COUNTY COUNCILS NETWORK	# CCN Submission to Autumn Statement **October 2016**

Rt.Hon Philip Hammond MP
Chancellor of the Exchequer
HM Treasury
Unit 1, Horse Guards Rd,
London SW1A 2HQ

7th October 2016

Dear Philip,

Autumn Statement Representation

The County Councils Network (CCN) welcome the opportunity to submit evidence and proposals to HM Treasury's Autumn Statement on behalf of our member councils and the communities they serve. Following the EU referendum and formation of a new Government, this year's Autumn Statement comes at a critical time for our country and the member councils represented by the CCN.

Over the coming period, there is no doubt that the new Government have an enormous task in renegotiating our relationship with the EU and ensuring economic and political stability at a time of uncertainty.

But the Government has rightly indicated that it intends to be more than a 'Brexit Government', continuing to deliver the core principles of its 2015 Manifesto, while setting a range of new and distinct economic and social policies. This commitment to a combination of continuity, stability and reform is particularly important for county areas and the 25 million residents our 37 member councils represent.

The proposals contained in this submission across **Local Government Funding**, **Devolution**, and **Economic Growth & Inclusion** aim to support the Government in delivering their core objectives, while putting forward a chase for change in a number key areas, including;

- **Devolution**: Devolution is a priority CCN share with Government, and we welcome the Government's continuing commitment to empowering local areas and those deals agreed to date. However, the continuing insistence of Directly Elected Mayors as a condition of Devolution deals is holding back progress. Through the Autumn Statement Government must ensure that the momentum on devolution maintained, with new powers and funding granted to all local areas. We also argue that greater flexibility is needed over Elected Mayors and clarity over combined authorities and potential structural reform. This will provide a clear direction in which to take forward devolution deals across county areas.

- **Business Rates Retention**: Considerations over local government funding and devolution are intrinsically linked to the planned reforms to business rates. The Autumn Statement presents an important opportunity to lay the foundations in which these reforms can be a success during this Parliament. Recognising the complexity and challenges for county areas in generating and sustaining business rate income over time, the Statement can have an important role in accelerating the delivery of the needs based review, progress the devolution of strategic growth powers to all local areas and prioritise essential long-term investment in county economies so that our members are able to adapt and sustain services under the new system.

- **Housing**: Delivering more homes is rightly at the forefront of this Government's agenda. Housing construction remains too low across all tenures. In county areas housing is the least affordable outside of London. Counties work well with their partners to maximise housing delivery; but we recognise the challenges and complexity in achieving a strategic approach to housing provision, particularly in two-tier areas, and the need to ensure communities see the benefits of new housing through appropriate infrastructure to ease the pressure on local services. In delivering a new approach, CCN would like to work with Government and our partners to empower counties to lead on strategic planning and infrastructure on a county-wide basis. This would increase the strategic footprint of local plans and align incentives and funding for essential infrastructure to maximise support within local communities for new housing developments.

- **Economic Growth**: While county economies and businesses contribute the most to nation's prosperity, the challenges holding back our economies such as low productivity, infrastructure gaps and underinvestment in transport links are not fully recognised. We strongly welcome the Government's intention to lead a renewed and broadened Industrial Strategy and regional investment programme, one focused on boosting growth, productivity and skills outside of City Regions and across rural and urban areas. This Autumn Statement could truly rebalance and prioritise investment towards county economies.

The Autumn Statement presents the opportunity for the Treasury to set out a new direction in a number of policy areas, building on the recent announcements made at the Conservative Party Conference.

By considering the evidence and proposals contained within our submission, Government can support our members' councils to do more for their communities; delivering devolution, fair and sustainable funding, economic inclusion and better access to local services.

We look forward to working with the Government in delivering their programme.

Yours sincerely

Cllr Paul Carter Chairman	Cllr Philip Atkins Vice Chairman	Cllr David Borrow Vice Chairman	Cllr Ross Henley Vice Chairman

CC: Rt. Hon. Sajid Javid, Secretary of State for Communities & Local Government.

Introduction

1. The County Councils Network (CCN) represents 37 English councils that serve counties. CCN membership includes both upper tier county councils and county unitary authorities and is a distinct voice within the local government sector. The counties of the CCN cover 86% of England's landmass, over 44 thousand square miles. CCN is a special interest group of the Local Government Association (LGA).

2. CCN is a national advocacy and policy development organisation. We develop policy, share best practice and make representations to central government and the LGA on behalf of this significant proportion of the country. CCN is a member-led organisation which works on an inclusive and all party basis. You can find out more about the CCN by visiting our website www.countycouncilsnetwork.org.uk/about.

