CCN
COUNTY COUNCILS NETWORK

A NEW DEAL FOR COUNTIES:
County Councils Network

Submission

Executive Summary

On behalf of our member councils, CCN welcomes this opportunity to submit evidence to HM Treasury ahead of the Autumn Budget. This Autumn Budget 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) in our areas; and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 41% of GVA and 44% of employment.

Given the recent national focus on the financial challenges facing county authorities, this submission focuses specifically on the need for an immediate injection of financial resources for the final year of the current Spending Review period (2019/20). Alongside this, it sets out longer-term considerations for the overall funding settlement beyond 2020/21, ahead of our Spending Review submission.

More widely, this document sets out evidence and proposals on how the Autumn Budget and forthcoming Spending Review can support and prepare our economies and public services for the implications of the UK's exit from the EU, alongside wider short and long-term funding and policy changes that could be implemented to deliver accelerated housing growth and infrastructure provision, alongside the need for devolution to local government and clarity on structural reform.

Local Government Resources

Over the two-year period (18/19 to 19/20) counties face a combined funding pressure of £3.2bn. In total, 58% of the funding pressure is caused by demand-led pressures. Over the two years, research shows that our members estimate they will deliver £1.39bn of savings, with a conservative estimate of £466m of earmarked savings likely to make further visible reductions to frontline services, such as adult social care, children's services, libraries, children's centres, and road repairs.

- The government must inject new resources for the next financial year. It is essential that the local government finance settlement contains new, additional grant funding, which is substantially in excess of the £166m provided last year to meet growing demand-led pressures.

- Longer-term, we urge the Government to prioritise the development of BRR and FFR proposals and ensure indicative new funding allocations are published as soon as possible during 2019 to help local authorities with financial planning beyond 2019/20.

- In line with our opposition to the referendum threshold, we would ask the government to consider further council tax flexibilities for local government in 2019/20.

- CCN has long argued for greater flexibility around introducing a small fee for accessing or administrating some services. For instance, introducing a small fee for accessing waste recycling centres or introducing a small administration fee for processing the free concessionary bus passes.

Adult Social Care & Health

Ahead of the upcoming Spending Review and Adult Social Care green paper reforms being announced, it is essential that government provides urgent clarity to the sector on the continuation of the adult social care funding currently contained within the Better Care Fund (BCF) for 2019/2020 at a minimum. In addition, to counter the ongoing financial and demand pressures facing health and social care it is imperative that government uses the Autumn Budget to make a commitment to prevention and early intervention.

- That government provides urgent clarity to the sector on the continuation of the adult social care funding currently contained within the Better Care Fund (BCF) for 2019-2020 at a minimum. Existing levels of funding must be maintained, increased by inflation and must fully take into account uplifts in the National Living and Minimum Wages.

- The government should cancel the scheduled 3.9% reduction to local authority public health budgets scheduled for 2019/2020, prior to making a commitment to longer-term investment through the forthcoming Spending Review.

- Government must demonstrate that they see local government, and social care, as an equal partner by announcing the NHS Ten-Year Plan and Adult Social Care Green Paper in tandem with each other.

Education Services

Alongside the growing pressures in children’s social care, there are wider pressures across education services that are financially impacting on county authorities in an increasingly severe manner, including the high needs block, SEN provision and home to school transport.

- The government should provide a significant uplift in financial support for children’s services, with an uplift to the high needs block funding to prevent a further overspend in 2019/20.

- The government should provide an uplift to funding for SEN home to school transport and broader home to school transport, or consider what changes could be made to eligibility criteria to ease pressure on school transport budgets.

Housing & Infrastructure

An increased focus on strategic planning would help to achieve greater certainty, allowing counties and districts to work together at scale to help overcome some of these challenges. This could join up planning and infrastructure, allowing homes to be delivered in the most appropriate areas and ensuring that public services, roads and amenities are in place to mitigate pressures on towns and communities. Moreover, UK national growth and infrastructure funding is not as accessible for CCN members. Increasing housing supply is hampered by existing significant infrastructure funding gaps and policies such as the New Homes Bonus (NHB).

- The government should provide certainty through longer term infrastructure funding, and ensure that counties get a fair share proportionate to their populations and rising demand.

- The government should ensure that county councils are key partners in housing deals to enable strategic planning at scale, and to join up housing and infrastructure.

- The government should make changes to the NHB tier split for 2019/20 to recognise the role of county councils in providing infrastructure and as part of a package of funding measures to provide additional resources to those upper-tier authorities facing the most serve demand-led pressures.

- CCN welcome the long-term review of NHB. Looking beyond 2020, the Government should establish new incentives for all tiers of local government to support business and housing growth. CCN believes counties must be empowered to deliver the infrastructure vital for communities to accept this new growth, and that therefore any new incentives is established with this as its primary objective.

Economy & 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, this is unsustainable given the potential opportunities and challenges of Brexit facing the UK as a whole and the potential to secure greater economic growth in counties.

- The government should make further funds available to local authorities to prepare for Brexit, with consideration for the role of counties as trading standards and public health and social care authorities. The government should take steps to safeguard the workforce for social care as part of the Adult Social Care green paper.

- The government should consider the devolution of further responsibilities to counties, allowing county authorities to respond to the different challenges they face, the power and tools to work with their business, skills and education providers to shape their labour market, and to provide the best opportunities for people.

LEP Review

CCN welcomes the proposals encouraging locally-led boundary reform to make LEP boundaries more coterminous with county boundaries. Many of our member councils have worked tirelessly with their LEPs to build good relationships, and in some instances boundary reviews will not be necessary. CCN remains concerned, however, that some of the recommendations of the review will undermine the role of local authorities and their representation on LEP boards.

