CCN yourcountymatters

COUNTY COUNCILS NETWORK

Autumn Budget Submission

<u>Executive Summary</u>

Sustainable & Fair Funding

- New analysis undertaken in support of this submission provides extensive evidence on the unfunded cost-pressures facing local government, *demonstrating that the funding gap is driven by the rising demands facing county authorities*. CCN estimates that county authorities face unfunded cost-pressures of **£2.54bn** by 2020/21. This excludes the cost of inflation (currently 2.9%). We also estimate that raising the public sector pay cap to 2% would cost just over £1bn for local government, with counties facing £297m of additional costs.

- Counties continue to work tirelessly to make services and processes more efficient. There is a limit however, to the extent which efficiencies can be made to *existing services* in the face of steeply rising demands **–** particularly the substantial and fast growing adult social care pressures in counties, learning disabilities, and rising costs associated with children's social care. The reality facing the sector and local communities is that a significant proportion of statutory services are underfunded. CCN believe that the current pressures facing services are unsustainable moving forward and action is needed immediately.

- Alongside the size of the local government funding envelope, a more balanced approach to measuring relative need is also important. The current system means that counties receive just £271 of funding for services per head from Government. Counties are concerned that review could be needlessly delayed due to uncertainty regarding business rates retention and indications the Government is willing to revert back to an outdated methodology for measuring need.

Key Proposals

- ✓ Prioritise any additional public expenditure as a result of an easing of austerity on the services facing the greatest pressures. Government should provide appropriate additional funding to local government for current underfunded pressures, most importantly in social care. It must also ensure that any additional costs from lifting the public sector pay cap for local government are met in full under the new burdens doctrine

- ✓ Extend Transitional Grant, introduced in the 2016/17 Local Government Settlement, to 2020/21.

- ✓ The review of local government funding should be prioritised and progressed at the earliest opportunity. This must proceed as planned, and should not be delayed due to timescales or mechanisms for future local government funding.

- ✓ Greater flexibility for local government should be granted to set council tax rates, discounts and service charges, including exploring regulatory reform.

County Economies, Brexit & Industrial Strategy

- County economies are the cornerstone of the national economy. But for too long their importance in securing the long-term prosperity of our nation has been overlooked. Independent analysis by Oxford Economics (OE) showed that counties represent the largest contribution to national growth, adding 41% of GVA. They are net funders of HM Treasury, contributing approximately 27% more in tax than they spend. Counties have the largest share of jobs in the country, and the greatest proportion of business start-ups.

- Much of the policy focus to date has concentrated on the impact of Brexit on London and City Regions, but further consideration is required on the implications for counties, which are intrinsically linked to the EU through key sectors. The anticipated economic impact of Brexit, alongside trends in demography, productivity and growth will have significant repercussions for county areas. OE forecasts that over the coming decade GVA growth in the CCN area will average 1.8% annually, compared with 2.0% for England. As a result the CCN area's share of English GDP is expected to decline slightly by 2027.

- Post-Brexit, OE concluded that CCN economies need the tools to transition towards greater reliance on high value-added service sector activities to stop their large and important economies falling behind over time. Getting the balance right in this area will be particularly important. Growth in high value-added service sectors alongside high-value added manufacturing have the combined potential to generate employment, income and export growth, over-and-above baseline forecasts.

- The concept of a modern industrial strategy has now become the mainstream means of meeting the post-Brexit opportunities and challenges facing the UK economy. Despite counties strongly welcoming the Industrial Strategy, the Green Paper published earlier this year continued the narrow focus on big city regions as the main drivers of growth and failed to recognise the opportunities and challenges facing county areas outlined above

- In their recent study, OE argue that a key issue for the UK economy going forward is "whether or not the Industrial Strategy can provide a degree of additional confidence to businesses, inward investors and skilled labour, to offset the inevitable uncertainties that are generated by Brexit". In achieving this they argue that "an industrial policy which is just a big-city policy is unlikely to be effective".

Key Proposals

- ✓ Government should work with sector stakeholders to better understand the specific challenges and opportunities of Brexit on county economies and local businesses. Government must ensure that all county areas receive a fair share of the replacement for EU Structural Funds through the shared prosperity fund.

- ✓ The budget should signal that the forthcoming White Paper on the Industrial Strategy will broaden the Government's policy focus, with a commitment to giving equal status to county economies alongside the cities, building on our strengths and tackling our structural weaknesses.

Devolution & Public Service Reform

- A prominent role for county economies in the industrial strategy is crucial, but without devolution and local placed-based leadership it will be insufficient in meeting the challenges ahead. OE have calculated that the devolution of tax and spend to counties could save £36bn over five years. The additional GVA attributed to the devolution savings being reinvested partially in growth-enhancing projects and accrued over the five-year period would add £26bn to the CCN economy, and would be enough to boost English GVA growth to around 2.7 percent a year, 0.7% above predicted growth projections

- Recent comments by the Secretary of State for Communities and Local Government have suggested that he will working across departments to publish a framework for devolution, with a commitment to go wider and deeper on devolution across England. CCN strongly support the Manifesto commitment that proposed that a 'common framework' would be established, setting out an open, transparent and structured approach to devolution across England and dropping the mayoral requirement.

- County authorities are already leading economic development in their areas, working closely with partners such as LEPs, but more can be done to empower this role. An ambitious suite of powers and budgets devolved by default, combined with local industrial strategies led by counties and city regions, could begin to embed growth and inclusion across the country. Empowered city regions and counties present a working model for central government to quickly and confidently devolve to all areas of the country. County councils and county unitaries have the scale, capacity and track record to take on devolved powers and run industrial strategies.

Key Proposals

- ✓ To move forward devolution at pace, Government should use county and county unitary geographies as devolution footprints, recognising their strategic scale, identity, economic impact and public service reform importance and coherence. Government should endorse counties as the strategic authority, alongside city region CAs, to design and deliver local Industrial Strategies around county geographies.

- ✓ Restate the Government's commitment to devolution outside of the major cities and existing deals and set out their intention to publish a common framework for devolution, transferring a suite of strategic powers and budgets to all areas by default. The common framework should set out a pathway to achieving this, alongside a menu of powers across skills, transport, housing and health alongside clarity on evidence-based re-organisation proposals.

- ✓ Take the opportunity of reforming LEPs to re-align boundaries in line with counties and city regions. A review of the role and remit of partnerships should also be undertaken to provide clarity to business and councils, strengthening local democratic leadership and business engagement, and providing certainty over long-term funding arrangements.

Housing & Infrastructure

- Counties are popular places to live and work, but lack of affordable housing is creating an increasing dependency rate, with many young people and graduates seeking careers in cities. Counties face the highest house price to wage ratio outside of London, and receive under a quarter of what London receives to fund the significant infrastructure necessary to undertake substantial development.

- Counties have the land needed to support their population and business growth, with large land bases and lower population density. This growth potential is clearly demonstrated by the fact that 52% of national housing development in 2015/16 took place in CCN authority areas. However this potential is not being fully met, due to the complex and fragmented planning and infrastructure mechanisms particularly present in two-tier local authority areas.