3. The CCN welcomes the opportunity to submit evidence and proposals to HM Treasury's Autumn Statement on behalf of our member councils and the communities they serve. In line with the objectives of Government and the announcements since the new Administration took office, our evidence and proposals are built around the following thematic themes;

- **Local Government Funding**
- **Devolution**
- **Economic Growth & Inclusion**

4. The following sections outline our key policy suggestions and evidence across these thematic areas. The evidence provided within this submission builds on a number of recent submissions to Government and independent research undertaken for CCN. In particular, we would like to draw your attention to the following

   - CCN Submission: 100% Business Rates Retention & Supporting Evidence-Base[1]
   - Pixel Financial Management, Independent Analysis of Full Business Rate Retention in County Areas, August 2016 [2]
   - CCN Submission: CLG Select Committee Inquiry: Local Authority Adult Social Care[3]
   - Institute for Public Policy Research (IPPR). Empowering Counties: Unlocking Devolution Deals[4]
   - CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures[5]

5. In representing the interests of counties,[6] we do not attempt to duplicate or reproduce much of the comprehensive analysis provided by the LGA. CCN agree with, and support, the vast majority of the technical analysis and proposals of the LGA, and where we do not, this is specifically highlighted.

6. In particular, when considering the policy and regulatory implications of Brexit on CCN member councils, we continue to actively support the work being undertaken by the LGA in collaboration with the Department for Communities & Local Government (DCLG).

[1] www.countycouncilsnetwork.org.uk/library/
[2] www.countycouncilsnetwork.org.uk/news/2016/aug/new-report-indepenent-report-business-rates-retention-county-areas/
[3] www.countycouncilsnetwork.org.uk/library/july-2013/file128/
[4] www.ippr.org/publications/empowering-counties-unlocking-county-devolution-deals
[5] www.countycouncilsnetwork.org.uk/news/2016/jan/health-amp-social-care-counties-funding-demand-amp-cost-pressures/
[6] For the purposes of this submission the term 'counties' is used to refer to the 37 county and county unitary authorities of the CCN membership.

Local Government Funding

Background

Core Funding

7. Counties have played their part in helping to manage the national deficit. Our members have undertaken substantial budget reductions, efficiency savings and service reform since 2010. We will continue to undertake far reaching transformation during the coming period. However, the proportion of savings and the expectations of taxpayers in counties is becoming increasingly imbalanced and unsustainable, particularly given the fast growing demand-led pressures in these areas.

8. While 'core spending power' will increase over the period, this masks the fact that over the reminder of the Parliament county council and county unitary authorities will witness the most rapid reductions in central government grants (89%), receive significantly less funding from initiatives such as the Better Care Fund (BCF) and face some of the most acute demand-led pressures, particularly in adult social care.

9. There are many other services being provided by our members which are coming under increasing strain. For example, there is an estimated £200m unfunded pressure within the mandatory Concessionary Fares scheme,[7] believed to fall disproportionately on county authorities due to the demographic make-up of our population. This is compounded by higher public sector costs of concessionary bus service in counties.[8]

10. There is growing evidence of the funding pressures facing county authorities. A recent report for Lancashire County Council by PWC outlined that by 2020/21, the authority would have used all of its reserves and have a predicted deficit of almost £400m by 2021.[9] At the time of writing Somerset County Council are also facing a difficult in-year financial position, with a net projected overspend of £22m for 2016/17.[10]

11. County and rural authorities continue to be historically underfunded compared to the level of need in their areas, with council taxpayers in counties shouldering a disproportionate tax burden compared to other parts of the country. Assumptions by government that county areas should raise a larger proportion of their funding from council tax to meet greater care pressures has meant higher bills for the same level of service. On average county residents now pay £455 per head – this is 8% higher than the average for London, 9% higher than the national average and 35% higher than those residents in metropolitan districts.[11]

Adult Social Care

12. There is a strong consensus across local government and within the CCN membership that sustainable funding for the life critical services of adult and children's social care is a priority. This will be fundamental to ensuring councils can fulfil their statutory duties, can help avoid further pressures on the NHS, and ensuring councils have some capacity to invest in services that protect the most vulnerable in our society.

[7] Urban Transport Group, Making the connections: The cross-sector benefits of supporting bus services, July 2014
[8] DfT, Local Bus Subsidy per Passenger Journey, 2004/05 – 2014/15
[9] Statutory Services Budget Review, PWC, September 2016
[10] 2016/17 Quarter 1 Revenue Budget Monitoring Report, Somerset County Council, 26th September 2016
[11] Society of County Treasurers, DCLG Call for Evidence on Needs and Distribution Consultation Response

13. Despite having the largest and fastest growing older populations and the largest increase in contacts for social care services,[12] CCN members receive the lowest levels of government funding per head for adult social care. Additionally, CCN members have seen the steepest levels of reduction in government funding over recent years.