- The government should recognise the symbiotic relationship that LEPs have with their county councils, and seek fair representation of the public sector on LEP boards. This will allow local authorities to work constructively and in partnership with LEPs and other partners such as sub-regional transport bodies on matters such as economic growth, infrastructure and skills, and on Local Industrial Strategies.

- The government must be flexible with the parameters and implementation period to allow for locally-led change so that LEPs can reflect local circumstances.

The UK Shared Prosperity Fund

CCN welcome the government's commitment for the UKSPF to tackle inequalities between communities by raising productivity, as per the Industrial Strategy. Given the structural challenges in county economies, the UKSPF must consider county areas as a priority.

- The government should ensure that the UK Shared Prosperity Fund is of sufficient scale to meet the economic challenges in county areas. Further detail on the design of the UK Shared Prosperity Fund should be prioritised, and the priorities and design of the fund should take into account the structural challenges in county areas. The role of ESI funding in match-funding against other bids should be considered.

Devolution

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.

- The government must publish its common framework for devolution, setting out an open, transparent and structured approach to devolution across England. The devolution framework should recognise the role county authorities can play, and consider the devolution of further responsibilities to counties, allowing county authorities to respond to the different challenges they face, the power and tools to work with their business, skills and education providers to shape their labour market, and to provide the best opportunities for people.

Structural Reform

CCN has undertaken extensive research in this area to provide an evidence base for central and local government. Our research has provided independent evidence showing that maintaining county structures has the most convincing financial, non-financial, and sustainability argument, especially when considering the need for further public service reform and economic growth.

- The government should issue decisions on remaining structural bids, where they remain of interest to authorities, considering the existing evidence base which demonstrates county unitary status has the most convincing financial, non-financial, and sustainability argument.

- The government should publish a criteria and process for those other areas wishing to pursue structural reform as part of the common devolution framework. The common devolution framework should also capture the role of a retained and reformed two-tier arrangement for those areas not pursuing reform.

Introduction

1. The County Councils Network (CCN) is the national voice for 36 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.

2. On behalf of our member councils, CCN welcomes this opportunity to submit evidence to HM Treasury ahead of the Autumn Budget. This Autumn Budget 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) in our areas; and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 41% of GVA and 44% of employment.

3. **Given the recent national focus on the financial challenges facing local government, and in particular county authorities, this submission focuses specifically on the need for an immediate injection of financial resources for the final year of current Spending Review period (2019/20).**

4. Looking ahead to the Spending Review, CCN recognise that CCN will have the opportunity to provide further detailed proposals and evidence to inform this process. Moreover, there are a number of policy initiatives – such as the Adult Social

Care green paper, 75% Business Rates Retention (BRR) and Fair Funding Review (FFR) – that fall outside the Autumn Budget but will ultimately impact on long-term funding of the sector.

5. While this paper does set out longer-term considerations for the overall funding settlement beyond 2020/21, BBR and FFR, it does not specifically outline proposals in relation to these reforms. CCN will continue to engage with the Ministry of Housing, Communities & Local Government, and HM Treasury, on these reforms through the LGA/MHCLG working groups and also forthcoming consultations, including on the Spending Review. **However, we do urge the Government to prioritise the development of BBR and FFR proposals and ensure indicative new funding allocations are published as soon as possible during 2019.**

6. We are committed to providing Ministers and officials with evidence to support the case for an injection of new resources for the period beyond 2020 and further detail the specific financial, demand and structural challenges facing county authorities. CCN have therefore commissioned PwC to undertake an independent review of funding pressures and expenditure in English Counties. This study is currently underway and will present findings shortly after the Autumn Budget.

7. Beyond local government resources, this document sets out evidence and proposals on how the Autumn Budget and the forthcoming Spending Review can support and prepare our economies and public services for the implications of the UK's exit from the EU, alongside wider short and long-term funding and policy changes that could be implemented to deliver accelerated housing growth and infrastructure provision.

Local Government Resources

Funding Pressures

8. The funding allocations made to local government within the four-year offer have been insufficient and will continue to remain so for the coming year. There is compelling evidence that supports the case for an immediate injection of additional resources for the coming year, alongside further changes to the proposed settlement that could help county authorities address the severe financial pressures we face ahead of the conclusions of the Spending and Fair Funding Reviews.

9. The recent report produced by the National Audit Office[1] outlined that 1 in 10 local authorities with social care authorities could be unable to balance their budget over the coming period. The LGA recently revised their budget forecast, estimating that councils in England face a funding gap of £7.8bn by 2025, with 90% of this relating to county-level responsibilities across adult social care, children's services and public health.[2]

[1] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/
[2] https://www.local.gov.uk/moving-the-conversation-on/funding

10. In considering the specific financial challenges facing counties, CCN and the Society of County Treasurers (SCT) this summer released the findings of the SCT yearly budget analysis of 36 county and county unitary authorities.[3]

11. The results showed that over the two-year period (18-19 to 19-20) counties face a combined funding pressure of £3.2bn. In total, 58% of the funding pressure is caused by demand-led pressures. Over the two years, the research showed that our members estimate they will deliver £1.39bn of savings, with a conservative estimate of £466m of earmarked savings likely to make further visible reductions to frontline services, such as adult social care, children's services, libraries, children's centres, and road repairs, or lead to raising or introducing new charges for residents.

12. Looking at the next financial year (2019-20), the county funding pressure is expected to total £1.461bn; however, this is likely to be higher by the time of the settlement. This is made up of the following;

    - **Cost Pressures**; which contribute £449.4m for 2019-20.