- An increased focus on strategic planning, which supports counties and districts working together at scale could help overcome some of these challenges. This could join up planning and infrastructure, allowing homes to be targeted to the most appropriate areas and ensuring that public services, roads and amenities are in place to mitigate pressures on towns and communities.

- Recent Government agendas, including DCLG's housing need assessment consultation have set out plans to place planning on a more joined up and colligate basis. CCN welcomes the direction, but feel that the measures set out so far do not go far enough in ensuring the best basis for place-based planning. Key issues such as infrastructure planning, funding and delivery, the delivery of services associated with new development, and the consideration of the needs of specific populations such as older people will need proper input from the county council in two tier areas.

- CCN welcome the government's commitment to take account of the regional balance of spending per head in infrastructure funding. Nonetheless spending per head in different regions may be insufficiently granular given the weight given to local authority contributions and the disparity in local authority funding. CCN strongly advocate this should be undertaken at upper-tier authority level wherever possible

Key Proposals

- ✓ Government should support and endorse strategic spatial and infrastructure planning in two tier areas between county councils and district councils. There should also be a formal role for the county council in statements of common ground for their area.

- ✓ CIL should be standardised and should become the main contribution mechanisms for smaller sites, section 106 pooling restrictions should be removed and this should become the main contribution mechanism for strategic sites.

- ✓ A fairer approach to Government infrastructure funding should be taken, ensuring counties receive an equitable level to invest in housing and growth. A strategic infrastructure levy should also be made available to all upper tier authorities.

Introduction

The County Councils Network (CCN) is the national voice for 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 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. For more on CCN visit www.countycouncilsnetwork.org.uk.

On behalf of our member councils, CCN welcomes this opportunity to submit evidence to HM Treasury ahead of the Autumn Budget. This new fiscal event is of critical importance to our member councils, who are the largest single grouping of local authorities in England constituting 38% of local government expenditure; 44% of total public expenditure (£201bn); and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 41% of GVA and 44% of employment.

This document sets out evidence and proposals on how the Autumn Budget can ensure that county local government can be sustainably and fairly funded, while supporting and preparing our economies and public services for the implications of the UK's exit from the EU. This submission builds on our recent post-election document *A New Deal for Counties: A Plan for Government* and is focused on four core areas;

a. **Sustainable & Fair Funding**; With the future of austerity and the funding of public services increasingly becoming part of the national discourse, the voice of our English counties and our rural areas must not be forgotten. For too long, funding inequalities between our shire counties and metropolitan regions has been tolerated, whether for social care, our local schools, transport and infrastructure. The Budget is an opportunity to recognise the unique pressures facing county local government, deliver sustainable long term funding and correct the historic funding inequalities.

b. **County Economies, Industrial Strategy & Brexit**; County economies are the cornerstone of the national economy. But for too long their importance in securing the long-term prosperity of our nation has been overlooked. Looking ahead to Brexit, this budget should identify the contribution of our economies and recognise the potential specific impact of Brexit on our areas and the wider UK economy. Building on this, it should recognise the central influence of our economies and the economic development role of county authorities in a modern industrial strategy; building on the strengths of county economies, but also tackling our structural weakness.

c. **Devolution & Public Sector Reform**; The commitment to remove the devolution requirement of metro-mayor's provides the opportunity for counties to work with central government to finally deliver an ambitious devolution settlement to underpin a programme of radical reform to our public services. There are tangible benefits to giving strategic counties new powers to support economic growth, including skills, employment support and public transport. But of equal importance is ensuring that our existing place-based leadership and track record of service delivery is harnessed to enhance, not diminish, our role across public services.

d. **Housing & Infrastructure**; Counties are popular places to live and work, but lack of affordable housing means counties face the highest house price to wage ratio outside of London, and receive under a quarter of what London receives to fund the significant infrastructure necessary to undertake substantial development. An increased focus on strategic planning, which supports counties and districts working together at scale, reforms to developer contributions and a fairer distribution of infrastructure investment could help overcome some of these challenges.

Sustainable & Fair Funding

For local government, there remains a growing gap in funding to meet service needs. Significant on-going cuts to local government funding in recent years, combined with new unfunded burdens such as the National Living Wage and rising demand for services from changing demographics, has widened this gap.

The LGA have previously estimated that this funding gap to rise to £5.8bn by 2019/20 and a further £1.3bn funding gap exist in local care markets.[1] In addition to this evidence, and to demonstrate the unique pressures facing county authorities, the Society of County Treasurers (SCT) recently surveyed county authorities across England on their budgetary position.

Using the results of this survey, CCN estimates that county and county unitary authorities in England face unfunded cost-pressures of **£2.54bn** by 2020/21.[2] The table below provides further detail on the breakdown of these costs, which **excludes the cost of inflation (currently 2.9%), which will add additional pressures to service delivery and procurement costs**.

The SCT survey broadly supports the LGA estimates on the funding gap facing local authorities by 2020, *but specifically demonstrates that the gap is driven by the rising demands facing county authorities*;

Cost Pressure	Average County	Total CCN
National Living Wage	£22m	£813m
NI Contributions	£3m	£93m
Adult Social Care	£26m	£949m
Children's Services	£9m	£316m
Highways	£4m	£138m
Pension liabilities'	£2m	£66m
Education (inc. SEN)	£5m	£167m
Total Cost Pressure - 2020/21	**£69m**	**£2.54bn**
NB: Columns may not sum due to rounding.		

- It estimated that the introduction of the living wage will lead to additional costs of £813m by 2020/21. County authorities also face rising costs during this period of increased pension liabilities (£66m by 2020/21) and national insurance (£93m by 2020/21).

- Counties face unfunded pressures in adult social care of just under £1bn by 2020/21, even without the anticipated rises in the National Living Wage. The average county will see their cost pressures rise to £26m in 2020/21. These pressures stem from being home to the largest and fastest growing elderly population, significant increases in demand for services, and unique learning disability pressures. In addition to this, a recent study by

[1] See LGA Submission to Autumn Budget 2017
[2] The full methodology behind the calculations can be obtained by emailing james.maker2@local.gov.uk

LaingBuisson for CCN estimated that the funding gap facing county care markets to be £670m.[3]