14. In 2013/14 CCN members received approximately £279 central government funding per head for social care, while London received £717 and metropolitan boroughs received £590 p. Equally, CCN members have seen the highest reduction in estimated cash funding from 2013/14 – 2015/16, at approximately 20.1%, which is higher than the national average. Between 2013/14 and 2015/16, on average CCN member councils also witnessed the largest reductions in estimated notional funding (-22.9%) compared to other local authority types.[13]

15. Independent research by LG Futures, on behalf of CCN, showed that the decision to freeze the Social Care Relative Needs Formula (SCRNF) in 2013/14 has led to counties not receiving an annual uplift in their share of national funding based on demographic growth. As a result, per capita funding levels for counties will continue to fall relative to other local authority types. This has led to CCN member councils being underfunded for the services they provide. This inequity will be further embedded due to the use of the SCRNF as part of the distributional formula for the improved Better Care Fund.

16. Following the 2015 Spending Review, CCN member councils welcomed the social care precept and improved BCF to provide 'greater protection' to social care authorities going forward and the recognition of the pressures facing upper-tier councils. However, these new funding streams, coupled with changes to the way Revenue Support Grant (RSG) was distributed as part of the Local Government Finance Settlement (LGFS), have afforded CCN members less protection as social care authorities compared to other parts of the sector, and we believe that there are still unfunded and underfunded pressures facing social care services, such as Deprivation of Liberty Safeguards.

17. Taken as a whole, the funding provided to non-CCN authority areas through the precept and improved BCF per head of population aged 65+ will be significantly higher over the course of this Parliament. This disparity peaks in 2018/19, when London receives 170% more funding per head of population more than CCN councils, this disparity should be considered in the context of the most acute demand-led social care pressures facing county areas (see LG Futures Research).[14]

18. Nationally, evidence shows that much of the additional funding through the precept has been absorbed in 2016/17 by the introduction of the National Living Wage (NLW). The recent Association of Directors of Adult Social Services (ADASS) survey found that for 2016/17 the social care precept will raise less than two-thirds of the calculated costs of the NLW, which is expected to costcouncils £520m, significantly more than the £380m raised through the precept.[15]

19. The scale of the challenge facing counties is further highlighted by the results of the CCN survey of county Directors of Adult Social Care.[16] Nearly all of the respondents (88%) stated that the financial pressures facing their departments was either 'critical' or 'severe'.

20. Insufficient funding is having a detrimental impact on levels of service provision in county areas. Nowhere is the impact starker than the rising number of delayed days attributable to adult social care. County areas have seen the number of delayed days during the month rise by 130% from

[12] In the five-year period to 2013/14, the number of contacts in CCN authorities increased by 8.5%. This is in comparison to overall reductions in contacts in other types of authority.
[13] Social Care and Health: Funding and Cost Pressure Analysis, LG Futures, January 2016
[14] Social Care and Health: Funding and Cost Pressure Analysis, LG Futures, January 2016
[15] Association of Directors of Adult Social Services Budget Survey, July 2016
[16] Due for publication in November 2016

April 2014-July 2016, higher than Metropolitan Boroughs (65%), non-CCN Unitaries and London (121%).

21. These delays will have a direct impact on the ability of the NHS to deliver the efficiencies set out in the NHS Five Year Forward View, with every excess bed day in hospital costing the NHS on average £303.[17] Most importantly, such delays can have a detrimental impact on the health and wellbeing of those people waiting to be transferred to an appropriate care setting.

Business Rates Retention

22. Looking forward to business rates retention and the welcome needs-based review of funding, there are opportunities to reform the way councils are funded and incentivised. However, these reforms are complex and must be balanced with the risks that unless carefully considered could embed unfairness and create a system that neither incentivises growth nor provides sustainable funding for frontline services.

23. Research undertaken on behalf of CCN by Pixel Financial Management[18] has shown that there is not necessarily a strong correlation between business rate growth and broader economic growth. The research has also shown that business rate value, growth and income varies widely across the country and between councils – with many seeing a decline in the overall value of their business rates over time.

24. Our analysis has also shown that county areas have the lowest business rates value per head in the country. This is only a small proportion below most other areas, but there is a stark comparison with inner London – the average rateable value per head in CCN areas is £852 compared to £3,742 per head in inner London boroughs. This substantially higher value base for inner London will mean that percentage increases in growth and corresponding local retention of growth under the new system will represent much more income per capita in these boroughs than for other areas.

25. The very high value of business rates and underlying growth in inner London compared to the rest of the country, and counties in particular, will need to be carefully managed to create a system which rewards growth, meets needs in all parts of the country and is sustainable over time.

26. Compounding low value per head, county areas struggle to convert business rates into income for their councils. The percentage of conversion from net rates payable to gross rates payable is 86% on average in CCN member areas, compared to 92% in inner London and 89% in outer London boroughs. This problem seems to be getting disproportionately worse for counties over time. Since 2010/11 – 2015/16 CCN members have seen over 6.5% reduction in their net rates payable (income to the council). Other authorities have also suffered from this, but to a smaller degree, with inner London reducing by only 3%.

