CCN COUNTY COUNCILS NETWORK	CCN Representation **Budget 2016** **January 2016**

Executive Summary

- CCN strongly support government attempts to provide greater funding protection for social care services. We believe that additional council tax flexibility through the social care precept and additional funding through the Better Care Fund (BCF) go some way to addressing our concerns. **However, the additional funding for social care through these reforms still remains inadequate to meet the existing funding gap for social care during the next two years.** For counties the situation has been compounded due to proposals on the distribution of revenue support grant and inadequate formulae used to distribute the BCF.

- The Treasury has an important role in supporting DCLG in delivering a fairer local government settlement. **Working with CCN and other local government stakeholders, the Government should urgently revise the formula for 2017/18, undertaking a full needs-based review of funding over the next six months.** We propose that the Treasury provides additional in-year resources to DCLG to support this urgently needed review.

- CCN welcome Government proposals for full devolution of business rates, **but it is critical that the government and local authorities now collaborate on implementing the policy in a fair and inequitable manner**. This is particularly important for CCN member councils in light of our concerns in relation to the proposed redistribution of RSG and also the greater complexity of the business rates retention system in two-tier local authority areas.

- The differences in how funding is distributed for the NHS and social care over the SR period are not conducive to delivering integrated frontline services in the timescales. To deliver the £22bn efficiencies required as part of the NHS Five Year Forward View and to deliver a sustainable adult social care system, Government must treat health and social care as a single system. **Government should front-load BCF with additional funding from 2017/18 in a similar manner to NHS funding**. As a minimum the Government should smooth out the distribution of the BCF, bring forward plan funding to increase the total amount in 2017/18.

- Empowered county areas, alongside city regions, will form the basis of strong local democracy, services and growth of the future. Counties have taken a leading role in building relationships and strong devolution, growth and reform bids in their areas. Despite this progress we have seen a series of city region deals and no county deals progressed in recent months. **We urge the Treasury to use the 2016 Budget to renew its focus on County Devolution**, setting out stronger plans for a core devolution settlement to underpin transformative deals in county areas and a wider fiscal framework to support devolution and the sustainability of local government finance.

- CCN welcome HM Treasury and central government's focus on strategic infrastructure investment and the formation of the National Infrastructure Commission (NIC). **However, we wish to voice our concerns about limiting national strategy to large cities, resulting in significant under investment in county areas**. The NIC must fully engage with counties through its first National Infrastructure Assessment.

Introduction

1. The County Councils Network (CCN) represents 37 English local authorities that serve counties. CCN's membership includes both upper tier and unitary authorities who together have over 2,500 councillors and serve over 25m 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 the big conurbations. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations to Government which can be supported by all member authorities.

2. CCN welcome the opportunity to submit a representation to HM Treasury ahead of the 2016 Budget. **This submission should be read alongside the evidence and proposals submitted to the recent consultation on the provisional local government settlement**. A copy of our response is provided in Annex 1. This submission should also be read alongside a range of CCN research and policy documents listed in Appendix 1. In addition, as a special interest group of the Local Government Association (LGA), we would like to draw the Treasury's attention to the proposals outlined in the LGA submission.

3. Ahead of the General Election and Spending Review, CCN put forward a range of proposals for the Government to consider in setting out its spending plans for this Parliament. Government has listened too many of the proposals put forward by CCN. However, we believe that there is more that the Treasury can do to support CCN member councils in achieving our joint objectives through the 2016 Budget.

4. In particular, despite the Government attempts to stabilise funding for social care, CCN still remain concerned that funding for services in county areas remains inadequate, particularly over the next two years. This is due to proposals outlined in the provisional local government finance settlement and the back-loading of additional funding through the Better Care Fund.

5. Moreover, while we welcome the Government's commitment to devolution and the establishment of the National Infrastructure Commission (NIC), we are concerned by the lack of progress on devolution deals in county areas. The narrow focus of the NIC could potentially undermine the local growth and devolution in county areas and lead to significantly less investment in vital infrastructure in non-metropolitan areas.

6. This submission outlines further proposals for ensuring CCN member councils are able to support the Government's agenda on growth, public sector reform, and health and social care integration. Proposals are outlined in the following sections:

    - Local Government Finance
    - Council Tax
    - Business Rates Retention
    - Adult Social Care
    - County Devolution
    - National Infrastructure

Local Government Finance

7. Counties are willing to play their part in reducing the national deficit, seeking efficiencies and further savings. Counties have proven during the last Parliament that they could meet the challenge of funding reductions at a time of rising demand: making efficiencies, sharing services and increasing commercialism, while balancing their budgets and continuing to safeguard key services.