    - **Grant Loss**; this totals £388.2m.

    - **Inflation**; inflationary pressures are expected to rise to £350.6m.

    - **Reserves**; it is expected that the total added to reserves in 2019/20 will increase to £112.6m to aid financial resilience. It is important to note here that additions are distorted by one council's planned one-off addition to reserves.

    - **Other**: The 'Other' category increased £22m to £160.2m.

13. Respondents to the survey set out £1.2bn of measures to mitigate and meet the aforementioned funding pressures. Alongside the level of 'unknown savings' outlined in the savings projections below, there are a further £233m of savings, reserve usage or other revenue raising measures that will be needed to balance budgets next year. For this financial year, the measures being taken are as follows;

    - **Savings**; respondents are budgeting savings of £685.1m in 2019-20. The extent of savings that are expected to meet the 'service reduction' threshold increase 44% on the previous year. The amount of 'known savings' falls by 13.4%.

    - **Council Tax**: although increased council tax revenue remains the second most significant factor in balancing 2019-20 budgets, the increased income drops dramatically by 39% to £375.9m. This is mainly due to 13 CCN member councils being unable to levy the Adult Social Care precept as they took advantage of the freedom 'frontload' a precept of 3% over the previous two years. Expected total council tax precepts by councils falls from an average of 5.34% to 3.11%, with the ASC precept falling from an average of 2.5% to 0.94%.

[3] Each year, the SCT undertake an Excel spreadsheet based survey of its 38 member councils. The survey asks Finance Officers to provide detailed information on their net revenue budget, estimated budget gap and how the budget gap will be meet. This year, the budget survey was issued on 22 December 2017 and received based a response rate of 95%.

- **Capital Receipts**: flexible use of Capital Receipts meets just £7.8m of 2019-20 budgets, falling by £40m.

- **Reserves**: members anticipated using £125m of reserve funding in 2019-20. As stated above, the true number of members which use reserves in 2019-20 is not yet certain as this is dependent upon whether savings are made as expected.

- **Other**: 'Met by other' was used mainly (though not exclusively) to quantify additional business rates revenue and contributes £43m of respondents' budgets – this is a 72% reduction on the year before. This can be explained partly by councils involved in business rates pilots not expecting (at this stage) that their pilots (and increased rate revenue) will continue into this final year.

14. Although evidence shows adult social care remains the biggest pressure facing local government, we cannot ignore the pressures facing children's social care. If the government 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 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.

15. Government figures show that councils in England overspent by £816m on protecting vulnerable children in the last financial year, as demand for children's services continues to rise. CCN analysis of these figures show that in 2017/18, county authorities overspent the most in children's services, spending £264m more than they budgeted. Overall, councils spent 10% more than they had budgeted for that year on the service.

16. These overspends are being driven by escalating demand for children's care services:
    a. The number of vulnerable children in county areas placed under a child protection plan – which means they are at significant risk of harm – was 25,259 in 2017, compared with 18,702 in 2011 – a 35% rise.

    b. The number of children taken into care in England's counties stood at 26,000 in 2017 (over half of the country's entire total), compared to 22,600 in 2011 – a 15% increase.

17. Faced with these severe funding pressures and uncertainty on future funding, CCN recently surveyed its member council leaders to ascertain how confident they were in delivering a balanced budget in the absence of new funding. The results show a dramatic reduction in confidence over the course of the three years up to 2020/21, with only 64% confident they deliver a balanced budget next year;

- **2018-19**: 92% were either confident or very confident they would deliver a balanced budget, with 8% neutral.

- **2019-20**: 64% were either confident or very confident they would deliver a balanced budget, with 20% neutral and 16% not confident.

- **2020-21**: 33% were either confident or very confident they would deliver a balanced budget, with 25% neutral, 25% not confident and 16% not at all confident.

18. In considering specific financial challenges facing counties, it is also important to consider how the two-tier system presents further challenges to upper-tier councils in delivering saving requirements and safeguarding frontline services for the most vulnerable in society:

    - County councils deliver a smaller range of largely statutory, demand-led, services such as adult social care, children's services, and transport. County councils have less scope to deliver savings in services with high-levels of back-office and administrative spend, with 6.8% of county council expenditure spent on management and support costs compared to 11.2% in a unitary authority and 62.5% in district councils. Therefore, more savings resulting from funding reductions have been required in adult and children social care services at the same time that these services are facing the most acute demand-led pressures.

    - County councils have fewer fee paying or discretionary services to raise additional local income to offset funding reductions. In two-tier areas, districts administer discretionary income raising services such as parking, licensing, planning and building control, for instance county councils will not benefit from recent 20% increase in planning fees.

    - Current government policies on growth and incentive-based funding, such as Business Rate Retention, the New Homes Bonus (NHB) and Community Infrastructure Levy (CIL), do not adequately reward the contribution of county council services to promoting growth. Local funding shares, such as the 80/20 split in NHB payments, are disproportionately weighted towards district councils, whilst unitary authorities receive 100% of local payments.

19. CCN recognise that long-term funding arrangements beyond 2020/21 will be subject to the outcomes of Spending Review. The publication of the long-awaited Adult Social Care Green Paper has the opportunity to provide further details on long-term funding arrangements for upper-tier councils. Moreover, while the Fair Funding Review and Business Rate Retention will make welcome alternations to local government funding, these changes alone cannot address the fundamental problems of increasing service demand in the system, nor can they enable councils to invest in the preventative measures required to mitigate the impact of aging populations.

