

Written evidence from The District Councils' Network¹ (EDE 21)

Public Administration and Constitutional Affairs Committee The Evolution of Devolution: English Devolution

Introductory remarks

We welcome the opportunity to respond to this enquiry. We are at a pivotal point in our nation's history; the coming months will define our future for generations to come. The devolution agenda and the Devolution and Local Recovery White Paper must move quickly for jobs and growth, empowering the existing local capacity and partnerships that can best deliver fast economic development.

As proven again across the pandemic, bigger government is not better government. Local responses to communities and businesses can be so much more effective, comprehensive, and responsive. During the pandemic district councils have led the humanitarian effort, delivering business grants the quickest, filling fridges, delivering medicines, emptying bins, housing rough sleepers and keeping the planning system moving and so much more.

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 country².

The model of devolution to date has focused on economic growth in large metro areas and has been successful in many ways. However, the approach has not sought to realise the huge benefits of devolved approaches on other issues outside local growth (like health, welfare), and failed to provide anything to the small and medium sized towns and cities that are so crucial to the local and national economy and are actually growing faster than larger metro areas. Furthermore, the government's approach for having 'devolution deals' has predominantly focused on passing additional grants to areas, rather than empowering places

¹ 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. 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 recovery will take an enormous national effort, but much of our national mission needs local execution. 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. By tackling homelessness and promoting wellbeing, district councils ensure no one gets left behind by addressing the complex needs of today whilst attempting to prevent the social problems of tomorrow. Districts will continue to innovate in delivery to provide quality and efficient services against a backdrop of increasing demand. To collaborate with partners to build homes, deliver infrastructure, prevent poor health and revitalise high streets. And to set their local villages, towns and cities onto a prosperous and sustainable future benefitting everyone; levelling up across the country.

² Refresh of Transformation in Localities, Grant Thornton and District Councils Network, 2020

with genuine powers and wider reform of a highly centralised public service landscape in those places.

Devolution should give communities the opportunity to shape their own destiny; to rethink the delivery of critical services and investments in places; to join them up around the people and places to achieve the best outcomes for communities and the Exchequer, and to back the success of districts and partners in delivery. Of course different services are best devolved to different levels³ - with strategic infrastructure decisions made across wider functional economic areas, and homelessness and welfare much more local – and districts have proved over again their capacity to come together flexibility in new partnerships to achieve this⁴, and the devolution process should incentivise this collaboration as already exists between district councils and their partners⁵

Devolution must not distract from the local recovery effort or reduce local delivery capacity or wipe out ‘local’ government through forcing reorganisation into a less local, less agile, less responsive local government which would result from the creation of massive county-based unitary councils. Despite the government’s stated intention for Whitehall and townhalls to focus on the pandemic, it has plunged councils serving 2 million people across Cumbria, North Yorkshire and Somerset into a divisive and distracting debate on local government reorganisation.

Despite the range of consultancy reports seeking to promote the financial and other advantages of centralising local government, the genuinely independent academic evidence from around the world is conclusive that huge councils are no more efficient or effective, and that they are less democratic. The public understand this, and consistently vote against these proposals in referendums, wanting their local councils to reflect the villages, towns and cities with which they identify.⁶

Without doubt, our future national and local prosperity will rely on a route forward that is defined by local, regional and national collaboration around a focus on the residents and businesses in places; and at this point they need delivery, not debate.

Questions

1. Should there be comprehensive reform of the English devolution and local government system?

English devolution

-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.

³ 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>

⁴ Transformation in Localities, Grant Thornton and District Councils Network, 2018

⁵ District Council Network 2017, Final report of the District Council APPG District Council Collaboration and Devolution in England.

⁶ Bigger is not better: the evidenced case for keeping ‘local’ government, Colin Copus, Stephen Leach, 2020

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 rebalancing⁷.

- 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.

⁷ The UK Regional–National Economic Problem: Geography, Globalisation and Governance, McCann P, 2016

Devolution delivering a national strategy in local community. Below in Box A we set out a range of opportunities and asks for how devolution can improve outcomes in places.