27. The primary reason for county areas struggling to convert value and growth into income is the high levels of relief in these places. CCN welcome the support for county economies provided by small business rates reliefs, however the way these mandatory reliefs are applied leads to county authorities losing substantial income. CCN wish to work with Government to reform the way reliefs are applied, to ensure that the full costs to the local are of these central policies are accounted for.

28. Independent research for CCN questions whether growth in business rates and council tax income will match the growth in demand-led services such as social care over time. The research

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[17] Reference Costs, Department of Health, November 2015

[18] Pixel Financial Management, Independent Analysis of Full Business Rate Retention in County Areas, August 2016

showed that the average increase in spending on adult social care for CCN authorities is likely to be somewhere between 4% and 5% per year (2.0% growth in demand and 2%-3% increase in unit costs). For all but three CCN authorities (based on past performance), the growth in business rates income will be less than the growth in adult social care pressures. Pixel concluded that there is a significant mismatch between the growth in a demand-led service such as social care and the growth in business rates and other sources of income available to local authorities.

Key Considerations for the Autumn Statement

29. On entering Office, Government indicated they are willing to consider revising macro-economic policies due to the impact of the EU Referendum to ensure economic stability. This could potentially see a revision in the Government's fiscal outlook, a resetting of deficit reduction targets and measures to business and private enterprise. The Chancellor recently confirmed this direction in policy at the Conservative Party Conference. CCN support these measures as a means of stabilising the economy during an uncertain period and supporting the continuing provision of frontline services.

30. At the same time, it has become clear during the summer period that Government will continue reform the way councils are funded through 100% business rates retention (BRR). As part of the national implementation programme lead by DCLG and LGA, CCN continues to support reforms that will make local authorities more self-reliant by 2020.

Recommendations

31. In setting out the Autumn Statement and continuing to ensure that counties are able to deliver efficient and effective services to local residents, CCN believe that the Government should consider the following proposals;

Protect & prioritise front line services

- In setting out a revised fiscal outlook and deficit reduction schedule, and in light of the proposed four-year settlement, Government should provide clarity and reassurance to local authorities that they will not be subject to further funding reductions during this Parliament, including as part of the £3.5bn 'unspecified' reductions outlined in March 2016.

- CCN welcomed the introduction of the improved BCF. However, with the funding not reaching its full potential of £1.5bn until 2019/20, coupled with the revised formulae, three counties receive no additional BCF funding until 2019/20. With the LGA, we strongly support measures by the Government to bring forward BCF investment, frontloading at least £700m for 2017/18.

- Even if BCF investment was bought forward as part of the Autumn Statement, this would only ease and mitigate the worst of the immediate financial pressures facing adult social care services and the instability in local care markets. If there is scope for the loosening of deficit reduction targets over the coming period, Government should ensure that any additional funding for public services is targeted at protecting demand-led frontline services and those that have a significant impact on wider public sector efficiency. We believe that there is growing evidence that underfunded and unfunded pressures for adult social care services in county areas must be fully funded as a matter of urgency to stabilise local services and care markets and help local authorities reduce demand on the NHS.

Business rates reform & needs-based funding

- While design and implementation of the new business rates system will run over the next couple of years, we believe there are important decisions to be made during the coming months which will impact on the long-term success of the system. Such decisions will impact on the sustainability of local government and vital services, the support available to small businesses in uncertain times and the power of local areas to drive growth and increased productivity.

- CCN believe that the additional 'quantum' available to local government through the move to 100% retention must be reappraised in line with new economic forecasts in the Autumn Statement. Overestimating growth in business rates could undermine long-term sustainability of the system. We also ask that Government make available the methodology they are using to measure the quantum, in the interests of truly cooperative co-design of the new system.

- As set out in the section above, social care is becoming increasingly underfunded. Growing pressures, due to an ageing population, are increasingly falling on county authorities. Without proportionate, sustainable funding authorities will struggle to meet their statutory duties, protect the most vulnerable and support the NHS. CCN support the local government consensus that the first call on the quantum must be for unfunded and underfunded local government responsibilities.

- CCN called for the needs-based review of funding, following systemic underfunding of county services, and increasing inequality in council tax burdens across the country. An understanding of how we will define needs and baseline funding will be fundamental to the design of the business rates legislation due to be tabled in early 2017. CCN strongly urge government to ensure that while retaining rigour, the needs review is accelerated to keep pace with design of the business rates system.

- To ensure that all areas can contribute to sustainable growth and increase productivity CCN suggest that after underfunded pressures the quantum should be used to devolve strategic growth functions to all areas. There is a strong consensus for this across local government, as this would provide a healthy portfolio of pressures and opportunities for local areas, and empower and incentivise all areas to drive growth.