20. **In light of the existing evidence outlined above, CCN member authorities strongly believe the Autumn Budget must inject new resources for the next financial year ahead both the fair funding and Spending Reviews.**

21. The CCN/SCT budget analysis demonstrates that failure to do so will lead to an acceleration in frontline service reductions. Savings of at least £685.1m are planned,

with the extent of savings that are expected to meet the 'service reduction' threshold increasing by 44% on the previous year. The amount of 'known savings' falls by 13.4%. Moreover, the budget analysis shows a gap of at least £233m between funding pressures and the planned measures *currently* being set out to meet this. Given recent unpredictable trends in children's social care demand, continuing overspends in this area of spend next year could further worsen the in-year financial position of county authorities.

22. Without any additional resources being made available this will *further* increase the scale of frontline service reductions or the need for reserves to balance budgets. Even more concerning, only 64% of county leaders are confident they can deliver a balanced budget in the absence of additional funding next year.

23. Therefore, a combination of funding reductions, rising demand for services and unfair funding means county authorities are most at risk of following East Sussex in ending all but essential local services to avoid being unable to set a balanced budget in future years. While CCN has been clear that Northamptonshire had not managed austerity well and there was clear evidence of financial failure, high performing authorities such as East Sussex will not be the last to set out a core offer without additional help. CCN is aware of a number of authorities exploring when a core offer will need to be implemented in their areas.

CCN Proposals;

- The government must inject new resources for the next financial year. It is essential that the local government finance settlement contains new, additional grant funding, which is substantially in excess of the £166m provided last year to meet growing demand-led pressures. CCN will seek to engage government over a fair distribution of resources for any new additional funding.

- Longer-term, we urge the Government to prioritise the development of BRR and FFR proposals and ensure indicative new funding allocations are published as soon as possible during 2019 to help local authorities with financial planning beyond 2019/20.

Council Tax, Fees and Charges

24. Alongside additional funding, CCN believe that the government should consider wider reforms to provide councils with the resources they need to meet growing demand-led pressures.

25. CCN strongly believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. CCN disagrees with the referendum principle being applied to local government. Given its rising importance as a funding stream, CCN request that local government also be

given further freedoms including powers over mandatory reliefs, such as the single person discount.

26. Upper-tier authorities can currently set a precept at 6% of Band D over 3 years (2017-18 to 2019-20), with a maximum increase of 3% in any one year. Thirteen county authorities have used the full 6% increase in the first two years, largely because it was the only way to fund growing financial pressures from adult social care, with counties home to the fastest growing elderly populations. Pressures in these services are still growing but there is no further headroom to fund them for many authorities in 2019-20. In line with our opposition to the referendum threshold, we would ask the Government to consider further council tax flexibilities for local government in 2019-20.

27. If the Government were to consider further flexibilities for council tax, it would be important to recognise the growing pressures in children's social care and ensure that additional council tax resources raised locally is not directed solely to adult social care.

28. In addition, we believe there is further scope for county and county unitary authorities to have further powers to charge for access to certain services and recover costs of administrating some. County councils have fewer fee paying or discretionary services to raise additional local income to offset funding reductions. In two-tier areas, districts administer discretionary income raising services such as parking, licensing, planning and building control and for instance county councils will not benefit from recent 20% increase in planning fees.

CCN Proposals;

- In line with our opposition to the referendum threshold, we would ask the Government to consider further council tax flexibilities for local government in 2019-20. Further flexibilities should recognise the growing pressures in children's social care and ensure that all additional council tax resources raised locally should not be directed solely to adult social care.

- CCN has long argued for greater flexibility around introducing a small fee for accessing or administrating some services. For instance, introducing a small fee for accessing waste recycling centres or introducing a small administration fee for processing the free concessionary bus passes. We believe further measures could be taken as part of the settlement.

Adult Social Care & Health Integration

29. There has been significant coverage of the pressure adult social care provision has placed on local authorities, and debate on how future demand can be made sustainable. CCN's recent *Social Care Principles Paper* set out evidence on the

specific challenges facing counties and our key proposals that should be considered for the forthcoming Green Paper.[4]

30. Ahead of the Spending Review and Adult Social Care Green Paper reforms being announced, it is essential that Government provides urgent clarity to the sector on the continuation of the adult social care funding currently contained within the Better Care Fund (BCF) for 2019-2020 at a minimum.

31. Existing levels of funding must be maintained, increased by inflation and must fully take into account uplifts in the National Living and Minimum Wages. Without this clarity, local authorities will be left in a position whereby they may have to serve notice on contracts, many of which have six-month termination clauses, to the detriment of staff, service users and residents.

32. Without additional funding for adult social care in 2019/20 county authorities, along with other upper-tier authorities, will be unable to maintain existing service levels as a result of ongoing and increasing demand pressures on services. Additionally, without additional funding the sustainability of care markets will be called into question and providers may be unable to maintain existing levels of quality, to the detriment of service users.

33. This will also be essential to ensuring that there is sufficient capacity in the community to discharge people from hospital, as well as ensuring that people do not enter acute care unnecessarily. Local government has demonstrated that investment in the sector delivers results. For example, CCN member councils have delivered significant reductions in delayed transfers of care attributable to adult social care of 41% (from 74,228 in May 2017 to 40,209 in June 2018); whilst the NHS equivalent figure is 14%.

34. It would be a false economy to increase NHS resources whilst not addressing the adult social care funding gap. They are interlinked, neglect one, then this will only serve to put pressure on the other.

35. Government must demonstrate that they see local government, and social care, as an equal partner by announcing the NHS Ten-Year Plan and Adult Social Care green paper in tandem with each other. Given government's previous commitments to driving integration through the BCF and iBCF, in addition to the interdependence of health and social care systems, it would be counterproductive to announce one without the other.