8. In our response to the Spending Review CCN provided extensive evidence on why Government should seek to provide greater protection for councils providing adult social care and children's services. We believe that additional council tax flexibility through the optional social care precept and additional funding through the Better Care Fund (BCF) go some way to addressing our concerns. **However, as CCN outlined in its response to the provisional local government finance settlement, the additional funding for social care through these reforms still remains inadequate to meet the existing funding gap for social care during the next two years.** For counties the situation has been compounded due to proposals on the distribution of grants and inadequate formulae used to distribute the BCF that fails to remunerate counties for their highest levels of demographic growth. Overall, the proposals mean that CCN member councils have not be afforded an adequate level of protection.

9. For 2016/17, counties witness an average reduction of 33.7% in RSG, compared to a national average of 27.6%. Under the proposed formulae, our member councils will witness an *additional* and completely unexpected reduction of £184m during 2016/17 compared to previous distribution mechanisms. This brings total reductions to £854m. This settlement, following four years of fiscal retrenchment, rising service costs, demand-led pressures outside of our control, and now the National Living Wage (NLW), have placed CCN member councils in a significantly worse financial position despite positive measures such as the social care precept and expanded BCF.

10. The increased pace of these reductions are extremely concerning, particularly the significant dip in funding for 2016/17 and 2017/18. The decreases in funding outlined in the provisional settlement bear little resemblance to the statement in the Spending Review that 'day to day departmental spending will fall on average at less than half the rate of the preceding 5 years'.[1]

11. While we welcome the social care precept and expanded BCF to provide 'greater protection' to social care authorities going forward, these new funding streams combined favour other parts of the sector. The funding provided to non-CCN authority areas through the precept and BCF per head of population aged 65 and over remains significantly higher during the period of this Parliament. This disparity peaks in 2018/19, where London receives 170% per head more funding through the precept and BCF.[2]

12. In the absence of transitional arrangements for 2016/17, and further amendments for the remainder of this Parliament, reductions on this scale will challenge the viability and continuing provisional of statutory services. We believe that the scale of reductions will adversely impact on the ability of upper-tier councils to support their local economies, facilitate housing growth and attract private sector inward investment. The reduction in preventative social care services will also impact on the capacity for counties to support the NHS in delivering against targets, such as reducing delayed discharges and efficiency targets.

13. In our response to the local government finance settlement consultation, CCN provided Government with a number of practical and sensible 2016/17 transitional arrangements to lessen the impact of these unplanned reductions on member councils. We acknowledge that by the time of the Budget, DCLG would already have published the final local government finance settlement for the coming year and we hope that the Government has acted on our concerns, delaying implementation of its proposals or providing transitional in-year funding.

14. However, the Treasury has an important role in supporting DCLG in delivering a fairer settlement for all local areas for the remainder of the Parliament. **Specifically, our response to the local**

[1] Spending Review and Autumn Statement, p.1 2015

[2] CCN Response to Consultation on Provisional Local Government Settlement (2016), p.8
http://www.countycouncilsnetwork.org.uk/library/july-2013/file115/

government settlement consultation set out proposals for the government to undertake a full needs-based review of local government funding.

15. CCN does not believe the redistribution of RSG has fully taken into account the needs of populations, both currently and over the four-year Spending Review period. Despite some welcome measures to address increasing demand for social care, CCN member councils are receiving much greater reductions to baseline funding despite evidence that shows historic deficiencies in existing formulae, current and future service demand.

16. CCN's Spending Review submission set out the demand-led pressures facing county areas across the full range of services.[3] Recent research undertaken by LG Futures for CCN builds upon the evidence we presented to Government on existing and future service pressures, with a focus on social care pressures across children's and adults services. These pressures are explored on page 8.

17. In light of the introduction of the optional social care precept and the move towards full Business Rates Retention (BRR), CCN acknowledge that adjustments to the distribution of local government resources will be needed. However, the local government finance system which enables redistribution between authorities should not only take into account available resources, but also need and demand led pressures.