- County areas currently struggle more than elsewhere to convert business rates growth or value into income, blunting the growth incentive under the 100% retention system. CCN wish to work with government to reform the way reliefs are applied, to ensure that the costs of central policies are fully recuperated for the local area. Such an approach would be in the best interests of county economies, services and tax payers.

- Given the disparities in value, growth and needs patterns, it is also imperative that the forthcoming business rates pilots do not set up an unfair bias towards those who are involved – the whole country must be considered when designing and running these pilots. We therefore strongly welcome and support proposals by Cornwall Council to be a rural pilot for business rates retention. CCN are also clear that devolution deals and business rate pilots should not benefit a small selection of areas to the detriment of others. Business rates should not be used to pay for functions in some areas that are not available to others.

Reconsider reductions in the Education Services Grant

- The Spending Review announced that savings of around £600 million would be made from the Education Services Grant (ESG) as part of the move to full academisation. In light of the decision not to legislate this, Government must now reconsider its proposal to withdraw funding for school support services from local authorities at the scale and pace put forward in the National School Funding Formula consultation. Research carried out by CCN has found that on average at least 68% of academies purchase school improvement services from their local authority in county areas, with some member councils seeing 100% of academies seeking to do so.

Provide certainty over EU Structural Funds

- Together with the LGA, we believe that the Government's offer to guarantee EU structural and investment funding for projects signed-off before the Autumn Statement falls well short of the sector's call for certainty regarding the full £5.3bn local areas are due to receive by 2020. The Autumn Statement should set out further guarantees over funding.

Devolution

Background

32. Devolution is a priority CCN share with Government. Beginning with CCN *Our Plan for Government 2015-20* and *County Devolution* reports,[19] we have has been the leading advocate for the expansion of English Devolution beyond the Coalition Government's initial focus on City Regions. Building on this, our 2015 Spending Review submission made the case for Government to proceed with Devolution deals in County areas.

33. The Government responded, working with our member councils to secure the first County Devolution Deals in Cornwall, then in Greater Lincolnshire, Suffolk & Norfolk and Cambridgeshire. These devolution deals have the potential to transform local areas, taking decisions closer to communities and bringing new investment, powers, freedoms and flexibilities to local areas to drive growth and reform services locally. We continue to work with our member councils who wish to progress these ambitious deals over the coming period.

34. However, despite progress, it must be remembered that currently only 30% of England's population and 14% of the county population stand to benefit from devolution deals.

35. Building on independent research with the Institute for Public Policy Research (IPPR),[20] CCN have argued that there are a number of factors that have limited the progress of devolution deals in non-metropolitan areas, including;

    - An undue emphasis on City Region devolution;
    - Uncertainty over the purpose, process and timescales for devolution deal making and coherence and collaboration between central government departments;
    - A lack of a 'core settlement' for local areas and devolution by default across areas such as skills, infrastructure and economic growth;
    - Lack of clarity over geographies for devolution deals, and;
    - Insistence on a one-size-fits all approach to governance and insistence on 'substantial' deals requiring an Elected Mayor.

36. It is the issue of governance, and the insistence on Elected Mayors, that have been the greatest impediment to progress to-date. The majority of CCN member councils, and district councils, have argued that this model of governance is unsuitable for geographically large and more complex county areas.

[19] CCN. *Our Plan for Government: County Devolution* (2015)
[20] Institute for Public Policy Research (IPPR). Empowering Counties: Unlocking Devolution Deals

37. Since the passing of the Cities & Devolution Act additional complexities and concerns have also impeded progress. CCN broadly supported the Act and its focus beyond City Regions. However, late amendments to combined authority consents and fast-track amendments to allow local government reorganisation have in some cases further hindered progress and in some cases acted to derail devolution discussion and potential deals.

38. Following the tabling of amendments to allow district authorities to join combined authorities without the consent of the county authority. CCN warned that not only would these measures create considerable uncertainty in two-tier devolution discussions, they could be unworkable in practice. They only serve to fragment county service provision if enacted, leading to less efficient and effective services locally.

39. With regards to the streamlining and fast-track amendments facilitating local government reorganisation without the consent of all local authorities, CCN again warned that such measures would create considerable uncertainty within the sector without an accompanying policy framework, criteria and Ministerial direction on the process and evidence-base in which proposals should be developed and tested against.

40. As an organisation representing both county council and county unitary authorities, and with mixed views amongst our membership on both the merits of and desire for local government reorganisation, CCN is neither in favour nor against structural reform. Our primary aim is to promote and support the effective continuation of two-tier governance where this is locally desired, working with national stakeholders such as the District Councils' Network. However, we also support our member councils who believe that the pursuit of unitary status for their area could result in efficiency gains, sustainable service provision and service improvements. This is built on the experience of our unitary councils who have successfully transitioned to single tier status.