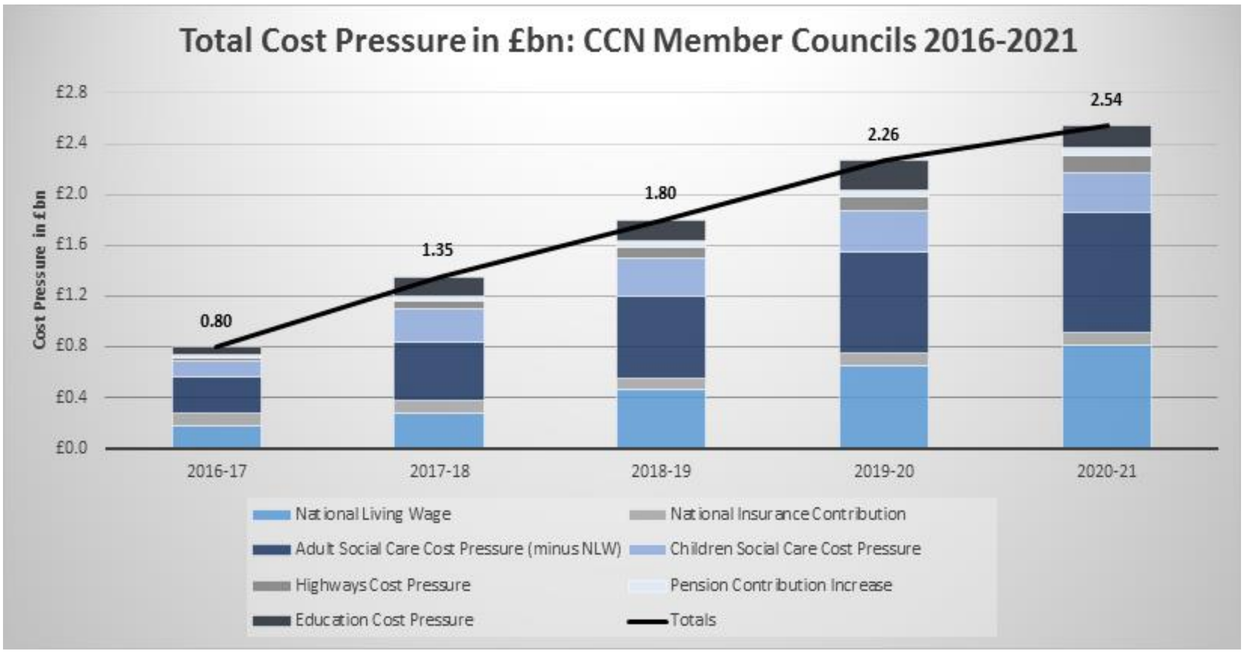
- A new analysis by LG Futures for CCN on demand and expenditure in learning disability services shows the extent of growing demand for this service. CCN member councils have seen the number of LD clients receiving support in their areas increase by more than the English average since 2009/10. The cost of providing support also increased, with average expenditure per client increasing in county areas by 2.7%, the highest of any local authority type, between 2014/15-2015/16.[4]

- Counties are and will continue to be faced with unrelenting financial and demand pressures for children's social care. CCN member councils have seen referrals increase 107% in the last decade against a backdrop of reductions in other local authority areas, and have seen an 102% increase over the last 10 years in the number of children subject to a child protection plan, the second highest of all local authority types.[5]

- As a result of this, the SCT survey estimates that the average county will see their additional cost pressures in children's social care rise to £9m by 2020/21. Overall, additional cost pressures for the 37 CCN member councils are set to total £316m in 2021.

- With county authorities responsible for 70% of local roads in England, highways maintenance is a growing pressure. The SCT survey estimates that additional costs will rise to £138m in 2021.

- Counties will see a range of additional costs in education over the coming period. The SCT survey shows that in 2021 counties will face £167m worth of additional costs in education. This is driven by the additional costs of school places and home to school transport.



[3] LaingBuisson's updated analysis on county care markets will be published via the CCN website during October 2017. The report is available upon request by emailing Michael.chard@local.gov.uk.
[4] LG Futures analysis of expenditure and demand in learning disabilities services, including future projections to 2030, will be published via the CCN website during October 2017. The report is available upon request by emailing Michael.chard@local.gov.uk
[5] https://www.countycouncilsnetwork.org.uk/new-analysis-shows-spike-demand-rural-childrens-social-services/

Whilst the CCN has highlighted above revenue service pressures **the changing capital needs to support these services should not be forgotten** including;

- Additional school places, repair and maintenance costs, alongside the costs of free school and academy conversation.
- Capital needs for adult social care;
- Backlog of roads maintenance and improvements, especially in rural shire areas with long road networks.

With the prospect of the public sector pay cap rising, counties face further cost pressures in addition to the unfunded costs associated with the living wage. While CCN would support this measure to aid the recruitment and retention of staff, particularly in social care, Government must ensure that this is fully funded and not expected to be absorbed though councils core budgets *or* reserves. The SCT have provided indicative estimates on what the costs of increasing the cap could be in 2018/19 at the current cap of 1%, but also 2% and 3%.

	18/19 - 1% Increase	**18/19 - 2% Increase**	**18/19 - 3% Increase**
	£000's	*£000's*	*£000's*
England	528,432	1,056,864	1,585,296
CCN Total	148,534	297,069	445,603

Counties continue to work tirelessly to make services and processes more efficient, and deliver valued services despite 40% reductions in Revenue Support Grant (RSG) during the last Parliament (93% by 2019/20). English local authorities will have managed £16bn of reductions to core central government funding during the course of this decade, which have been achieved by unprecedented efficiency savings, service transformation and income generation, particularly amongst county authorities. CCN councils are committed to exploring further efficiencies through wide-ranging public service reform and devolution, and fairer funding for county authorities is essential to meeting long-term demand-led pressures.

There is a limit however, to the extent which efficiencies can be made to existing services in the face of steeply rising demands – particularly the substantial and fast growing adult social care pressures in counties, learning disabilities and rising costs associated with children's social care.

Government has recognised the pressures facing adult social care services, providing an additional £2bn over the next three years through the improved Better Care Fund (iBCF), extending council tax flexibilities by and reprioritising existing resources, such as New Homes Bonus (NHB). **CCN councils are using these resources innovatively to meet current demand for services and invest in local care markets. CCN will soon publish further work examining the use of these additional resources in counties.**

While changes to NHB, the precept and iBCF funding are welcome, they fall short of providing sustainable and fair funding in the short, medium and long-term. This funding is time limited and insufficient to meet growing funding gaps. Moreover, recent conditions and performance targets relating to delayed discharges in planning guidance – on average 43% in county areas - have been a backward step in achieving integrated, person-centred care.

If true and long-lasting reform is to be delivered then social care requires significant financial investment over a period of 3-5 years. This will allow the existing funding gap for services and care markets up to 2021 to be closed, and create the conditions for local authorities and the NHS to fundamentally reform and transform services, and prevent cost-shunting between organisations.

Although evidence shows adult social care remains the biggest pressure facing local government, we cannot ignore the pressures facing children's social care. If society is to deliver sustainable adult social care, then it is vital that the pressures facing children's services are also tackled as a matter of urgency in order to prevent avoidable demand on public services. If vulnerable children and young people do not receive adequate support, then this will potentially store up problems for the future and lead to increased demand and costs for the NHS and adult social care.

