

**SOUTH EAST ENGLAND COUNCILS  
EXECUTIVE COMMITTEE**



Date: 19 March 2015

Subject: **Devolution prospects for South East councils**

Report of: Heather Bolton, SEEC Director and Sarah Momber, SEEC Policy Support Officer

**Recommendations:**

Members are asked to:

- i) Note inclusion of recommendations to address SEEC concerns in two recent national reports on financial devolution and the role of non-metropolitan areas
- ii) Consider any further action SEEC should take to encourage national political parties to support South East political and financial devolution in the next Parliament.

---

**1. Background**

- 1.1 Two major independent commissions on local government have reported in the past month, setting out proposals to influence the new Government from May 2015. Members of the two commissions spoke at SEEC meetings and SEEC provided substantive input to both commissions, successfully ensuring that their final reports address a number of key South East concerns.
- 1.2 The Independent Commission on Local Government Finance (ICLGF) reported on 18 February, followed by the Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England on 5 March. The commissions believe their reports are complementary, with ICLGF setting out detailed financial reforms and the non-met commission focusing on the economic benefits that devolution could bring. Common to both reports is governance and the need for councils to work together in groups as a way to access devolved powers and funding.

**2. Local government finance**

- 2.1 The ICLGF was established by the LGA and CIPFA in 2014 to make recommendations on reforming local government funding. It aims to improve funding for local services, promote sustainable economic growth and strengthen local accountability. SEEC and SESL provided input in [August](#) and [November](#) and members will be pleased to see the final report includes many of their key points eg:
  - Greater **council control of income & borrowing**, eg business rates, stamp duty
  - **Longer term settlements** for any remaining centrally-allocated funding
  - **Equal access to funding opportunities** for all local authorities, including 2-tier areas
  - More **transparent funding allocations** based on independent advice.
- 2.2 The ICLGF final report [Financing English Devolution](#) introduces the idea of 'sub-national areas' (*local areas aggregated into groupings of sufficient size and economic coherence*). It also sets out a two-stage process for devolution, offering some changes for all councils plus additional options for 'Pioneers' (*areas that are able to and wish to reform at a faster pace*). Key recommendations include:
 

For all local authorities:

  - Freedom to set council tax, council tax discounts and retain 100% of business rates.
  - Multi-year settlements to enable long-term planning and provide more certainty.
  - An independent review to assess whether local authorities are appropriately funded to meet their statutory duties (eg social services).
  - An independent body to advise the government on the funding needs of local government and allocation of funding to local authorities and 'sub-national areas'.

In addition, for 'Pioneer' areas:

  - The opportunity to have single place-based budgets covering a full range of public services, set and review council tax bands and manage funding equalisation across a sub-national area.

*Annex A summarises the recommendations compared to the SEEC and SESL asks.*

### 3. Non-met commission

- 3.1 The LGA-supported [non-met commission](#) was set up in 2014 to review the needs of non-metropolitan areas, such as the South East. In June, SEEC [responded](#), highlighting that the economic potential of the South East should be maximised for the benefit of the UK as whole. At £203bn, the South East's GVA in 2012 was more than the £147bn raised by England's eight core cities combined. South East potential is being stifled as does not have the same powers as cities. SEEC called for:
- **Genuine devolution** of finance and powers to all councils
  - **Increasing investment** in the certainty of South East success
  - Help for councils to **deliver locally-agreed housing plans** and affordable housing
  - Local powers over **skills** to meet the needs of our globally competitive economy.
- 3.2 The Commission's final report [Devolution to non-metropolitan England: seven steps to growth and prosperity](#) emphasises the economic and political importance of devolution for non-mets, which need help to address a funding crisis and growing demand for services, infrastructure and housing. Non-met areas account for more than half of England's economic output so should be given the same opportunities for growth as metropolitan areas. The report calls for action on:
- **Skills:** the devolution of all nationally-run education, skills and employment schemes.
  - **Foreign Direct Investment:** new units within local authorities to work alongside LEAs to drive jobs, investments and exports.
  - **Housing:** council-led local development corporations to own land, fund and provide infrastructure and plan and commission significant housing developments. A more joined-up process for councils to fit development plans with neighbouring areas.
  - **Planning and transport:** make decisions on spatial and transport planning at the level of an 'economic area' through groupings of councils. This would include bringing all capital and revenue funding for transport into a single pot and allowing greater local influence over rail and bus franchising and plans for strategic roads.
  - **Digital connectivity:** move towards an industry-led approach, by seeking investment from the private sector to extend broadband infrastructure further into rural England.
  - **Investment in infrastructure:** review funding of capital projects to identify what should be delivered centrally and what locally.
  - **Governance:** local authorities to organise themselves into partnerships or groups within functional economic areas to manage new responsibilities for budgets and service delivery. Arrangements may vary in each area. Central government should remove complex, overlapping partnerships (eg areas falling into more than one LEP). New arrangements must have clear democratic accountability and must be cost-effective, removing unnecessary bureaucracy.
- 3.3 Complementing the work of the ICLGF, the non-met commission also recommended some practical steps that could be achieved by the end of the next Parliament:
- A devolution deal for non-mets similar to that agreed for Scotland
  - A local financial settlement for the full Parliamentary term, with less ring-fencing
  - Non-mets to retain a greater share of taxes derived from local growth.

### 4. Implications for the South East

- 4.1 Potential impacts for the South East include:
- Recommendations in both reports to form '**sub-national areas**' as a way to access **greater devolution**. This could be a larger challenge for the South East than for some areas, due to the large number of councils and high proportion of 2-tier areas.
  - With **more devolved taxes**, eg business rates and stamp duty, the South East could become more self-sufficient as business rates are forecast to provide more income than non ring-fenced government grants in 2015-16.
  - **Funding equalisation within sub-national areas** rather than UK-wide would help provide strong incentives for South East councils to invest in their own economy and services, whilst still protecting areas with less potential.
  - Proposals for more local control of **skills and infrastructure and better broadband** would support economic growth.