18. An inherent problem with the methodology to distribute RSG is its failure to fully reflect needs and demand outlined below. While CCN recognises the need for some sort of spending power measure, any measure which fails to take into account the impact of inflation and demographic growth is fundamentally flawed. In the short-term this leads to disproportionate reductions for CCN member councils, particularly during 2016/17 & 2017/18, and potentially embeds unfairness into the baseline that will be used for full BRR.

19. **Working with CCN and other local government stakeholders, the Government should urgently revise the formula for 2017/18, undertaking a full needs-based review of funding over the next six months. This should adequately reflect the needs and demand pressures facing all councils.** There are concerns that the Department of Communities and Local Government (DCLG) will not be able to undertake this review due to resource constraints. We propose that the Treasury provides additional in-year resources to DCLG to support this urgently needed review.

20. The urgency of this review is even more imperative given the welcome acceptance by the Treasury of the need for financial settlements for local government that span the entire Spending Review period. CCN have called for the longer term financial settlements for local authorities. However, before CCN member councils agree to such settlements, they must have absolute confidence in the integrity and fairness in funding formulae. In line with the above proposals, figures need to be derived from a proper, open and transparent process, which recognises not only authorities' ability to secure finance locally through the council tax base, but the needs of the population, demand-led pressures and inflationary costs, in particular those relating to social care.

21. **Given the scale of funding reductions for local authorities, we also believe that the Treasury should work across departments to devise ways of streamlining and updating existing legislation and statutory duties to lower cost burdens on local authorities**. There are many instances of legislation which has not kept pace with government policy and service development and this creates unnecessary and in some cases, bizarre expenditure commitments which could be addressed through changes. It is acknowledged that

[3] CCN. Spending Review Submission (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/

in some cases, this could take time to implement, but it is essential that this is considered. CCN will be providing evidence to Government on how this could be achieved over the coming period.

<u>Council Tax</u>

22. While CCN maintain its opposition to the council tax referendum threshold, we support greater local decision making over taxation and the new flexibility of the precept is therefore welcomed. However, we do have concerns over its use within the local government settlement and believe further reforms could be made to provide greater flexibility for local areas and fairer funding.

23. In our response to the local government finance settlement, CCN set out our concerns in relation to the use of council tax within the spending power methodology used to distribute RSG. In judging whether the use of the spending power methodology is fair and appropriate, Government must also consider the impact of assumptions it has made. **Whilst there may be a case that council tax income should be taken into account in a measure of spending power, CCN do not believe it is reasonable to include assumptions about increases in council tax and should be removed from the methodology for two principle reasons**:

    - The Government assertions that the settlement is 'cash flat' over the period of 2016-20 is only obtainable if councils increase council tax year-on-year by 3.75%. CCN support greater local decision making over taxation and the new flexibility of the precept is welcomed. However, if, as the Government maintains, it is for councils to make decisions on council tax levels, it is not acceptable for assumptions on council tax increases to be built into spending power figures that has such a significant redistributive impact on councils.

    - DCLG have also made optimistic assumptions within the spending power methodology that the council tax-base grows over the period of the Parliament. CCN is not convinced, at this point, that the growth in council tax bases will be achieved. In addition, while assumptions consider the additional income raised from a growth in the council tax base, it fails to fully recognise that population growth also results in additional demand for local for local services.

24. In addition to the above, the social care precept effectively disadvantages two-tier areas. Unitary and metropolitan authorities are able to levy the 2% increase for social care on a larger council tax base than county councils, where the charge is lower reflecting that districts deliver some services. **The Government should mandate that the optional 2% council tax precept for social care is applied to both the district and county council tax levies in two-tier areas. The 2% raised on the district component of council tax should be passported to the county council and not retained by the district council.**

25. **We also propose that the Single Person Discount (SPD) is reformed**. Funding for the Council Tax Discount Scheme was devolved in 2013 and was subsumed into RSG. Given this was a new burden, it is questionable if RSG can be reduced for this. However, Government has not allowed local discretion to be applied to SPD. Were this to be devolved, councils could apply this via means assessment - thereby releasing funds to support social care.

26. Counties will only realise an increase in their spending power if councils increase council tax over the period of this Parliament. Government must acknowledge that this is a significant alteration in Government policy. As such, **the Treasury must work with and support the sector in implementing this new levy and explaining the rationale for its introduction to local residents. This includes allowing maximum flexibility in how the tax is presented on council tax bills.**

27. Government must acknowledge that in the absence of further additional central government funding for social care, the majority of councils will be compelled to implement the precept to contribute to the cost of rising demand and inflation, and this includes those areas that had supported the Government's clear and unambiguous commitment to council tax freezes in the past.