The reality facing the sector and local communities is that a significant proportion of statutory local government services are underfunded. CCN believe that the current pressures facing services are unsustainable moving forward and action is needed immediately to provide additional support to county authorities, particularly in the context of the uncertainty surrounding local government finance (see below) and prospect of higher pay awards from the ending of the public sector pay cap. Investment in the Budget would provide a more sustainable platform for long-term reform to social care ahead of the publication of the Adult Social Care Green Paper later this autumn.

The budget can take immediate action to;

- ✓ Prioritise any additional public expenditure as a result of an easing of austerity on the services facing the greatest pressures. Government should provide appropriate additional funding to local government for current underfunded pressures, most importantly in social care.

- ✓ Ensure that any additional costs from lifting the public sector pay cap for local government are met in full under the new burdens doctrine.

- ✓ In recent years the Treasury has afforded local government the flexibility to capitalise the cost of service transformation. A number of our members have either used or plan on using these flexibilities to invest in services ranging from children's social care to waste. CCN requests that HM Treasury considers extending this offer to allow more authorities to benefit from this flexible way to fund transformation projects.

Recent press reports suggested the forthcoming Green Paper was unlikely to provide detailed proposals, and would instead be a consultation with sector stakeholders on options for reform.[6] While CCN welcome the focus on engaging with sector experts to ensure reforms are both practical and sustainable, the Green Paper must seriously consider long-term options with a view to implementation during this Parliament.

Looking at longer-term solutions, the Green Paper must consider how reforms will seek to extend support to people who have unmet and under met needs in an effort to prevent

[6] https://blogs.spectator.co.uk/2017/09/why-social-care-could-be-heading-for-the-long-grass-once-again/

people from entering costly forms of care, alongside reforms to promote risk sharing across society to protect against catastrophic care costs and better integrate services.

During the autumn, CCN will publish further research and proposals and will continue to engage with the work being undertaken by the Cabinet Office. This will build on the forthcoming report by LaingBuisson on County Care Markets, re-examining the findings from our 2015 report on stability of local care markets while also providing an analysis of the financial and policy impact of potential reform options.[7]

The budget can take immediate action to;

- ✓ Commit to a wide ranging Green Paper for Adult Social Care that proposes reforms to close the underlying social care funding gap and considers how future funding models can achieve the dual aims of meeting unmet and under met need while also protecting against catastrophic care costs.

Transitional Funding

With the fall of the Local Government Finance Bill, councils face uncertainty regarding how they will be funded beyond 2019/20. Under the four year settlement counties will see their RSG reduced by 93% - higher than the England average of 77% - with some 14 county authorities even entering 'negative RSG'. The increased rate of RSG withdrawal for CCN member councils came as a result of changes to the distribution of grants introduced in the 2016/17 settlement, changes which CCN strongly opposed.

While the majority of our member councils accepted the offer of a four year settlement as a 'minimum' funding level, they did so due to the provision of the Transition Grant, the understanding that business rate retention would be implemented by 19-20 to prevent the move into negative RSG, and the commitment to the needs-based review of local government; changes secured following CCN advocacy and pressure from County MPs.

The move to full business rate retention in 2019/20 and fair funding review was seen as an opportunity to address the long-term funding arrangements for local government, but now that this implementation date is no longer viable central and local government need to develop timely solutions to funding in the interim period

Although dedicated additional funding for social care is required in the budget, we believe it is essential Government consider extending transitional grant payments to CCN member councils up to 2020/21 to provide scope to maintain highly valued services, both discretionary and non-discretionary. This will help off-set the reductions in RSG and bridge the gap between the conclusion of the fair funding review and expected introduction of greater local retention of business rates by 2021.

The budget can provide DCLG with additional resources to;

- ✓ Extend Transitional Grant, introduced in the 2016/17 Local Government Settlement, to 2020/21.

[7] LaingBuisson's updated analysis on county care markets will be published via the CCN website during October 2017. The report is available upon request by emailing Michael.chard@local.gov.uk.

The Fair Funding Review

Alongside the size of the local government funding envelope, a more balanced approach to measuring relative need is crucial.

Counties currently receive less funding per head than all other council types. The current system means that counties receive just £271 of funding for services per head from Government. This is less than half of what a London resident can expect, with average funding of £563 per head.

This disparity is rooted in historic funding decisions and regressive techniques, considering past expenditure and past service take up which has little relation to current circumstances. This methodology means that funding distribution cannot keep pace with the fast changing demographic pressures seen across the country, nor the changing needs of residents, and is simply embedding cycles of underfunding. This has been exacerbated by the 2013 freeze in the Relative Needs Formula, and subsequent changes to the formula which decouple it even further from needs.

CCN members represent the largest and fastest growing older populations, of both over 65s and over 85s. The older population of counties is expected to increase by 2% year on year, and CCN members are seeing a significant rise in referrals to social care, in comparison to overall reductions in other types of authority.[8] Designing a funding system which can keep pace with the country's fast changing demographic needs will be central to sustainability.

Government recognise the need to redress the imbalances in the system and have recommitted to undertaking the review. However, counties are concerned that review could be needlessly delayed due to uncertainty regarding business rates retention and indications the Government is willing to revert back to an outdated methodology for measuring need.

With no legislation required to implement, it is critical that Government prioritise the review and continue to work with the sector to explore a cost-drivers approach to measuring relative need. This must ensure that county authorities witness a genuine uplift in funding allocations.

The budget can take immediate action to ensure;

- ✓ The review of local government funding should be prioritised and progressed at the earliest opportunity. This must proceed as planned, and should not be delayed due to timescales or mechanisms for future local government funding.

- ✓ A new funding formula should move away from regression techniques and develop a formula based on a simple key cost-drivers approach. These cost-drivers should centre on relevant populations and infrastructure pressures. For example the number of people over 65 and over 85, the number of households and the length of road in the administrative area.

[8] https://www.countycouncilsnetwork.org.uk/health-social-care-in-counties-funding-demand-cost-pressures/

Council Tax & Charges

Imbalanced funding means that some authorities have received historically higher grants, creating perverse and unfair disparities in council tax rates. For example, 13 London boroughs were able to freeze or reduce council tax in 2016/17. While Westminster can charge approximately £700 for an average property, the average for a county is £1,600. Council tax is on average 23% higher in county authorities compared to London Boroughs. Given changing demographics, the current funding formula and the social care precept, this gap is likely to widen without funding reform.

CCN believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. Government should end the council tax referendum policy and allow local discretion over council tax discounts. Trust should be placed back in the hands of local councils to account for decisions on levels of local council tax, and the receipt of discretionary discounts. Nevertheless, it is essential that the removal of referendum limits is accompanied by fairer funding, to limit further inequality of taxation.

Alongside flexibilities over council tax, a number of our member councils have been advocating that Government explore regulatory reform in areas where legislation is out of date or not fit for purpose. CCN would welcome further dialogue with Government and its member councils over exploring specific changes in order to provide additional flexibility for local authorities, examples provided by councils that could assist local government in closing some of the funding gap in the future are;

- Home to School Transport – changing the criteria for free transport and allowing means testing / charging
- Concessionary Travel – the ability to charge a nominal amount per journey that could be partly re-invested in additional routes, together with providing savings in costs that could help close the budget deficit.
- Charging for visits to Household Waste Recycling Centres.
- Reducing some of the mandatory elements of Public Health Provision.
- Introducing a more risk based approach to children's social work visits.