Box A: Opportunities and asks for devolution to shire areas

- Growing local economies – districts are the building blocks for growth with the levers to make it happen and the connections into economies. Working together in clusters that reflect functional economic geographies, connecting towns with cities, they can create one vision and should have a lead role in shaping UK Shared Prosperity Fund and Housing Infrastructure investments locally.
- Revitalising our town centres – districts are lead authorities for the Towns Fund and Future High Streets Fund, already providing the leadership, partnership and local know-how and experience to remodel our town centres into thriving centres of community, leisure, and retail. We need to go further and faster in investing in our town centres as centres of community and have further powers to shape places including lowering of PWLB loan rates.
- Accelerating housing delivery – as planning authorities and increasingly as house builders, districts are already at the heart of this agenda. Devolution should pass further powers for districts to ensuring developers build out sites with permission, to ensure utility companies move at pace, to lead spending on infrastructure and support SME builders, to allow districts to set planning fees locally, to localise Right to Buy to build homes, and to invest in new social housing.
- Rough sleeping, homelessness and the private rented sector – as housing and benefits authorities districts want to end homelessness by preventing it in the first place, devolution must enable this by reducing complexity and pooling together all funding at local level in districts, and giving new powers for districts to ensure health, employment, welfare and justice partners collaborate around a strategy in places. Districts should be free to introduce licencing schemes without SoS approval.
- Shaping local labour markets with devolved skills and local delivery of the Kickstart Scheme – with local payment mechanisms already in place, districts can make the case to the DWP to take on greater local responsibility for managing the entirety of local labour markets, and building on their relationships with employers well placed to leverage skills funding to help provide quality training linked to jobs, and learning from the Future Jobs Fund in delivering the Kickstart Scheme.
- Leading the journey to environmental sustainability – with their leading role on planning and the environment, districts are well placed to bring all partners together to deliver local priorities for the environment, sustainability, and community resilience. Districts should have powers to deliver zero carbon homes, and green infrastructure funding for sustainable places.
- Helping to put health and social care on a sustainable footing – districts are providers of key preventative services in communities, including housing, homelessness, leisure and environmental health. Devolution should empower prevention, cementing the role of districts in the local health system, revitalising leisure services for the future, and empowering health in the community.
- Fiscal freedoms responsive to local conditions – devolution should bring district councils a range of flexible and responsive fiscal tools to match local circumstances, which are common across local government in other countries. It will allow districts to respond to a whole range of policy issues in a way which meets specific local needs and priorities, and to be held to account locally for them.

- Setting out positive visions for public sector reform with communities at their heart – devolution could empower local leaders to set out bold proposals for improving local government within their localities, and to provide innovative solutions to local issues which command the support of the residents they serve.

-move quickly, choosing recovery not reorganisation

Currently there is a crisis in our communities and a 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”⁸.

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 and flying the face of international evidence that suggests bigger is not better⁹. The Government has indicated that this is because these areas are more ‘advanced’, however this is rejected by councils in those areas, who are not agreed on a way forward and have written to Ministers to express this. In truth the discussion is only taking place because it is forced on them by the Government and the county pursuit of reform, many districts councils in these areas have felt they must engage to avoid being ‘done to’.

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.

This is a debate about local government reorganisation, not devolution. And, as we explore in the following sub-section, there are few (if any) genuinely well-evidenced arguments for

⁸ Rethinking-Local, Local Government Association, 2020

⁹ Bigger is not better: the evidenced case for keeping ‘local’ government, Colin Copus, Stephen Leach, 2020

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.

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.¹⁰

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 remote and faceless 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 reduction¹¹. 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.

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’¹².

There are a range of weaknesses with the efficiency argument made by advocates of county unitary councils¹³, such as the costs of the process of reorganising are always underestimated,

¹⁰ Transformation in Localities, Grant Thornton / DCN, 2018 <https://districtcouncils.info/news-coverage/dcn-and-grant-thornton-transformation-in-localities-toolkit/>

¹¹ 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>

¹² <https://www.room151.co.uk/funding/local-government-reorganisation-the-debate-is-intense-but-is-case-for-reform-proven/>

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.

Even consultancy reports paid for by the County Councils Network (CCN) to make the case for efficiencies are very light on detail on the assumptions behind the costs, ignoring some costs, and overstating the benefits. Crucially, in looking into the savings of previous unitarization processes, a consultancy report for the CCN states an important caveat that ‘in most cases, information for estimated savings delivered solely through reorganisation is not readily available as it is too difficult to accurately separate this figure from general efficiency savings’¹⁴.

In fact, a whole range of the arguments pushed forward by the CCN are easily discredited by the genuinely independent evidence. The report *Bigger is not Better: making the case for keeping ‘local’ government*, identifies 10 misconceptions with the CCN arguments¹⁵.

Devolution and collaboration to existing, developing and new partnerships

Devolution must empower district councils and partners around the economic areas of our future; celebrating our historical ceremonial counties rather than being held back by them. The future for devolution linked to institutional change must be pragmatic and acknowledge that there is no optimum size for local government and that different services might be best delivered or shaped at different scales, which means tiers are an obvious, logical and successful arrangement.