Business Rates Retention

28. In 2015, the Chancellor proposed to allow English local government to collectively retain all business rates income in England. CCN called for greater retention of business rates in *Our Plan for Government 2015-20* and Spending Review submission as part of the Government's devolution and local growth agenda.[4]

29. We welcome the proposals, but it is critical that the government and local authorities now collaborate on implementing the policy in a fair and inequitable manner so that it correctly incentives growth without undermining the continuing provision of frontline services. This is particularly important for CCN member councils in light of our concerns in relation to the proposed distribution of RSG and also the greater complexity of the business rates retention system in two-tier local authority areas.

Equalisation - A needs-based system

30. A key issue for upper-tier councils is ensuring that the proposed system is developed in a way that ensures the right balance between rewarding councils for growing their local economies and avoiding unexpected outcomes.

31. CCN acknowledge that the proposed local government finance settlement is a transitionary one as part of the Government's wider plans to make areas self-sustaining through full business rate retention. However, as outlined above, we are concerned that unless Government brings forward its needs-based review, proposed changes could potentially embed unfairness ahead of business rate retention.

32. Our response to the local government settlement showed that by the end of the Parliament counties see a 95% reduction in RSG per head of population. Per head allocations are currently 37% lower in counties compared to metropolitan boroughs, with this figure now growing to 90% by 2019/20 under current proposals.[5]

Table 1 - Revenue Support Grant £ per head population

LA Type	2015/16	2016/17	2017/18	2018/19	2019/20	% change
CCN (inc. DC allocation)	136.5	89.74	53.05	29.85	6.85	**-94.94**
Met	216.76	164.8	123.2	95.42	66.82	**-69.17**
London	213.94	161.05	118.71	90.5	61.59	**-73.45**
England	181.98	131.7	91.29	68.1	39.01	**-78.56**

33. CCN support and accept the move towards phasing out of RSG in order to deliver more localised funding and independence. As stated above, CCN acknowledge the move towards full BRR will require adjustments to the distribution of local government resources and the development of effective equalisation mechanisms. However, we do not believe the above allocations will fully reflect needs and demands of local areas through this Parliament and emphasise the need to

[4] CCN. Our Plan for Government 2015-20 (2014) http://www.countycouncilsnetwork.org.uk/library/july-2013/file79/
[5] CCN Response to Consultation on Provisional Local Government Settlement (2016) http://www.countycouncilsnetwork.org.uk/library/july-2013/file115/

bring forward the needs-based review that will inform the baseline for business rate retention. As the LGA state in their response to the Treasury, it is essential that the system of equalisation between local authorities is retained and effective, with greater clarity needed regarding the new 'relative needs profile'.

34. An additional consideration in two-tier local authority areas will be the distribution of retained business rates between upper and lower tier councils. Under the current system district councils retain 80% of all local revenues. CCN has long called for this share to be revised, even before Government announcements on full retention.[6] We have consistently maintained that current allocations fail to correctly incentive councils to promote growth. Under the new system the current ratio would fail to reflect the demand-led pressures faced by county councils, such as social care, public transport, waste management and investment in growth.

35. It has been acknowledged by both the LGA[7] and the District Councils Network (DCN)[8] that this share in retained allocations will no longer be tenable under full retention. CCN has committed to working the LGA and DCN is devising practical proposals for the implementation of business rates in two-tier areas that enables both tiers to continue to provide vital frontline services, meet the rising costs of services and support local growth. CCN and its partners will be engaging with DCLG at the earliest opportunity to present proposals that support this vision, ensuring that funding baselines are needs-based and fair between regions, upper and lower tier councils.

Transfer of Responsibilities

36. As part of its reforms to business rates retention, Government plans to devolve a range of new powers and responsibilities to local areas. The Spending Review and LGFS set out options for services and grants that may be transferred to be funded by these additional retained resources, including public heath grants, housing benefit administration grant, and attendance allowance.