The budget can take immediate action to;

- ✓ Alongside the Fair Funding Review, the Government must forge a route to better balanced council tax reliance between parts of the country.
- ✓ Greater flexibility for local government should be granted to set council tax rates, discounts and service charges, including exploring regulatory reform. This must be alongside a fairer funding formula.

Business Rates Retention & Fiscal Devolution

The recent launch of a second round of 100% business rates retention pilots demonstrates that the central and local government are still exploring greater retention as the future basis of local government funding. However there is still uncertainty regarding the future of reform and the need for Government to use this pause in implementation to fully consider the implications of 100% retention.

CCN support the government's position to give councils further control over local expenditure and keep more of the taxes they collect as a means of supporting local services and growth. CCN recently published independent research analysing the potential implications of reform, alongside a statement outlining the position of county authorities in relation to 100% retention.[9]

In light of the cost-pressures identified above, we believe that when working towards greater local retention of business rates, the first call on the estimated additional £13bn which is currently held by central government, should be used to fund unfunded local government pressures from the point of implementation.

When the original 50% business rate retention scheme was set up government promised that 100% of business rates, whether retained locally or redistributed, would go towards the cost of local government services. With a substantial and growing funding gap at the heart of local government services beyond 2020/21, it makes sense that this is the first priority for the additional business rates quantum.

Independent research by Pixel Financial Management for CCN has discovered that a business rate retention scheme would require substantial redistribution to be suitable in the current local government system, finding that there is a 'significant mismatch' between business rates, other income streams and key cost-drivers such as social care pressures. Local and central government will need to work collaboratively to address these crucial issues whatever new proposals for the funding of local government and incentivising growth are set out in due course.

Any future financing scheme must examine other existing freedoms, incentives and further fiscal tools. Reform must continue to the New Homes Bonus, with evidence showing counties have been disadvantaged under the current system. Flexibilities and better mechanisms for borrowing, and greater control over determining and setting local taxation levies, and charges should be made available to all upper tier authorities.

On fiscal devolution we need a national conversation on the relationship between local and national taxation. Research for CCN has shown that levels of tax and spend are very different within counties of similar demographics. We should remain aware that fiscal devolution has the capacity to either improve or entrench current inequality. Careful design and the right powers could help create a fair and level playing field that allows both cities and counties to make strategic decisions about economic growth and inclusion.

[9] Research and modelling by Pixel Financial Management on 100% business rates retention and accompanying CCN material will be published via the CCN website on Wednesday 27th September. Advanced copies are available by emailing james.maker2@local.gov.uk.

The budget can take immediate action to;

- ✓ Government must provide clarity on the future of full business rates retention. If business rates reform is postponed or superseded, central and local government must work quickly and closely to plan a sustainable alternative / interim funding system.

- ✓ Government should work closely with CCN to ensure any new funding system can fully fund changing needs, while rewarding measures to improve economic growth.

- ✓ CCN wants to work with central government to ensure counties are able to retain more of the funding collected locally to reinvest in services and economic growth.

- ✓ A wider national conversation and sector debate should be started on greater fiscal devolution to county areas, while government should undertake further reforms to incentives, such as New Homes Bonus, to make it more equitable to the whole sector.

County Economies, Brexit & Industrial Strategy

County economies are the cornerstone of the national economy. But for too long their importance in securing the long-term prosperity of our nation has been overlooked. Current political discourse, policy and funding decisions have inadvertently side-lined counties. Looking ahead, it is unsustainable given the potential opportunities and challenges of Brexit facing the UK as whole and the particular context in counties.

A ground-breaking study by leading independent economic forecast consultancy, Oxford Economics (OE), has recently outlined the critical importance of county economies and their prospects over the next decade. The report, published in July, provides the most comprehensive analysis and forecasts to date on county economies, including the potential impact of Brexit on the UK economy.[10]

Independent analysis by OE showed that counties represent the largest contribution to national growth, adding 41% of GVA. They are net funders of HM Treasury, contributing approximately 27% more in tax than they spend. Counties have the largest share of jobs in the country, and the greatest proportion of business start-ups.

The CCN area has a higher concentration of both employment and GVA in manufacturing, construction, agriculture and wholesale & retail than is found across England as a whole. By contrast, the finance & insurance, administration & support, information & communications and professional services sectors are underrepresented in the CCN area.

While county economies have strong headline performance, counties also face structural challenges. For instance, GVA growth in the CCN area has averaged 1.1 percent GVA growth a year over the last decade, less than the English average of 1.3 percent a year.

Over the last 10 years the CCN area has experienced weaker productivity growth than England as a whole, and the CCN area has low concentrations of employment in some of the

[10] Oxford Economics: *Understanding County Economies: Analysis to inform the industrial strategy & devolution debate* (July 2017), https://www.countycouncilsnetwork.org.uk/download/901/

sectors with the highest productivity in England, namely real estate, financial services and information & communications. It is also over-represented in some of the lower value-added sectors, such as agriculture. Low productivity, low-value sectoral profile, and lack of access to the right skills have limited economic growth and widened inequality within our areas. Many of these criteria are expected to worsen as the economy shifts over time.[11]

There is also a growing demographic challenge, with a slower rate of growth for the working age population than for the population of all ages. This means that the rate of dependency in CCN is growing faster than other areas.

Brexit

With Brexit negotiations beginning earlier this year the Autumn Budget will be focused on ensuring that the UK responds to the uncertainty surrounding the economy and puts in place long-term policies to offset any negative economic impact. Whatever the outcome of EU negotiations, the new relationship will have profound implications for county economies.

While much of the policy focus to date has concentrated on the impact of Brexit on London and City Regions, further consideration is required on the implications for counties, which are intrinsically linked to the EU through key sectors. OE forecasts that over the coming decade GVA growth in the CCN area will average 1.8% annually, compared with 2.0% for England. As a result the CCN area's share of English GDP is expected to decline slightly by 2027.

The anticipated economic impact of Brexit, alongside trends in demography, productivity and growth will have significant implications for county areas. For instance, OE predict a significant reduction in net migration following the conclusion of EU negotiations, meaning the dependency ratio in counties is likely to worsen over the coming period. There will be fewer inward migrants of working age, but a continuation of migration of people at or approaching retirement, whilst the existing population will mature. These trends therefore create challenges for the CCN economy, with a larger population, but a smaller share of that population of working age.

With Brexit, future economic growth cannot come simply from population growth, or even just employment growth, but needs new drivers, particularly in counties. The gap in productivity between the CCN economy and that of England as a whole reflects both lower concentrations in high productivity sectors and a tendency for productivity to be lower within individual sectors. This is reflected in skills profiles – counties having high levels of skilled trades (due to the importance of manufacturing, and also construction), but a shortfall in the share of professional workers.