41. Following the passing of the amendments, the sector has witnessed a flurry of activity. While the Government's position post-referendum remains unclear, Ministerial and Civil Servant direction before this point encouraged the submission of 'bottom-up' competing bids, despite an emphasis on consensual negotiations and agreement. CCN argued that this had opened up a 'Pandora's Box' of competing bids and uncertainty, with the potential that county councils could be abolished without their consent. CCN feel this situation is neither conducive to maximising the efficient and effective delivery of local services at time of austerity and rising demand, evidence-based policy making or consensual negotiation over such a fundamental redesign of local services.

Key Considerations for the Autumn Statement

42. Since taking office Government have given a number of indications on the direction of policy in relation to devolution.

43. CCN strongly welcome indications that while continuing to back the Northern Powerhouse and Midland's Engine, Ministers will further broaden the focus of devolution to a wider set of towns, cities, and rural areas. However, we remain concerned that Government is continuing to maintain its insistence on Directly Elected Mayor's as a condition of agreeing a 'substantial' devolution deal.

44. During the summer recess, consultations have been undertaken relating to the devolution deals which would exercise new flexibilities introduced by the Cities & Local Government Devolution Act over combined authority consents, in particular the proposals in the Sheffield City Region. Enactment of these new flexibilities would not only impact negatively on the CCN member authorities of Derbyshire and Nottinghamshire, they would set a precedent for areas such as

Hampshire, where the proposed Solent Combined Authority Deal could fragment county council services over time.

45. Moreover, there is continuing uncertainty over the direction of policy of Government on local government reorganisation. While a recent Ministerial Statement indicated that they still welcome bottom up proposals with a 'good deal' of consensus locally, it remains unclear whether proposals without the consent of the county council would be considered and the criteria and evidence-base in which decisions would be based on.

Recommendations

46. In setting out the Autumn Statement and continuing to ensure that counties are able to deliver devolution to local residents, CCN believe that the Government should consider the following proposals;

Maintaining the Devolution Momentum

- Momentum on devolution deals must be maintained and provide a platform for place-based leadership and driving sub-national growth and productivity. Government should take urgent action to broaden and deepen the devolution agenda in county areas, making a suite of growth, reform and fiscal powers and budgets available to all areas. It is imperative that over the coming period we do not have a two-speed devolution settlement, which would be unacceptable to the residents and communities in county areas.

- Building on the independent recommendations of IPPR, Government should seek to address concerns over the process, timescales and coherence of Whitehall departments in developing devolution deals with local areas, particularly in light of the extra demands placed on Civil Servants due to Brexit.

Flexible Governance & Combined Authorities

- While CCN fully support our member councils wishing to adopt Elected Mayors, the requirement for Directly Elected Mayors for 'substantial' devolution deals should be ended, with Government engaging with the sector on alternative robust governance models arrangements developed locally between partners. This should build on the proposals contained in IPPR's independent report for CCN.

- CCN support the development of Combined Authorities where these are supported by our members locally. However, CCN opposed combined authority consent amendments to the Cities & Local Government Devolution Act. Authorities such as Derbyshire and have set out their opposition to district authorities in their areas joining combined authorities that could potentially fragment service delivery in their areas, built on robust evidence and CCN support our members opposed to these proposals.

Provide clarity on local government reorganisation

- CCN believe that it is important that Government provide a clear statement on the policy direction in relation to local government reorganisation. Government should consider publishing clear guidance and criteria for judging proposals, and the evidence-base in which decisions are being tested against.

- While CCN support the principle of bottom-up negotiations and consensual proposals, we believe that it is imperative that we have a clear Ministerial steer that any proposal must have the agreement of the county council.

- Any proposals for structural reform locally must avoid the large-scale fragmentation of county council services. The disaggregation and fragmentation of circa. 90% of local government expenditure, including children's and adult social care, presents a considerable risk at a time of reduced resources and rising demand.

Economic Growth & Inclusion

47. County economies are the cornerstone of the national economy, with high levels of skills, employment and high value industries. CCN member areas represent the largest proportion of the country's GVA at 41%.[21] However, despite the headline economic performance in counties, it is our areas that face many of the long-term economic challenges and barriers to further growth that the Government have placed at the heart of their new Industrial Strategy for all parts of the UK.

Economic Inclusion

48. The UK as a whole struggles with low levels of productivity but it is county areas that have the lowest productivity, something which will become more urgent as we move through economically uncertain times. The challenge of low productivity is also important in the context of living standards and ensuring everyone can see the benefits of growth. Lower productivity in counties means lower wages for many workers in these areas – addressing this will be fundamental to realising the Prime Minister's vision of opportunity for all.