37. CCN will see to engage extensively with the Treasury, DCLG and the LGA on proposals, putting forward detailed proposals on what new responsibilities and powers should be devolved from 2019/20. As the LGA state in their submission, an important aspect is that these services are demand, with pressures increasing over time. Dealing with this will require councils to have full control over the delivery of services and an acceptance by Government that local variation can improve outcomes as it can reflect local priorities.

38. CCN would take this opportunity to emphasise to Government that if they are to achieve the core aim of a 'devolution revolution', incentivising local areas to promote and secure business and private sector growth, the powers transferred must enable counties and their partners to fully realise their ambitions. Powers cannot and should not be limited to administration of demand-led benefits, and should look to capitalise on the wider devolution deals across skills, planning, transport and infrastructure. CCN's *County Devolution* reports set out a range of budgets that could be devolved through *devolution by default* as part of business rate retention.[9]

Adult & Children's Social Care

39. In our response to the Spending Review CCN provided extensive evidence on why Government should seek to provide greater protection for councils providing adult social care and children's services. CCN has been clear that this should mean *all* upper-tier councils. We believe that additional council tax flexibility through the social care precept and additional funding through the Better Care Fund go some way to addressing our concerns. **However, the additional**

[6] CCN Response to Consultation on Business Rates Review (2015) www.countycouncilsnetwork.org.uk/library/july-2013/file100/
[7] The MJ, 16[Th] November 2015 http://www.themj.co.uk/Lord-Porter-calls-for-8020-split-of-business-rate-to-be-reversed/202339
[8] LGC 18[th] November 2015 http://www.lgcplus.com/politics-and-policy/finance/districts-u-turn-over-review-of-business-rates-split/7000396.article
[9] See County Devolution resources and Reports http://www.countycouncilsnetwork.org.uk/county-devolution/

funding for social care through these reforms still remains inadequate to meet the existing funding gap for social care during the next two years. For counties the situation has been compounded due to the proposals on the distribution of grants and inadequate formulae used to distribute the BCF. Overall, the proposals mean that CCN member councils have not be afforded an adequate level of protection.

40. The scale of the financial challenge for county areas must not be underestimated. In the current financial year county adult social care departments are facing an estimated funding shortfall of £959m. These estimates are based upon the predicted 'care home fee gap' for CCN member councils of £630m,[10] coupled with Local Government Association (LGA) projections for our member councils on the funding gap in core budgets (£329m). This prior to the implementation of the National Living Wage in 2016/17, which the LGA estimates will present an additional cost pressure across all local authority types of a minimum of £340m in 2016/17.[11]

41. Recent independent research undertaken by LG Futures on behalf of CCN found that:

- Counties have the fastest growing average annual rate of 65+ year olds of 2.0%. , This is higher than all other local authority types and the national average of 1.8%.
- CCN member councils experienced an 8.5% increase in the number of social care contacts from 2009/10 to 2013/14, against overall reductions in other authority types.[12]
- Over the same period counties experienced a 52% increase in the number of referrals from primary and secondary health care sectors.
- Outside of London, CCN member councils have seen the biggest increase in delayed days for patients awaiting residential placements (12.3%), nursing placements (3%) and home care packages (68%) at home from October.

42. The challenge facing counties in meeting the rising demand set out above must be put in the context of further LG Futures findings on funding for social care in county areas:

- Counties have on average witnessed the largest reductions in adult social care funding (-22.9%) compared to other local authority types, and higher reductions in estimated cash funding (-20.1%) than the national average.
- Counties (£679) receive nearly one third less funding per head of population (65+) than the national average (£883) and significantly less than London (£1,182).
- CCN member councils will be subject to £247m of unfunded cost pressures as a result of demographic growth, this represents 52% of all demographic costs for English local authorities.

43. In addition to funding and demand pressures across adult social care, recent research on children's services for CCN showed;

- Over the course of the last Parliament (2010-2015) counties saw an increase of 57% in the number of children subject to child protection plans. Between 2013/14 and 2014/15 alone there was a 30% increase.
- Between 2009/10 and 2013/14 CCN member councils saw a 20.3% increase in referrals, whilst other local authority types, such as London Boroughs (-28.5%) and Non-CCN Unitaries (-4.5%) saw a reduction in referrals.
- Counties net budget expenditure per head of population on children's social care in 2015/16 is estimated to be £115.79, 75% less than Inner London Councils per head expenditure (£205.76).[13]

[10] CCN. Spending Review Submission (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/
[11] National living wage to cost councils £1 billion a year by 2020/21, Local Government Association, 13 July 2015
[12] The number of referrals made and subsequent contact with local authorities represent one of the principle quantitative measures of demand for social care services.
[13] CCN. *Delivering Children's Services in Challenging Times* (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file113/

44. During the Spending Review period the NHS in England will be provided with £10 billion per annum more funding in real terms by 2020-21 than in 2014-15, with £6 billion a year frontloaded in 2015/16.