36. There is a real danger that if the Social Care Green Paper comes out after the NHS Plan that local government will be playing catch-up. For example, the NHS Plan is likely to include a vision for the future of the BCF, or its replacement, which local government would have had very little opportunity to influence. Financial reforms must also mirror the length and ambition afforded to the NHS funding to support the delivery of health and social care integration in the medium to long-term.

[4] Sustainable Social Care - A Green Paper That Delivers a New Deal for Counties; https://www.countycouncilsnetwork.org.uk/download/1663/

37. To counter the ongoing financial and demand pressures facing health and social care it is imperative that Government uses the autumn budget to make a commitment to prevention and early intervention. Initially government should cancel the scheduled 3.9% reduction to local authority public health budgets scheduled for 2019/2020, prior to making a commitment to longer-investment through the forthcoming Spending Review. This is particularly pertinent in county areas which have 14 out of 16 of the lowest funded local authorities for public health in England.

CCN Proposals

- That Government provides urgent clarity to the sector on the continuation of the adult social care funding currently contained within the Better Care Fund (BCF) for 2019-2020 at a minimum. Existing levels of funding must be maintained, increased by inflation and must fully take into account uplifts in the National Living and Minimum Wages.

- The government should cancel the scheduled 3.9% reduction to local authority public health budgets scheduled for 2019/2020, prior to making a commitment to longer-investment through the forthcoming Spending Review.

- Government must demonstrate that they see local government, and social care, as an equal partner by announcing the NHS Ten-Year Plan and Adult Social Care Green Paper in tandem with each other.

Education Services

38. Alongside the growing pressures in children's social care, there are wider pressures across education services that are impacting on county authorities in an increasingly severe manner, including high needs block, SEN provision and home to school transport.

39. A survey of CCN members found that counties are projecting a 5.1% overspend on their high needs block in 2018/19. This overspend has gotten worse as demand rises – going from 3.7% in 2016/17 to 4.5% in 2017/18.

40. The total overspend for the 22 county authorities that responded to our survey is £175m between 2016 and 2019, which is to meet their statutory duties to children with statements of special education needs. In total, 14% of county children have special education needs or an education and health plan.

41. As a result of this overspend, many counties have asked their local schools forum or the Department for Education if they can move money that would be earmarked for schools – from the generic schools grant – towards meeting their legal obligations to provide services for children with special education needs. We believe that the government should use the Autumn Budget to provide an injection of funding into the High Needs Block to prevent an overspend in 2019/20.

42. There is also clear evidence that special educational needs (SEN) home to school transport is a growing financial pressure for counties, with 29 out of 36 county authorities increasing their expenditure on SEN home to school transport between 2013 and 2017. In 2013/14, the 36 CCN members collectively spent £240m on SEN home to school transport, whilst in 2016/17 this figure was £291m, despite data from 11 councils showing a slight drop in pupils between those two financial years - 16,966 pupils to 16,917.

43. Counties have less scope to reduce SEN home to school transport costs. In total, 13.9% of the 4.6million county pupils have a Statement of Special Educational Needs or an Education and Health Care Plan. Councils have to provide free home to school transport if a SEN pupil cannot walk to school because of their disability, regardless of where they live. The introduction of a 0-25 age range of eligibility, plus the added sparseness of post-19 education colleges in large rural areas, has exacerbated these costs.

44. But councils are grappling more widely with the funding of Home to School Transport, which had a net expenditure of £280m in 2016/17 amongst the 36 CCN members. The average per-pupil cost of delivering home to school transport in county areas is £93 per pupil, almost ten times the average in urban and city areas, where the average cost is £10 per pupil.[5]

45. Data from 20 of the CCN councils shows that in 2017, 22,352 less pupils were receiving the service compared to 2014, as councils tighten eligibility, or introduce charges, due to the severe funding shortfalls. This service will continue to be reduced unless a fairer funding solution is found.

CCN proposals;

- The government should provide a significant uplift in financial support for children's services, with an uplift to the high needs block funding to prevent a further overspend in 2019/20

- The government should provide an uplift to funding for SEN home to school transport and broader home to school transport, or consider what changes could be made to eligibility criteria to ease pressure on school transport budgets.

Housing and Infrastructure

46. Counties are popular places to live and work, but a 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, with house prices being on average nine times annual earning, and as high as 12 times in southern county areas.

[5] https://www.countycouncilsnetwork.org.uk/download/1585/

47. CCN member councils have the lowest levels of affordable housing delivery compared to metropolitan areas, even though almost half of new homes built in 2016/17 were built in CCN member areas. Since 2011, an average of just 26% of all net additional homes in county areas can be classified as affordable.

48. 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.

49. The ageing population is also more prevalent in county areas. CCN analysis has found that in county areas the number of over 85+ households will grow by 155% between 2014 to 2039, with the number of over 65 households due to grow by 57% over the same period. This brings particular challenges for housing, when much of existing stock is not suitable and can adversely impact on the ability of an older or disabled person to live independently and safely. CCN therefore advocates that future housing is designed and constructed to enable people to maintain their independence for as long as possible.

50. 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. Previous CCN research found that while Greater London covers less than 5% of the nation's road network it received over 55% of national identifiable infrastructure funds. This sees London receive almost 4½ times more funding per person than any other part of the country[6]. This is despite significant infrastructure gaps within counties.