49. Improving productivity and ensuring rising living standards is intrinsically linked to improving skills and employment provision. The post-16 skills and employment system is complex, fragmented and not responsive enough to the current and future needs of the labour market. The £13bn of public provision for skills and employment support is currently delivered through 28 different national funds and initiatives, without much local input. Addressing these issues has the potential to close the chronic skills gaps, increase productivity levels and living standards and help achieve Government's goals of full employment and 3 million more apprenticeships. CCN research found that addressing the skills misalignment within counties could add approximately £8.17bn GVA to the country's economy and support 698,425 more people into jobs.[22]

Housing

50. Government have rightly placed housing at the forefront of their policy agenda. CCN share the goal to deliver the quantity and quality of housing needed for a growing population and to ensure people can stay close to their communities. This is particularly important to our members as housing is least affordable compared to wages in CCN member areas, outside of London.

51. There are particular complexities to planning and housing delivery in counties, specifically in two-tier areas. Here Local Plans are set individually at the district level and planning and infrastructure functions are split between the districts and county councils. This presents obstacles to a strategic and joined up approach to housing delivery, and is leading to a burgeoning infrastructure gap. The Duty to Cooperate has not been sufficient to overcome these issues.

52. CCN have suggested that planning and infrastructure activity should be consolidated at the county level, with the capacity for multi-county working. This would function well with existing devolution, LEP and Sub-National Transport Body (STB) agendas. Many counties have been involved in driving STBs, such as the Midland's Engine and England's Economic Heartland Strategic Alliance, and county councils are the main democratic link to LEPs. These partnerships

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[21] GVA 2014 (ONS 2015)

[22] LGA. 100 Days, Localised Data, Skills (March 2014)

have the capacity to develop forward looking strategies for infrastructure investment, business and growth activity and housing delivery.

53. CCN welcome announcements by the Minister for Housing at the Conservative Party Conference that the new Government would take a flexible approach to local plans in allowing more joined up strategic planning across areas. We note that the Minister suggested that Government would seek bespoke deals with local areas to deliver housing. While we welcome the move towards strategic planning, we would wish to ensure that the right framework is put in place to achieve increased housing numbers from the outset.

Infrastructure & Transport

54. To ensure that our areas are best placed to unlock economic and housing growth, it is critical that Government acknowledge the significant infrastructure gaps in our areas In both unitary and two tier areas our members face significant infrastructure gaps. Of particular concern for CCN member councils are the restriction on pooling s106 commitments has exacerbated this, and evidence suggests that implemented CIL will only be able to fund 5-10% of infrastructure costs, compared to the 20%-30% needed to match previous Section 106 allocations.

55. Supporting wider economic growth and employment also requires counties to be enabled to invest in essential road maintenance and public transport, with additional targeted Government investment in major road and railway links. There are urgent pressures on transport and infrastructure networks across the country. Given the size and diversity of county geographies, including areas of deep rurality and sparsity, particular pressures are felt by our members. If we are to address these we must make sure that county areas have the strategic powers needed and that the right level of investment can be achieved.

56. Counties hold the majority of the country's road infrastructure. People and business rely not only on the major roads, but also the vast system of local roads maintained by county and unitary councils. Councils across the country are facing growing pressures on road maintenance and a backlog of road repairs. This is in part due to adverse weather conditions, increasing use of roads and due to the fact that the resources available to maintain and repair are decreasing.

57. Public transport is vital in county areas and is a lifeline to many in maintaining community ties, reducing social isolation, accessing community and public services and in accessing education, training and work. Given the scale of county geographies, the demographics including large populations of older people and areas of sparsity it can be seen that there are particular pressures on the public transport system.

58. While CCN supports proposals contained within the Bus Services Bill, the restrictive nature of additional powers to Elected Mayors and alongside continuing funding reductions during this Parliament means the proposals will not offer protection to rural bus services, which play a particular role in addressing isolation and other needs for vulnerable people. There is an estimated £200m unfunded pressure within the mandatory Concessionary Fares scheme,[23] believed to fall disproportionately on county authorities. This is compounded by higher public sector costs of concessionary bus service in counties.[24] Between 2010/11 – 2014/15 Government reimbursement to local authorities for the cost of English National Concessionary Transport Scheme was reduced by nearly 40 per cent. This has had real impacts on CCN member councils, with rurality and demographics amplifying this impact.

[23] Urban Transport Group, Making the connections: The cross-sector benefits of supporting bus services, July 2014
[24] DfT, Local Bus Subsidy per Passenger Journey, 2004/05 – 2014/15

Key Considerations for the Autumn Statement

59. CCN welcome the Government's renewed focus on economic growth, the Prime Minister's commitment to ensure that all communities can experience the opportunities of growth, and indications that the devolution agenda will continue to expand to empower county areas. Strong counties alongside city regions will be vital to the growth and stability of the national economy in uncertain times.