45. By comparison, upper-tier local authorities in England will receive a settlement that Government states will increase adult social care spending 'in real terms by the end of the Parliament'.[14] The structure of the settlement over the Spending Review period means that funding for adult social care is effectively back loaded. The expanded Better Care Fund will only reach its full potential in 2019/20 and the effects of the optional social care precept will also only be fully realised in the same year.

46. The proposed methodology for distributing the expanded BCF and the delay in making funding available to local authorities will lead to significant budget shortfalls in the first two years of the settlement.

47. The use of the social care relative needs formula to distribute BCF funding to local authorities ensured that those councils which were deemed to have a greater level of deprivation were remunerated in recognition of this. Research by LG Futures on behalf of CCN found that the difference in funding per head of population is clearly shown in table 2 below.[15] CCN member councils receive £90 below the national average and significantly less than areas such as Inner London (£632) and Metropolitan Boroughs (£181).

Table 2 – Better Care Fund Allocations 2015-16

Comparator Group	BCF Funding (per head 65+)	Difference From CCN Allocation
County Council Network (CCN)	**£389**	**£0**
Inner London	£1,020	+£632
Outer London	£602	+£213
Metropolitan Boroughs	£570	+£181
Unitaries (Excl CCN Members)	£515	+£127
England	£478	+£90

48. The expanded BCF will provide £1.5bn funding by 2019/20 for local authorities to spend on adult social care. However, mirroring proposals on the distribution of RSG set in the LGFS consultation, the proposed formula to distribute this funding does not deliver against Government's stated aim of the settlement to address demand pressures where they are most acute. Table 3 below shows that proportionally counties receive even less funding under the expanded BCF proposed formulae per head of over 65 population. For example, CCN member councils receive just under 50% less funding per head of over 65 population than Metropolitan Boroughs under the current distributive formula. Under the proposed arrangements for distributing the expanded BCF this difference will grow to nearly 70% in 2017/18.

[14] The Provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years: Consultation, Department for Communities and Local Government, December 2015
[15] Social Care and Health: Funding & Cost Pressure Analysis, LG Futures, January 2016

Table 3: Expanded Better Care Fund - £ Per Head Allocations 65+ yr old population

LA Type	2017/18	2018/19	2019/20
CCN	**3.30**	**49.46**	**94.05**
Met	25.59	145.07	246.42
London	21.26	134.71	224.57
UA	10.65	81.08	144.67
England	10.62	82	146.44

49. The funding provided to non-CCN authority areas through the precept and BCF per head of population aged 65 and over remains significantly higher during the period of this Parliament. This disparity peaks in 2018/19, where London receives 170% per head more funding through the precept and BCF (See Table 4). The level of disparity should be considered in the context of information provided above on the demand-led social care pressures facing county areas.

Table 4 - Additional Funding Per Head of 65+ Yr Old Population Available from Total BCF/Social Care Precept Funding

LA Types	2017/18	% Diff CCN Allocation	2018/19	% Diff CCN Allocation	2019/20	% Above CCN Allocation
CCN	£79.58	-	116.62	-	254.11	-
Met	£110.69	39%	276.86	137%	428.04	68%
London	137.17	72%	315.09	170%	466.51	84%
UA	95.32	20%	211.88	82%	324.47	28%
England	93.67	18%	210.18	80%	322.56	27%

50. As shown above, the level and distribution of the funding provided for social care over the course of the SR does not provide CCN member councils with adequate resources to address existing pressures within adult social care services, let alone the costs associated with biggest demand and demographic pressures of any local authority type. Without transitional measures to reduce the impact of RSG reductions in 2016/17 and 2017/18 counties will left in a position whereby the viability and continuing provision of discretionary services and the safe provision of statutory services will come in to question.

51. Local care markets are of particular concern in the current and ongoing financial climate facing CCN member councils, as demonstrated by CCN and LaingBuisson ground-breaking study *County Care Markets: Market Sustainability & the Care Act*.[16] The access of state-funded residents to quality care home placements is likely to diminish unless there is a significant uplift in funding for providers to place them on a sustainable financial footing.