51. Metropolitan areas have also benefitted from city-centric policy interventions. From City Deals through to Mayoral Combined Authorities, metropolitan areas have been able to access new funding streams. Metro Mayors and city regions have been guaranteed almost £5bn in infrastructure funding via devolution deals over coming decades.[7] The magnitude and the long-term surety of these investment funds are again a significant advantage for the big cities. There is also concern that with the devolution of these funds to cities and continued Government austerity there will be a diminishing pot for any future devolution and investment in county areas.

52. With a lack of funding arising from central Government, CCN members rely on developer contributions from developments within their areas in order to fund infrastructure such as roads, schools and health facilities. However, counties often do not receive a fair proportion of funding, as these are agreed by district councils. CCN believe that counties should be at the negotiating table when contributions are being agreed with developers, and should receive a fair proportion of this important source of funding. Whilst the Housing Infrastructure Fund has been welcomed by our members, we would welcome more long term solutions, which would bring certainty and allow member councils to plan over the long term.

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[6] https://www.countycouncilsnetwork.org.uk/council-leaders-call-for-stronger-planning-reforms-as-counties-see-englands-sharpest-house-price-increase/

[7] https://www.local.gov.uk/topics/devolution/devolution-deals

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

54. We recognise that structural change to the planning system to this degree is not immediately forthcoming, and therefore believe that any forthcoming housing deals should involve county authorities from the outset. Like the Oxfordshire housing deal, this should include a statement of common ground and a joint statutory spatial plan which deals with major decisions like large-scale sites, strategic infrastructure and green belt reviews

CCN proposals;

- The government should provide certainty through longer term infrastructure funding, and ensure that counties get a fair share proportionate to their populations and rising demand.

- The government should ensure that county councils are key partners in housing deals to enable strategic planning at scale, and to join up housing and infrastructure.

- CCN support the LGA in their call to give councils the funding to protect struggling bus routes by fully funding the national concessionary bus fares scheme and devolving the Bus Services Operators' Grant to councils.

New Homes Bonus

55. CCN welcomes the government's commitment to consider how best to incentivise housing growth and fundamentally review the New Homes Bonus (NHB) policy. Since its introduction, it has proved unfair to county councils, and has failed to genuinely support housing and infrastructure delivery.

56. Many of our members receive very little from NHB as a result of the 80-20% split in favour of districts. We have consistently opposed the premise of this very high share of NHB that is allocated to district councils. The provision of housing within an area relies not only on incentivising planning permission, but providing the necessary infrastructure to facilitate and support housing growth.

57. By the government's own admission, NHB has failed on its key policy objectives such as being spent on 'local community priorities' and to support the delivery of infrastructure to mitigate development. The government's consultation on the policy 'Sharpening the Incentive' showed that only 10% is spent on infrastructure, despite increasing infrastructure gaps in county areas. The 80-20 split of money from the

bonus in favour of district councils, further hampers the county's ability to invest in infrastructure to match new housing.

58. The high share for district councils, and the top-sliced nature of the funding, has also imbalanced the local government funding system in two-tier areas. The funding that has been used in this way would have been much better employed supporting the financial pressures in children's and adult's services, which in turn would allow counties to dedicate a larger proportion of their budgets to housing and growth enabling services such as transport, infrastructure and economic development; which have suffered the deepest reductions due to the financial challenges outlined above.

59. CCN will set out its policy position in relation to NHB during our submission to the upcoming Spending Review. However, we are clear that over the long-term, any abolition of the NHB policy must mean that all resources go back into grant funding for upper-tier and unitary councils, while establishing new incentives for all tiers of local government to support business and housing growth. CCN believes counties must be empowered to deliver the infrastructure vital for communities to accept this new growth, and that therefore any new incentivise is established with this as its primary objective.

60. Looking to 2019/20, CCN have consistently argued at every settlement that the Government must make changes to tier shares in relation to NHB. Despite it being the last year of the scheme we continue to believe that faced with the funding pressures outlined in this submission, Government should continue to consider changing the tier split as part of a package of funding measures to provide additional resources to those upper-tier authorities facing the most serve demand-led pressures.

61. For our county unitary members, there is concern that the methodology for calculating payments in 2019-20 is still so uncertain: it would be very helpful if the Government could fix the national baseline now rather than wait for the provisional settlement. Such uncertainty makes it more difficult for authorities to plan their budgets effectively.

CCN Proposals;

- The Government should make changes to the NHB tier split for 2019/20 to recognise the role of county councils in providing infrastructure and as part of a package of funding measures to provide additional resources to those upper-tier authorities facing the most serve demand-led pressures.

- The Government should fix the national New Homes Bonus baseline as soon as possible to provide certainty for the sector.

- CCN welcome the long-term review of NHB. Looking beyond 2020, the Government should establish new incentives for all tiers of local government to support business and housing growth. CCN believes counties must be empowered to deliver the infrastructure vital for communities to accept this new growth, and that therefore any new incentivise is established with this as its primary objective.

Economy & Brexit

62. 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, this is unsustainable given the potential opportunities and challenges of Brexit facing the UK as a whole and the potential to secure greater economic growth in counties.

63. 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.[1]

64. 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. But 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.

65. 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 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.[2]

66. 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.

67. CCN welcome the government's commitment set out in the Industrial Strategy and UK Shared Prosperity Fund to "tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind."[8] Given the structural weaknesses in county economies detailed above, we believe it is essential that further growth policies are targeted towards counties, particularly given the existing measures accessible to cities.

Brexit

68. With Brexit negotiations entering their final phase, we assume that this year's Autumn Budget will be focused on ensuring that the UK economy will be appropriately supported during the transition period as we head into a new relationship with the EU. The Budget, and the forthcoming spending review, presents a further chance to put in place long-term policies to offset any negative economic impact.