60. While in recent times there has been a focus on unlocking the growth potential of big cities, there are important reasons for ensuring county areas are equally enfranchised. We strongly welcome the Government's intention to lead a renewed and broadened Industrial Strategy, one focused on boasting growth outside of City Regions and across rural and urban areas. We support the Government's recent announcement at Conservative Party Conference that Government will bring forward £2bn worth of infrastructure and transport investment. However, CCN emphasise that county, as well as City Regions, benefit from this investment.

61. We must take opportunities within this Parliament, starting with the Autumn Statement, to ensure all areas can fulfil their growth potential, all communities can access economic opportunities and no artificial limitations are put on growth. Empowering counties to invest in infrastructure, re-gear skills and increase their productivity will be fundamental to the sustainable economic growth of the country.

Recommendations

62. In setting out the Autumn statement and continuing to ensure that counties are able to support economic growth and inclusion in their areas, CCN believe that the Government should consider the following proposals;

Growth & Devolution

- CCN believe that there are a number of strategic growth powers and responsibilities across skills, employment, transport and infrastructure, included in previous devolution deals, which could be devolved by default to upper-tier county and council unitary authorities ahead of the implementation of business rates retention. In particular, we support the LGA in their calls for a fully devolved employment and skills functions and budgets, with county and county unitary authorities the key delivery partner in our areas.

Housing, Planning & Infrastructure

- We welcome suggestions by Government that there will be greater flexibility to plan over a larger and more strategic geography, to aid the timely delivery of housing. However we believe that the right framework must be put in place from the outset to achieve our shared goals – this need not be prescriptive, but should set out some fundamental expectations:

- CCN would wish to see some parameters for the geography at which strategic plans can be agreed. This could still allow for local design but would avoid any time wasted in local disagreements as seen with the devolution agenda, particularly in two-tier areas. CCN suggest that the minimum geography should be the county boundary, and that the county council should be empowered to bring together planning, infrastructure and business engagement in a strategic way.

- We would strongly caution against the consolidation of planning at the multi-district or Housing Market Area (HMA) level for a number of reasons. Such areas are defined according to an academic criteria, and reflect *current* travel to work and housing affordability patterns. Dividing plans by HMAs risks confining growth to those areas which are already seeing development and creating under-bounding issues of the future. This approach also risks missing opportunities to develop and invest in new growth hubs.

- Research undertaken for CCN to consider business rates in county areas shows that value and income of rates for councils varies significantly between districts - with those surrounding urban areas (and who typically have more housing development) bringing in more income, and those rural areas struggling to convert rates into income. If strategic plans are divided along such geographies this could help entrench current patterns of high and low wealth, and high and low growth.

- Strategic planning at the county geography could provide a healthy diversity of high and low growth areas, which could take strategic decisions about supporting high growth areas, but also about regenerating low growth areas or investing in future growth areas. County geographies, and multi-county working also provides opportunities to bring infrastructure and planning together, allows a single point of contact for the business community and LEPs and reduces complexity in the public sector. Such an approach would also underpin other Government agendas, including STBs and devolution.

Industrial Strategy

- We strongly support suggestions that the Autumn Statement will bring forward a regional stimulus programme, with spending on road and rail improvements and the injection of funds into the key growth sectors, such as the automotive and manufacturing sector. Given the challenges above, and evidence that shows that county economies account for over 50% of the employment in construction, in manufacturing and in motor trades, such a move would be a welcome boost to county economies.

- In setting out a revised Industrial Strategy and putting forward any proposals for a regional stimulus package, CCN believe that the Government must deliver a genuinely inclusive approach to investment. Government should explore opportunities to implement infrastructure investment and transport schemes put forward by county areas.

- The focus of the National Infrastructure Commission and National Infrastructure Plan must now move beyond a narrow city and inter-city focus to support infrastructure investment in counties across the country. Unlocking growth and improved productivity in counties will be key to national sustainable growth, and complement the cities agenda.

Transport

- Currently local authorities have little influence over the provision and quality of bus services in their area. Services that are not profitable may not be run commercially, as such the local authority must make decisions about publicly funded services that are important to local communities. New ways of transforming public transport and sustaining valuable local services are needed.

- Bus franchising powers in the Bus Services Bill provide such an opportunity. These powers would allow local authorities to set bus fares, decide when and where bus services run, specify customer service and vehicle quality and join up ticketing across their area – in line with the needs and expectations of communities and businesses. Equally franchising would present opportunities to better align transport provision across bus, health and education sectors, delivering better value for the public purse. Outside of London bus usage is stalling and declining - franchising also aims to support providers in building a thriving and competitive bus market and increasing usage.

- Despite these benefits the legislation currently states that a Directly Elected Mayor is needed to draw down franchising powers. Any area without a metro mayor would need to seek special permission from Government to take on powers, and it is unclear on what basis powers would be granted. Rural and county communities need sustainable bus services as much as big cities do – removing the prerequisite for a metro mayor would help ensure that the legislation benefits all areas across the country.