52. Continued underfunding of social care and in-turn local care markets is also likely to impact on the ability of local authorities and the NHS to deliver efficiencies. Instability and polarisation is growing in local care markets as shown by CCN's study with LaingBuisson.[17] This is where providers increasingly focus on the more profitable self-funder market, meaning that local authorities and the NHS will find it increasingly difficult to arrange care at market discounts, or worse, difficult to arrange care at all. This will lead to escalating costs to the health service and

[16] CCN & LaingBuisson. *County Care Markets: Market Sustainability & the Care Act* (2015) http://www.countycouncilsnetwork.org.uk/countycaremarkets/
[17] Ibid

increasing delayed discharges, with councils and health providers being unable to find quality and affordable residential and nursing placements to reduce demand on acute healthcare.

53. The differences in how funding is distributed for the NHS and social care over the SR period are not conducive to delivering integrated frontline services in the timescales. **To deliver the £22bn efficiencies required as part of the NHS Five Year Forward View and to deliver a sustainable adult social care system, Government must treat health and social care as a single system**. In essence if one part of the system receives a frontloaded funding settlement, so should the other part. Without sufficient investment in social care, then it is unlikely that the NHS will achieve its efficiency targets and will continue to deliver year on year deficits

54. CCN believe that there are a number of measures the Treasury could take to increase investment in adult social care services.

55. **Government should front-load BCF with additional funding from 2017/18 in a similar manner to NHS funding**. As a minimum the Government should smooth out the distribution of the BCF, bring forward plan funding to increase the total amount in 2017/18.

56. **Given our concerns over formulae used to distribute RSG, we disagree with the proposed method of distributing BCF funding; this must be urgently reviewed**. CCN seek Treasury support in ensuring the Government alters its approach and allocations are made according to an updated needs formula, which does not make assumptions that there will be full take-up by councils of the additional 2% social care council tax flexibility.

57. In line with the LGA and NHS England Chief Executive Simon Stevens,[18] we believe that beyond reforming existing BCF funding, it is important that the state of the adult social care sector is monitored and addressed with further financial measures adopted where needed. The social care sector needs to be appropriately funded to ensure we can improve people's lives by integrating care and health services. This will mean exploring a range of reforms in partnership with the sector throughout this Parliament.

County Devolution

58. Empowered county areas, alongside city regions, will form the basis of strong local democracy, services and growth of the future. As demand pressures rise and as local areas move to a self-sufficiency model counties represent the scale and expertise needed to remain resilient and drive growth and service reform. Devolution will play a crucial role in ensuring county areas can innovatively fund and deliver services going forward, and CCN will continue to work with our members and central government to progress transformative deals in the early part of this year.

59. CCN councils account for £527bn of the country's GVA and are the most significant contributors to the Treasury. They represent a higher level of skills and a larger proportion of businesses and private sector employment than elsewhere in the country. Devolution of transport, infrastructure, skills, health and care powers and budgets could help future proof and increase this contribution. For example CCN have calculated that despite strong performance counties show the lowest productivity levels and exhibit a serious and growing skills gap. If counties were given the powers and investment needed to bring their productivity up to the national average then approximately £100bn could be added to the national economy.[19]

[18] The Guardian, Monday 18th January http://www.theguardian.com/society/2016/jan/18/this-is-nhs-chief-demands-political-consensus-funding-elderly-and-social-care & LGA Representation to 2016 Budget (2016)
[19] CCN Response to IPPR Independent Research (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file112/

60. Counties have taken a leading role in building relationships and strong devolution, growth and reform bids in their areas. Despite this progress we have seen a series of city region deals and no county deals progressed in recent months. In fact we have yet to see a two-tier devolution deal agreed. We believe that part of the delay relates to concerns over governance arrangements. In line with the findings of the Independent IPPR Study into county devolution,[20] **we believe that the Government must take a flexible and area based approach to appropriate governance models to hold devolved powers**.

61. Devolution is not a zero-sum game and CCN are calling for a clear and tangible commitment from central government in agreeing transformative county deals and the development of a core settlement available to all areas in the first part of this year. **This must lead to transformative devolution to county areas including transport, infrastructure, skills, employment support, health and care powers and budgets, and the consolidation of planning at the strategic level.** To progress the reach of devolution we ask that central government departments work with HM Treasury, DCLG, CCN and the LGA to commit a proportion of their 2016/17 budget to devolution – this will ensure a presumption in favour of devolution and avoid any unnecessary delays.