69. Whilst we welcome the clarity that has been provided through the publication of the No Deal Notices, local authorities are still struggling to properly plan for Brexit because it is not yet clear what shape the withdrawal agreement and subsequent agreement on a new relationship with the EU will look like.

70. The Autumn Budget must therefore make further financial commitments to helping the local government sector make appropriate preparations once the shape of Brexit is known. In particular, we would highlight concerns over health and social care, the role of trading standards and port authorities, and the economic impact for counties.

71. Analysis from Kings Fund found that approximately "60,000 of the 1.2 million NHS workforce are from other EU countries, including more than 10,000 doctors and more than 20,000 nurses and health visitors. In adult social care, 90,000 of the 1.3 million workers employed by local authority and independent sector employers come from elsewhere in the EU."[9] Skills for Care modelling shows that the adult social care workforce needs to grow by 21% (350,000 jobs) by 2030. The challenge of recruiting health and care workers is more apparent in rural areas.

72. CCN's membership covers the vast majority of the water borders in England. While district councils are the responsible port health authorities, county councils hold responsibility for trading standards and public health and therefore work closely with

[8] https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-07-24/HCWS927/

[9] https://www.kingsfund.org.uk/publications/articles/big-election-questions-brexit-workforce

districts to monitor these ports. With an increase in workload anticipated post-Brexit, it is essential that local government receives due funding to prepare for and respond to any changes.

73. 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.

74. Alongside economic impact, the ongoing 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.

75. In a separate report for CCN, Localis found that 'twenty two of England's forty seven strategic authority areas have an above average level of labour market risk to a post Brexit migration squeeze. Twenty three of the forty seven have an above average level of labour market risk to automation. Twenty six of the forty seven have an above average level of risk to a low skills base. This report shows the disparity in robustness of England's local labour markets is staggering.' [10]

76. 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.

77. 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.

78. 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

[10] http://www.localis.org.uk/research/in-place-of-work/

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.

Recommendations:

- The government should make further funds available to local authorities to prepare for Brexit, with consideration for the role of counties as trading standards and public health and social care authorities.
- The government should take steps to safeguard the workforce for social care as part of the Adult Social Care Green paper
- The government should consider the devolution of further responsibilities to counties, allowing county authorities to respond to the different challenges they face, the power and tools to work with their business, skills and education providers to shape their labour market, and to provide the best opportunities for people.

LEP Review

79. CCN has continued to remain engaged with the LEP review, and maintained a positive dialogue with officials at the Ministry of Housing, Communities and Local Government.

80. Our members were extremely disappointed that there has not been a full consultation on the proposals, given the scale of the proposed changes and the vital support that counties give to enable the ongoing success of LEPs. Whilst there is a diverse view within the CCN membership over the success of LEPs, all of our member councils recognise that LEP structures maximise the opportunities to work with private sector partners to deliver, and remain committed to working with their LEPs in order to secure the best possible outcomes for their areas.

81. CCN welcomes the proposals encouraging locally-led boundary reform to make LEP boundaries more coterminous with county boundaries. Many of our member councils have worked tirelessly with their LEPs to build good relationships, and in some instances boundary reviews will not be necessary.

82. CCN remains concerned, however, that some of the recommendations of the review will undermine the role of local authorities and their representation on LEP boards. Local authorities are key enablers and have a central role in determining local economic priorities and are undertaking activities to drive economic growth and job creation specifically around improving infrastructure and raising workforce skills within their areas. To that end, they are vital partners and should be seen key players in their LEPs and LEP boards, but the recommendations of the review would

see private sector representation increased on boards and public sector representation decreased. This is undemocratic, and undermines the role of the county council as the accountable body.

83. Local Industrial Strategies will set the direction for local economic growth and in order to be fully effective, should at the very least complement economic growth strategies and local plans prepared by the relevant local authorities, ensuring that infrastructure, housing and jobs are planned for in a holistic way.

84. LEPs should therefore be structured with this in mind, and county councils, as strategic authorities should be central to these bodies. Failure to do this leaves ambiguity of the respective roles of local authorities and LEPs, and could lead to duplication and confusion and undermine local economic growth plans which are central to the ambitions of the Industrial Strategy.

85. Finally, CCN members also have concerns over flexibility of the recommendations in the review, favouring a locally-led approach rather than setting out blanket rules that apply to all LEPs.

86. CCN believes that Government should set out a series of parameters on size, geography and composition of LEPs and their boards and allow for local responses to establish the right structures for them. We believe that a full consultation on the proposed recommendations should have been carried out. In addition, the proposed timescales for implementing the changes in February 2019 is concerning given the scale and important nature of the changes, and we believe a longer lead in time is needed.

Recommendations

- The Government should recognise the symbiotic relationship that LEPs have with their county councils, and seek fair representation of the public sector on LEP boards. This will allow local authorities to work constructively and in partnership with LEPs and other partners such as sub-regional transport bodies on matters such as economic growth, infrastructure and skills, and on Local Industrial Strategies.

- The government must be flexible with the parameters and implementation period to allow for locally-led change so that LEPs can reflect local circumstances.

The UK Shared Prosperity Fund

87. CCN welcome the government's commitment for the UKSPF to tackle inequalities between communities by raising productivity, as per the Industrial Strategy. Given the structural challenges in county economies, the UKSPF must consider county

areas as a priority. The CCN area should be the key target for the objectives of the UKSPF of shared prosperity and increasing productivity.

