perform well and reduce costs or be inefficient, ineffective, perform badly and fail to reduce costs.

Local government leadership (political and managerial), powers, autonomy and financing regimes all have a greater impact on efficiency, effectiveness, performance and cost reduction than does council size. Frankly one must ask questions of a local leadership actively campaigning to embark on a period of local government reorganisation at this time, and solely with the ambition of creating councils with well over a million people which close resemble regional government.

Independent academic research is wholly consistent in its findings that increases in the population or geographical size of councils has a damaging effect on the health of local democracy, such as participation, turnout and overall satisfaction.

² Transformation in Localities, Grant Thornton / DCN, 2018 <https://districtcouncils.info/news-coverage/dcn-and-grant-thornton-transformation-in-localities-toolkit/>

³ Bigger is not Better: the evidenced case for keeping 'local' government, Colin Copus, Steve Leech, 2020 <https://districtcouncils.info/wp-content/uploads/2020/10/DCN-Bigger-is-not-better-Report.pdf>

The county case for reorganisation into county unitary councils focuses most heavily on achieving savings, effectively making the case to central government for further efficiencies - or funding reductions - to local government. As indicated above, the international evidence does not support this position and, recently summarised by one leading Oxford University academic writing that ‘once again, economies of scale appear to represent a “phantom” promise of reform, beloved of those looking for a quick fix with an intuitive, if superficial, appeal’⁴.

There are a range of weaknesses with the efficiency argument made by advocates of county unitary councils⁵, such as the costs of the process of reorganising are always underestimated, and the achieved savings can often be made through other joint approaches within the existing system. The experiences of recent reorganisations in England reinforce this experience.

5. Devolution and collaboration to existing, developing and new partnerships

District councils are the natural administrative building blocks across wider geographies and are already coming together to provide leadership on wider strategic issues connecting towns and cities. Devolution should further enable this by equipping district councils and partners, like Local Enterprise Partnerships, to lead strategic issues such as infrastructure, transport and inward investment across wider economic areas; potentially coming together in mayoral combined authorities only where places want them. And recognising that LEPs are often not based on Function Economic Areas, but artificial administrative/county boundaries, which will not reflect future digital economies post-pandemic.

District councils have always led the way in innovation with collaboration, partnership and shared services with a focus on outcomes. Drawing on engagement with partnerships across the country, previous work by Grant Thornton has summarised how the best district-led collaboration is:

- built on the powerful tools that districts have always had at their disposal
- boundary-blind and driven by a place-based vision for success
- rooted in and responsive to a detailed understanding of locality, residents and businesses
- entrepreneurial, commercial and innovative
- focused on local economic growth to support the wider economy
- consensus-led and supportive of the aspirations of place-based

Moving forward, councils might want to follow in the footsteps of other areas that have developed combined authorities on strategic issues such as large-scale infrastructure and passenger transport, with district and unitary councils continuing as delivery the arms. They might span functional economic areas similar in size to existing combined authorities, which average at 1.5m population ranging from 700,000 up to almost 3 million.

The government’s manifesto has set out a clear preference for strong mayors. It might be that councils coming together in combined authorities would want a mayor across the wider geography attracting investment for strategic infrastructure and holding levers on other key strategic issues. In

⁴ <https://www.room151.co.uk/funding/local-government-reorganisation-the-debate-is-intense-but-is-case-for-reform-proven/>

⁵ Power in Place, devolution and districts driving recovery, District Councils’ Network, 2020
<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>

such an arrangement, it might be that it is decided that mayor would lead a board including the leaders from each of the councils within the combined authority.

As concluded by the ResPublica report, any institutional change should focus on:

- Pragmatic consideration of the appropriate scale at which better social and economic outcomes can be achieved, and at a level where local areas can agree to cooperate.
- New connections between places, within and across regions, with a relative scaling-up of powers across larger areas, to encourage 'local and regional cohesion'.
- Combined authorities, structured from the bottom up, using existing units of government, to form new territories that could, but need not, correspond to present or historical boundaries.
- The potential contribution that smaller units of government can make, in helping to grow economies and providing effective services, and the additional powers that may be appropriately devolved – whether as part of a wider mayoral combined authority, or not.⁶

Contact:

For more information, please visit our website: www.districtcouncil.info or get in touch at dcn@local.gov.uk

November 2020

⁶ Size doesn't matter, ResPublica, District Councils' Network, Unitary Councils Network, 2020
<https://www.respublica.org.uk/wp-content/uploads/2020/10/ResPublica-Report-Size-doesnt-matter.pdf>