62. CCN called for and welcome moves to localise public finance, allowing public institutions to plan in a more integrated and strategic way. However we believe that local areas must be given an adequate set of tools to allow them to be resilient and responsive within a 'self-sufficiency' model. The Chancellor has proposed that metro mayors are given the power to raise business rates in consultation with local business, equally we have seen mayors given the power to raise strategic CILs, and cities prioritised for national infrastructure investment. In a world of growing demand and no revenue support we must not arbitrarily disenfranchise county areas, or risk their viability by limiting fiscal devolution to metro mayors and city regions. **The 2016 Budget could provide greater control over local taxes and levies by the local area and devolution of revenue from existing national taxes and funding streams, to enable sustainability within the new local government system.**

National Infrastructure

63. Ensuring the right strategic infrastructure is in place will be key to the future economic health and competitiveness of the country. CCN therefore welcome HM Treasury and central government's focus on strategic infrastructure investment and the formation of the National Infrastructure Commission (NIC). However, we wish also to voice our concerns about limiting national strategy to large cities, and connecting these cities together. The NIC for example has been asked to submit infrastructure priorities for the large northern cities and London to the 2016 Budget, without reference to the rest of the country.

64. CCN suggest that limiting the scope of this prioritisation and investment in such a way is not in the best interests of unbiased assessment of the UK's long-term infrastructure needs. We argue that strategic infrastructure investment is as pressing in county areas as it is city areas, that cities and counties function together, and that county regions represent substantial economic opportunities which must not be overlooked. Equally the ability to invest in infrastructure will be crucial within a local government finance system grounded in local growth – counties must be empowered alongside cities to stimulate and accommodate growth and create a virtuous cycle.

65. We strongly suggest that the NIC and central government departments thoroughly engage with the robust and evidence based infrastructure priorities of counties in determining the 2016 Budget. The NIC must also fully engage with counties through its first National Infrastructure Assessment, something CCN have offered to facilitate. As set out in the *Devolution* section of

[20] IPPR. Empowering counties: Unlocking county devolution deals (2015) http://www.countycouncilsnetwork.org.uk/news/2015/nov/report-ippr-empowering-counties-unlocking-county-devolution-deals-ccn-response/

this submission, growth and sustainability will also be reliant on devolution and fiscal freedoms, transport and infrastructure powers will form an important part of this.

66. CCN believe there are a number of measures that could be taken as part of the 2016 Budget to ensure county areas receive a proportionate focus in Government plans for infrastructure investment during this Parliament:

- National Infrastructure Commission to take a comprehensive, country-wide approach in making recommendations through its initial investigations to inform the 2016 Budget.

- NIC to work with CCN to fully engage county areas through the first National Infrastructure Assessment and to commit now to specific detailed research into the needs and opportunities presented by counties.

- Equip county areas with a full suite of fiscal freedoms and devolved powers, so that their businesses and residents are able to decide what measures are put in place to reform public transport and invest in strategic infrastructure projects.

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Appendix 1 – List of Relevant CCN Policy & Research Resources

CCN. *Delivering Children's Services in Challenging Times* (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file113/

CCN Response to IPPR Independent Research (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file112/

CCN & LaingBuisson. *County Care Markets: Market Sustainability & the Care Act* (2015) http://www.countycouncilsnetwork.org.uk/countycaremarkets/

CCN. Health & Social Care in Counties Funding, Demand & Cost Pressures: CCN Response to Independent Research (2016) http://www.countycouncilsnetwork.org.uk/news/2016/jan/health-amp-social-care-counties-funding-demand-amp-cost-pressures/

CCN Spending Review Submission (2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file107/

IPPR. Empowering counties: Unlocking county devolution deals (2015) http://www.countycouncilsnetwork.org.uk/news/2015/nov/report-ippr-empowering-counties-unlocking-county-devolution-deals-ccn-response/

LG Futures. Social Care and Health: Funding & Cost Pressure Analysis (2016) http://www.countycouncilsnetwork.org.uk/news/2016/jan/health-amp-social-care-counties-funding-demand-amp-cost-pressures/