In this context, the dependence of the UK on manufacturing industries in counties and exports is a crucial matter for the UK post-Brexit. OE predict that exports will be important to offset the drags on growth from a fall in domestic demand and subdued growth, trade and business investment due to Brexit.[12]

Analysis by OE estimates that county areas represent 40% of all exports, double the contribution of the combined authority authorities. CCN areas have higher proportions of manufacturing, construction and agriculture, all of which are intertwined with EU businesses,

[11] Ibid, p. 19 & 32
[12] Oxford Economics: *Understanding County Economies: Analysis to inform the industrial strategy & devolution debate* (July 2017), https://www.countycouncilsnetwork.org.uk/download/901/, p.10-12

regulation and labour. In particular, a notable distinction is that the CCN area has a concentration in manufacturing that is higher than the England average. The CCN economy accounts for 53% of English manufacturing employment and GVA, while manufacturing accounts for a much larger 12.3% of the CCN economy, compared to 9.5% for England.

OE estimate that manufacturing accounted for more than 71% of total exports of the CCN area in 2014, above the England average of 57%. With Brexit, this poses particular issues going forward, as manufacturing is projected to see substantial employment loss (owing to increased productivity) over coming years. OE estimate that manufacturing will experience job losses of 144,000 over the next decade in county areas. They conclude that as a result, over the coming decade they expect to see a shift in the sectoral employment structure in county economies. This shift will comprise a movement towards an economy more focused on professional, scientific & technical and administration & support service activities.[13]

Adding to the analysis by Oxford Economics, Localis are undertaking an in depth analysis of the skills and labour market profiles of counties as part of research exploring local labour market influencing, skills and the industrial strategy.[14] Risk factors such as reliance on industries which are being automated and those which are susceptible to immigration changes, plus the mismatches of skills to employment opportunities have been analysed. This gives an indication of how resilient the skills and labour market profile of an area is, and how equipped they are to deal with significant changes which are likely to come from technological change, and Britain's exit from the European Union. Initial findings reflect the work of Oxford Economics, showing that counties have a significant reliance on manufacturing and the associated opportunities of automation and increased productivity, but also the risks of this creating significant job loss.

This research also confirms that many counties are challenged by low levels of higher and further educational qualifications. As CCN research has previously demonstrated the qualifications which are being achieved are often misaligned from current and future job opportunities, the depth and pattern of these mismatches being similar in counties to city regions. Localis have also found that many counties, alongside city regions, have high levels of industry which is reliant on migration patterns. As it currently stands such industry may be at risk from changes to migration resulting from Brexit.
Post-Brexit, OE concluded that CCN economies need the tools to transition towards greater reliance on high value-added service sector activities to stop their large and important economies falling behind over time. Getting the balance right in this area will be particularly important. Growth in high value-added service sectors alongside high-value added manufacturing have the combined potential to generate employment, income and export growth, over-and-above baseline forecasts.

This existing and emerging body of evidence demonstrates that counties need the power and tools to work with their business, skills and education providers to shape their labour market, and provide the best opportunities for people. This will need a place-based yet strategic approach, with county and city regions working together to ensure the opportunities of changing technology are maximised, that the profile of industry in areas is made more resilient and productive, that potential job losses are mitigated and that local workforces have the right skills to find meaningful employment near their homes.

[13] Ibid, p.28-32
[14] Local Labour Market Influencing and skills devolution report to be published on November 6th 2017. More information can be obtained by visiting http://www.localis.org.uk/research/labour-market-influencing/. Contact james.maker2@local.gov.uk for more information.

Measures through the industrial strategy and post-Brexit replacement for EU Structural Funds must be put in place to ensure local areas are supported to ensure this shift is as effective and productive as possible, securing the best outcomes for living standards.

The Government should;

- ✓ Work with sector stakeholders to better understand the specific challenges and opportunities of Brexit on county economies and local businesses.
- ✓ Government must ensure that all county areas receive a fair share of the replacement for EU Structural Funds through a shared prosperity fund.
- ✓ CCN are working with Localis to develop a new approach to labour market influencing, skills devolution and further education and the implications of Brexit, with a report to be launched in November. We ask the Government to engage in these findings and support the devolution of skills budgets and decision making to the county level, to ensure provision better meets economic and business priorities.

Industrial Strategy

County authorities are already leading economic development in their areas, working closely with partners such as LEPs, businesses, district, parish and neighbouring unitary authorities. They provide the main resource for LEPs to function and bring in private sector expertise, and deliver a range of growth enabling functions beyond their core statutory roles in transport, highways, and infrastructure, including business support, tourism and inward investment services. In two-tier areas county councils are responsible for 93% of growth related expenditure.

Moreover, despite counties receiving the lowest allocation of resources for infrastructure from central government (see below), county authorities across England, whether two-tier or unitary, were responsible for £4.8bn worth of infrastructure investment in county areas during 2015/16.

If the Government is to achieve inclusive growth and address the underlying social issues associated with the vote to leave the EU, it must focus on boosting productivity, skills and employment in county areas to offset the impact of Brexit and respond to future growth trends, and harness the existing role of county authorities and their potential to do more.

The concept of a modern industrial strategy has now become the mainstream means meeting the post-Brexit opportunities and challenges facing the UK economy. In their recent study, OE argue that a key issue for the UK economy going forward is "whether or not the Industrial Strategy can provide a degree of additional confidence to businesses, inward investors and skilled labour, to offset the inevitable uncertainties that are generated by Brexit". In achieving this they argue that "an industrial policy which is just a big-city policy is unlikely to be effective".[15]

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[15] Oxford Economics: *Understanding County Economies: Analysis to inform the industrial strategy & devolution debate* (July 2017), https://www.countycouncilsnetwork.org.uk/download/901/, p. 7, 13 & 15

Despite counties strongly welcoming the Industrial Strategy, the Green Paper published earlier this year continued a narrow focus on the big city regions as the main drivers of growth and failed to recognise the opportunities and challenges facing county areas outlined above. Moreover, we believe that while it does acknowledge a role for local government, too much emphasis is placed on combined authorities, Elected Mayors and LEPs.

The budget could provide a significant signal ahead of the expected publication of an Industrial Strategy White Paper that the Government have listened to the growing body of evidence on the importance of county economies and the role of upper-tier county authorities to an inclusive industrial strategy. As OE conclude, "the success or otherwise of the government's Industrial Strategy will depend in part on how well it addresses the challenges and opportunities associated with the CCN economy".

The budget can take immediate action to;

- ✓ The budget should signal that the forthcoming White Paper on the Industrial Strategy will broaden the Government's policy focus, with a commitment to giving equal status to county economies alongside the cities, building on our strengths and tackling our structural weaknesses.