District councils reflect the towns, cities and communities in which people live and businesses operate. They are embedded in the catchment areas for high streets and football teams, the travel areas for work and leisure. A district level response is key, evidence suggests the pandemic’s impact on jobs and growth will vary between district areas within county areas more than between county areas and core cities¹⁶.

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.

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 Thornton¹⁷ has summarised how the best district-led collaboration is:

¹³ 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>

¹⁴ Analysis of Governance Scenarios and Public Service Reform, EY for the CCN, 2016, p62 <https://www.countycouncilsnetwork.org.uk/advocacy/publications-and-research/>

¹⁵ *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>

¹⁶ Place based recovery, Grant Thornton, 2020 <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/place-based-recovery.pdf>

¹⁷ Transformation in Localities, Grant Thornton and District Councils’ Network, 2018

- 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

In addition, the District Council APPG report identified that district councils are well placed to develop the successful factors for effective collaboration, as follows:

- understanding partners' culture;
- a shared purpose
- the development of a relationship of trust between districts;
- a recognisable and shared notion of the place within which collaboration will operate.

It also noted that districts were highly successful in:

- pooling resources and developing capacity to deliver and transform public services;
- interacting with other agencies to draw them into a shared strategic vision of the development of specific localities;
- influencing and shaping the decisions, policies and actions of external agencies;
- holding a wide range of unelected organisations to account¹⁸.

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 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.¹⁹

¹⁸ District Council Network 2017, Final report of the District Council APPG District Council Collaboration and Devolution in England.

2. What aims and principles should underpin devolution in England?

In a report with ResPublica and the Unitary Councils Network demonstrated that the route forward for devolution should be underpinned by the following principles:

- Confirm Government's presumption to devolve, as the default position, so that in time all places in England will be included and have a greater level of devolved power. Each locality should have the opportunity to move up through different levels of devolution, at an appropriate scale, and according to its local ambition, need and capacity.
- Encourage institutional reform that is consistent with the scale of devolution required. There should be no compulsion to accept structural change in exchange for new powers.
- Ensure that size should not be a condition or obstacle to devolution. The principle of subsidiarity should apply, and powers should always be devolved to the lowest appropriate level. This would allow for all localities, regardless of size, to exercise their 'sovereignty', establish their priorities for place-making (e.g. renewing town centres and high streets) and act upon them. Powers relating to wider spatial areas should be shared at the appropriate level.
- Avoid a standardised approach that requires all places to accept the same deal. Parity should be ensured, and conditions should be commensurate with powers - no one place should be allowed privileged concessions. Different levels of devolution should allow for different institutional arrangements, to respect local identities, sense of belonging, and the value of place.
- Enable localities to decide which combined authorities they join. This should allow county and districts authorities to come together, within existing county council boundaries, and to join with neighbouring unitaries, where the economic geography suggests this is practical. Conversely, districts should be allowed to join with other authorities according to their economic links.
- Permit combined authorities to cooperate across administrative boundaries, where appropriate, to facilitate cooperation and develop institutional relations with other similar entities (e.g. Council of the North, Transport for the North).
- Allow places to move incrementally, at their own pace and scale to reflect local and central government capacity. There should be a presumption, but not a compulsion to devolve. No place should be enclosed within an agreed devolution deal without consent.
- Focus on outcomes so that future devolution is more than a redistribution of powers and resources and can properly tackle structural impediments and underlying inequalities.

3. Should devolution in England use the reserved powers to bring it in line with devolution in the rest of the UK?

Despite the progress made in some areas, it is clear that devolution in England is way short of devolution to other parts of the UK and this balance needs redressing for the future of our local, regional and national prosperity.

¹⁹ 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>

4. To what extent should there be consistency in devolved and local governance within England, and to what extent is asymmetry necessary?

Please see answer to question 2.

5. What is the purpose of current the “devolution” deals and mechanisms? Are these purposes being achieved?

It is clear that the deals approach to devolution is dominated by the awarding of time-limited grants with a focus on growth, rather than genuine public service reform in places. This is a limit of devolution.

6. How should decisions on English devolution be agreed?

Please see the answer to question 2.

7. How should the interests of different parts or regions of England be better represented to central government and in intergovernmental arrangements as well as in Parliament?

There is a need to remake the relationship between local and central government. Genuine and real devolution is part of this, but more broadly it local government should be regarded as a crucial partner in the development of national policy on almost all domestic policy matters.

8. Is there a public demand for such structures/measures? a. On what basis should the form, geography and extent of devolved regions or areas be determined, and what should be the role of culture and identity?

Please see the answer to question 1 and 2.

November 2020