88. The sources of economic and social development funding offered by EU membership have been crucial to our membership. EU funding is more dispersed throughout the UK than national growth and infrastructure funding, with CCN members through Local Enterprise Partnership (LEP) membership receiving approximately half of funds of European Structural and Investment (ESI) funds (comprising European Regional Development fund, European Social Fund, amongst other streams). [11]

89. In addition to the intrinsic value of EU funding, the ESI streams also offers the opportunity to match fund against UK government competitive funding streams. Current business case guidance and Value for Money criteria can be challenging for rural areas to meet, given their lower population and business density, as well as higher costs for infrastructure due to geographic distances. If growth funding streams are combined under the UKSPF any competitive bidding process must take this into account.

90. Whilst it is welcome that the government has guaranteed current investment through to the end of 2020, it has not yet been set out in sufficient detail how the future Shared Prosperity Fund will work. Counties would welcome greater clarity on how it will work and the timescales involved. It is also only by giving counties a fair share of this funding that the sector can address some of the issues identified elsewhere in this report and bring the economies of the shire counties closer to other areas that have historically received more investment and attention.

CCN Proposals;

- The government should ensure that the UK Shared Prosperity Fund is of sufficient scale to meet the economic challenges in county areas.

- Further detail on the design of the UK Shared Prosperity Fund should be prioritised, and the priorities and design of the fund should take into account the structural challenges in county areas.

- The role of ESI funding in match-funding against other bids should be considered.

Devolution

91. 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.

[11] Desktop calculation based on LEP geography

92. 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.[12]

93. While there has been ongoing discussions surrounding the future of devolution, CCN are concerned that despite commitments to continue to devolve power to local areas progress on devolution have stalled.

94. 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 further on devolution across England. CCN strongly support the commitment that proposed that a 'common framework' would be established, setting out an open, transparent and structured approach to devolution across England.

95. CCN support recommendations from Respublica,[13] Localis,[14] and IPPR North[15] 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.

96. County councils and county unitaries have the scale, capacity and track record to take on devolved powers. 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.

97. 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.

98. 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.

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[12] 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

[13] ResPublica - Devo 2.0: The Case for Counties https://www.countycouncilsnetwork.org.uk/download/1243/

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

[15] IPPR North: *Rebooting Devolution: A Common Sense Approach to Taking Back Control* https://www.ippr.org/publications/rebooting-devolution

CCN Proposals;

- The Government must set out its common framework for devolution, setting out an open, transparent and structured approach to devolution across England.

- The devolution framework should recognise the role county authorities can play, and consider the devolution of further responsibilities to counties, allowing county authorities to respond to the different challenges they face, the power and tools to work with their business, skills and education providers to shape their labour market, and to provide the best opportunities for people.

Structural Reform

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

100. There is ongoing debate about the potential for reform in a number of counties, including Nottinghamshire, Leicestershire, while final decisions are awaited on Buckinghamshire and Northamptonshire.

101. Faced with a £3.2bn funding gap by 2019/20, councils across the country are exploring all means of bridging the 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.

102. The potential impact of such reforms is clearly shown by the findings of independent research by EY,[16] 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. A report by Respublica for CCN further explored the case for reformed two-tier governance, including county-wide unitary status, and the particular economic and public service reform benefits that reform could achieved.[17]

103. These reports, and a separate study by Shared Intelligence,[18] provided independent evidence showing that county unitary status has the most convincing financial, non-financial, and sustainability argument, especially when considering the need for further public service reform and economic growth.

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

[17] ResPublica - Devo 2.0: The Case for Counties https://www.countycouncilsnetwork.org.uk/download/1243/

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

104. 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 emphasised by a report from LaingBuisson, which warned against reforms that seek to fragment social care commissioning arrangements in county areas.[19]

105. CCN recognises the unique circumstances arising from the situation in Northamptonshire. Given the findings of the independent review and financial failures in this unique and special case, the county council has publically conceded that it is willing to explore a two unitary solution. CCN is working with, and supporting, Northamptonshire County Council, local MPs and district authorities in putting forward its proposals to Government.

106. The circumstances that have arisen in Northamptonshire are a special and unique case. All county councils remain under extreme financial and demand-led pressures. However, we do not believe the situation that has led to Government intervention and the invitation for sub-county unitary proposals will be repeated in any other county areas.

107. When considering a final decision in Buckinghamshire, and any forthcoming proposals, 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.

108. However, it is concerning for those areas wishing to explore reform that to-date no decision has yet been made on some 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.

109. While some county councils may wish to explore reform with their partners, others do not wish to pursue reform.

110. CCN feel that it is important that the Government consider how the common devolution framework can capture the role of **a retained and reformed two-tier arrangement** for those areas not considering structural reform. This is where Government and local areas consider how they best discharge existing functions, with some powers potentially devolved down to district level, while other more strategic powers are pooled at a strategic county-wide level. This could be supplemented by additional reforms, such as merged districts underneath the county council as the 'strategic authority'.

[19] 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.

111. The Government should consider proposals outlined by the think-tanks Localis and Respublica, and specifically their proposals and recommendations for strategic authorities. CCN are committed to exploring in further detail how a reformed and retained two-tier system could work in practice as part of our work programme for 2018/19.

Recommendations:

- The Government should issue decisions on remaining structural bids, where they remain of interest to authorities, considering the existing evidence base which demonstrates county unitary status has the most convincing financial, non-financial, and sustainability argument, especially when considering the need for further public service reform and economic growth.

- The government should publish a criteria and process for those other areas wishing to pursue structural reform as part of the common devolution framework. The common devolution framework should also capture the role of a retained and reformed two-tier arrangement for those areas not considering reform.