Devolution & Public Service Reform

Although a prominent role for county economies and local government in the Industrial Strategy is crucial, without devolution and local placed-based leadership it will be insufficient in meeting the challenges ahead. As OE argue in their report for CCN;

> *"The Government's Industrial Strategy [therefore] needs to reflect both the significant growth challenges that some CCN member economies face, and also the important positive roles that others are likely to play in setting and potentially raising the pace of overall national growth. Similarly, the case for further devolution needs to be considered in the context of the potential that it may unlock for increasing GVA growth across all England's economies."*

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.

Building on our existing role and local partnership, an ambitious suite of powers and budgets devolved by default, combined with local industrial strategies led by counties and city regions, could begin to embed growth and inclusion across the country.

Local industrial strategies can bring councils, businesses and communities together to shape their future skills and industry profiles, offsetting employment losses and creating opportunities for productive, well paid work. Devolution can make public service efficiencies, enable further investment in growth and ensure activity is targeted in the right way. A localised approach would allow tailored, joined-up and innovative approaches to improving productivity, living standards and inclusion. Enlisting communities, businesses and organisations to own and transform their economies, combined with the opportunity to make public sector efficiencies, would allow for continued investment in services and the economy.

OE have calculated that the devolution of tax and spend to counties could save £36bn over five years. The additional GVA attributed to the devolution savings being reinvested partially in growth-enhancing projects and accrued over the five-year period would add £26bn to the CCN economy, and would be enough to boost English GVA growth to around 2.7 percent a year, 0.7% above predicted growth projections.[16]

While there has been ongoing discussions surrounding the future of devolution since the General Election, CCN are concerned that despite commitments in the Conservative Manifesto to continue to devolve power to local areas progress on devolution has stalled. Comments by the Northern Powerhouse Minister, Jake Berry MP that devolution was for cities have raised further questions regarding the commitment of Ministers.

However, there have been more recent comments by the Secretary of State for Communities & Local Government that he would be working across departments to publish a framework for devolution, with a commitment to go wider and deeper on devolution across England. **CCN strongly support the Manifesto commitment that proposed that a 'common framework' would be established, setting out an open, transparent and structured approach to devolution across England.**

The budget can take immediate action to;

- ✓ Restate the Government's commitment to devolution outside of the major cities and existing deals and set out their intention to publish a common framework for devolution, transferring a suite of strategic powers and budgets to all areas by default. The common framework should set out a pathway to achieving this, alongside a menu of powers across skills, transport, housing and health.

- ✓ To move forward devolution at pace, Government should use county and county unitary geographies as the basic building blocks for devolution footprints, recognising their strategic scale, identity, economic and public service reform importance and coherence.

Governance & Regional Bodies

Not only does the analysis by Oxford Economics make a compelling financial and economic case for devolution, it also reveals that a different approach to governance is needed to realise the benefits. **This must be considered during the cross-departmental approach to developing the common devolution framework**.

It is useful to understand that while England's counties are rural in appearance, economically, they are not deeply rural. Instead they should be thought of as 'intermediate' economies, with multiple, interconnected rural and urban hubs.[17] This is important. The

[16] Oxford Economics: *Understanding County Economies: Analysis to inform the industrial strategy & devolution debate* (July 2017), https://www.countycouncilsnetwork.org.uk/download/901/, p. 56-61
[17] Oxford Economics: *Understanding County Economies: Analysis to inform the industrial strategy & devolution debate* (July 2017), https://www.countycouncilsnetwork.org.uk/download/901/, p. 15

intermediate status of county economies means our areas require alternative arrangements, not the imposition of urban-focused forms of governance.

Ambitious and successful local industrial strategies and devolution deals need a strategic body with the capacity and skills to design and deliver results, and the ability to bring partners together. Such a body also needs buy in from communities and business.
But we have long argued that the metro mayor model is not the right fit for counties. The mayoral combined authority aims to create an overarching framework for urban single-tier councils. Counties already have a strategic authority, whether two-tier or unitary, which has purview across the whole area and a track record of delivery.

Despite Government listening to these arguments and dropping the mayoral requirement in county areas, uncertainty remains about governance. DfT's July document sets out that

> '*A devolution proposal must also have a suitable geographical scope that balances political considerations with broader economic geographies (e.g. labour markets, supply chains) and is also clearly delineated and logical in terms of the rest of the network and service geography. Where this is not possible, suitable arrangements to manage services or networks that cross boundaries (in either direction) must be included.*'

CCN would agree with this approach, but support recent recommendations from Localis[18] and IPPR North[19] around the role of 'strategic counties', based on county geographies, which are a practical means of taking forward devolution in non-city regions. Empowered city regions and counties present a working model for central government to quickly and confidently devolve to all areas of the country. County councils and county unitaries have the scale, capacity and track record to take on devolved powers and run industrial strategies. They work closely with LEPs and businesses, play a central role in forming Strategic Economic Plans, and are the local transport authority. They are responsible for essential and major infrastructure in their area, have a well-defined and recognised identity, and are the main point of contact with government departments and national bodies.

The county acts as a practical and effective layer of government, being strategic, yet inherently recognised and celebrated by residents. County boundaries are an asset, not a brick wall; with the ability to reach into district and parish economies, but also work constructively across borders at a strategic scale with sub-national and national bodies.

County examples such as the Ox-Cambs Sub National Transport Body, A303 in the South West and Economic Heartland are supported by coordinated, strategic counties. DfT rightly points to the work of Sub National Transport Bodies in coordinating across county and unitary borders. However, given the requirement for local economies to work with multiple clusters, dependent on sectors, workforces and infrastructure, extensive structural governance arrangements may impair the ability of authorities to respond to economic shift.

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[18] Localis. *The Making of an Industrial Strategy* http://www.localis.org.uk/research/the-making-of-an-industrial-strategy/
[19] IPPR North: *Rebooting Devolution: A Common Sense Approach to Taking Back Control* https://www.ippr.org/publications/rebooting-devolution

CCN endorse the work of Localis in The Making of an Industrial Strategy which suggests that empowered counties and empowered city regions should be the Strategic Authorities to hold the ring on industrial strategies locally.[20]

Structural Reform

The budget can take immediate action to;
✓ Endorse counties as the strategic authority, alongside city region CAs, to design and deliver local Industrial Strategies around county geographies. This would allow a new phase of devolution, devolving by default a broad suite of growth and reform powers and budgets to counties and local partners.
✓ Empower Sub-National Transport Bodies and consolidate the role of upper-tier councils, devolve appropriate powers alongside input into central agendas at that level, with sufficient funding and freedoms for counties over local transport, including buses.
✓ Take the opportunity of reforming LEPs to re-align boundaries in line with counties and city regions. A review of the role and remit of partnerships should also be undertaken to provide clarity to business and councils, strengthening local democratic leadership and business engagement.

A combination of severe financial pressures faced by counties, competing devolution proposals and renewed interest by Ministers in structural reform has led to increased activity in the sector with regards to local government reorganisation.

Currently, there are a number of proposals awaiting a decision by the Secretary of State for Communities & Local Government, including proposals in Dorset, Buckinghamshire and Oxfordshire, while a number of CCN member councils, following county elections, have indicated that they would potentially explore the possibility of reform, including Northamptonshire, Nottinghamshire, Cambridgeshire, and Derbyshire.

Faced with a £2.6bn funding gap, councils across the country are exploring all means of bridging the funding gap, with some looking at structural reform to protect and transform services due to the potential savings generated from the single county unitary model, which would enable them to address the significant financial funding pressures they face.

The potential impact of such reforms is clearly shown by the findings of independent research by EY,[21] on behalf of CCN, that showed that the net cumulative savings of adopting a single county unitary model for an average county could reach £106m over five years, with the wider national picture resulting in savings up to £2.9bn.

This report, and a separate study by Shared Intelligence,[22] provided independent evidence showing that maintaining county structures in any reform has the most convincing financial,

[20] Localis. *The Making of an Industrial Strategy* http://www.localis.org.uk/research/the-making-of-an-industrial-strategy/

[21] EY. *Independent Analysis of Governance Scenarios and Public Service Reform* (November 2016) https://www.countycouncilsnetwork.org.uk/download/165/

[22] Shared Intelligence. *Learning the Lessons from Local Government Reorganisation* (November 2016) https://www.countycouncilsnetwork.org.uk/download/169/

non-financial, and sustainability argument, especially when considering the need for further public service reform and economic growth.

These reports show that the size and scale provided by county authorities will be optimal if Government are to successfully deliver on a number of policy objectives, including placing social care on a sustainable financial footing and health and social care integration. There is an implicit risk that fragmenting high performing county services, in particular adult and children's social care, across smaller geographies will be counter to these agendas. This is emphasis by the forthcoming LaingBuisson report, which warned against reforms that seek to fragment social care commissioning arrangements in county areas.[23]

CCN has undertaken extensive research in this area to provide an evidence base for central and local government, and government ministers and the Secretary of State have acknowledged their value.

However, it is concerning for those areas wishing to explore reform that to-date no decision has yet been made on existing bids within the system. Moreover, CCN have argued consistently the Government should publish a criteria and process for those other areas wishing to pursue reform as part of the aforementioned evidence-based common devolution framework. Clarity and the right decisions in this area are critical to the future of local government in county areas.

The budget can take immediate action to;

- ✓ We urge the Government to make evidence-based decisions regarding existing structural reform proposals in counties.
- ✓ CCN supports member councils wishing to pursue unitary status, building on independent evidence on the most cost-effective and sustainable models of reform. As part of a common devolution framework, Government should publish an evidence-based criteria and process for reform for those wishing to explore reform.

Housing & Infrastructure

Counties are popular places to live and work, but lack of affordable housing is creating an increasing dependency rate, with many young people and graduates seeking careers in cities. Counties face the highest house price to wage ratio outside of London, and receive under a quarter of what London receives to fund the significant infrastructure necessary to undertake substantial development.

Counties have the land needed to support their population and business growth, with large land bases and lower population density. This growth potential is clearly demonstrated by the fact that 52% of national housing development in 2015/16 took place in CCN authority areas. However this potential is not being fully met, due to the complex and fragmented planning and infrastructure mechanisms particularly present in two-tier local authority areas.

[23] LaingBuisson's updated analysis on county care markets will be published via the CCN website during October 2017. The report is available upon request by emailing Michael.chard@local.gov.uk.

Outside of London, house prices are highest in CCN member areas, and demand is increasing. Population growth in CCN member areas has risen 0.7% per year since 2007, slightly faster than the predominantly metropolitan combined authorities. On average the number of households in counties is projected to grow by 20.44% by 2039, compared to an 18.69% rise in metropolitan areas.

In addition, growing demand, limited supply and a good balance of business, employment and lifestyle opportunities mean that counties are facing a severe affordability challenge, with the ratio of house prices to earnings at 8.9 in CCN member areas, compared to 8.2 across England, and 6.3 within the combined authorities.[24]

An increased focus on strategic planning, which supports counties and districts working together at scale could help overcome some of these challenges. This could join up planning and infrastructure, allowing homes to be targeted to the most appropriate areas and ensuring that public services, roads and amenities are in place to mitigate pressures on towns and communities.

Recent Government agendas, including DCLG's housing need assessment consultation have set out plans to place planning on a more joined up and colligate basis. CCN welcomes the direction, but feel that the measures set out so far do not go far enough in ensuring the best basis for place-based planning. Key issues such as infrastructure planning, funding and delivery, the delivery of services associated with new development and the consideration of needs of specific populations such as older people will need proper input from the county council in two tier areas.

CCN believe that strategic planning in county areas should be underpinned by a formal role for the county council in producing the statement of common ground – including spatial, service and infrastructure planning. We should also move towards more formally joined up spatial and infrastructure planning between the two-tiers.

Increasing housing supply is hampered by existing significant infrastructure funding gaps. Research from IPPR North has shown that infrastructure investment has been largely directed to city regions. London has seen disproportionate investment compared to counties. CCN's own research has considered the distribution of Governmental infrastructure funding, through the National Infrastructure and Construction Pipeline and found that London receives almost 4½ times more funding per person than any other part of the country.[25]

CCN welcome the government's commitment to take account of the regional balance of spending per head in infrastructure funding. Nonetheless spending per head in different regions may be insufficiently granular given the weight given to local authority contributions and the disparity in local authority funding. We strongly advocate this should be undertaken at upper-tier authority level wherever possible. CCN welcomes the introduction of the HIF and the strategic approach adopted. Whilst we recognise that allocations will be decided on a competitive basis, Government must recognise the significant infrastructure gaps in county areas, ensuring due weight is given to these factors in the allocations process.

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[24] Oxford Economics: *Understanding County Economies: Analysis to inform the industrial strategy & devolution debate* (July 2017), https://www.countycouncilsnetwork.org.uk/download/901/, p. 48

[25] CCN's Response to the Industrial Strategy Green Paper, para.68 https://www.countycouncilsnetwork.org.uk/download/1046/

Developer contributions to housing infrastructure are currently being under-utilised. This is due in part to the patchwork nature of CIL being applied by different districts within a county, with some not applying it at all. This is also due to restrictions on section 106 payments and their interaction with CIL. CCN will engage with the ongoing government review of developer contributions, we agree with many of the emerging ideas but believe that reform should be introduced at the earliest opportunity.

The budget can take immediate action to;

- ✓ Government should support and endorse strategic spatial and infrastructure planning in two tier areas between county councils and district councils. There should also be a formal role for the county council in statements of common ground for their area.

- ✓ CIL should be standardised and should become the main contribution mechanisms for smaller sites, section 106 pooling restrictions should be removed and this should become the main contribution mechanism for strategic sites.

- ✓ A fairer approach to Government infrastructure funding should be taken, ensuring counties receive an equitable level to invest in housing and growth. A strategic infrastructure levy should also be made available to all upper tier authorities.