Our Plan for Government 2015-20

County Councils Network

Spending Review Submission

www.countycouncilsnetwork.org.uk

September 2015

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1. CCN welcomes the opportunity to submit evidence and proposals HM Treasury's 2015 Spending Review (SR) on behalf of councils and the communities they serve.

2. The evidence and policy proposals provided in our submission are equally important in the development of Whitehall departmental submissions to the Treasury, particularly the Department for Communities and Local Government (DCLG), Department of Health (DoH), Department for Environment, Food and Rural Affairs (DEFRA), Department for Work and Pensions (DWP), and Department for Business, Innovation and Skills (DBIS).

3. Our submission focuses exclusively on providing detailed evidence and proposals in relation to government funding and policy decisions for CCN member councils, their local economies and public services provided within their areas.

4. Key findings and proposals included within the report include:

   - *We support the Government objectives that the Spending Review process should deliver a range of devolution deals for the most advanced ambitious and ready local areas.*

   - *We welcome and note a significant change in direction on devolution to county areas. Government must continue to ensure an evidence-based, balanced and all-encompassing approach to devolution and economic growth policy.*

   - *Extra consideration needs to be given to county governance. Government must engage in devising alternative Governance models for county areas, building on the recommendations of CCN & IPPR.*

   - *CCN member councils face a £2.8bn funding gap by 2019/20. The growing funding gap for counties demonstrates that the sector is beginning to reach the limit of efficiency savings and the level of efficiency savings that can achieved within existing finance and policy parameters.*

   - *Ahead of the 2020 reset, the DCLG and HM Treasury should conduct a review of funding allocations and funding formulae to ensure fairness and transparency.*

   - *Counties must be provided with sufficient and sustainable multi-year revenue settlements that take into account increasing demand on services.*

   - *The council tax referendum should be abolished. Failing this, the Government should set a higher upper-tier local threshold trigger of 5%. Particularly for those parts of the sector facing higher demand-led pressures and greater restrictions in their ability to meet demand through RSG or additional revenue streams.*

   - *Business rate retention should be extended, and the local share between county and districts reviewed.*

   - *Government should review the policy of New Homes Bonus. As part of the review, the Government must reform two-tier allocations, with upper counties receiving a minimum allocation of 60%.*

   - *Councils have worked hard to protect adult social care spending, however CCN member councils and local providers are facing a funding shortfall in the region of £959m for 2015/16. Demographic pressures in adult social care are the largest demand-led pressure in county areas, and regarded as the biggest financial risk to the sustainability of county authorities.*

   - *Consideration should be given to allocating a proportion of the committed £8bn for the NHS to local partnerships between health and social* *care to shore up local care markets and assist the NHS in delivering against its £22bn efficiency target by 2020.*

- *Funding incentives across health and social care do not support integration and the objectives of the Better Care Fund. Government should review the financial incentives available to the NHS and Adult Social Care to promote prevention, early intervention and integration.*

- *Counties have continued to deliver high quality Children's Social Care services, despite increasing demand and spending 27% lower per head of population.*

- *It is important that decisions about school admissions are taken at a local level and supported by democratic oversight from locally elected Councillors. Stronger decision-making powers should be devolved to counties for the provision and placement of schools.*

- *Schools capital funding should be devolved to counties, to allow councils and schools to work together locally to prioritise projects based on local need, including repairing, rebuilding and building new schools.*

- *As part of its continuing commitment to reform the schools funding formulae, the Government must examine the whole of schools funding – including Early Years and High Needs.*

Introduction

About CCN

5. The County Councils Network (CCN) represents 37 English councils that serve counties. CCN membership includes both upper tier county councils and 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).

6. 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.

7. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations which can be supported by all member councils. You can find out more about the CCN by visiting our website www.countycouncilsnetwork.org.uk/about.

CCN submission

8. CCN welcomes the opportunity to submit evidence and proposals HM Treasury's 2015 Spending Review (SR) on behalf of councils and the communities they serve.

9. The evidence and policy proposals provided in our submission are equally important in the development of Whitehall departmental submissions to the Treasury, particularly the Department for Communities and Local Government (DCLG), Department of Health (DoH), Department for Environment, Food and Rural Affairs (DEFRA), Department for Work and Pensions (DWP), and Department for Business, Innovation and Skills (DBIS).

10. This submission should be used in the SR decision making progress, and also subsequent legalisation and policy development across the aforementioned departments to support implementation of Government spending plans and manifesto commitments during this Parliament.

11. Our submission focuses exclusively on providing detailed evidence and proposals in relation to government funding and policy decisions for CCN member councils, their local economies and public services provided within their areas. As part of the research base CCN surveyed the Leaders of its 37 member councils on the implications of the SR. This received 79% response rate, with results presented throughout.

12. CCN member councils have and will continue to contribute to reducing the national deficit. However, this submission sets out areas where CCN member councils have shouldered a disproportionate burden of deficit reduction and suggests practical changes to government policy to protect local services.

13. In representing the interests of counties,[1] 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. We would also direct the Department to the responses submitted by our individual member authorities and by and the Society of County Treasurers (SCT).

Our Plan for Government 2015-20

14. Ahead of the 2015 General Election the CCN's *Our Plan for Government 2015-2020* set out a range of policy proposals to be enacted by the incoming Government during this Parliament to achieve fiscal sustainability for local government, reform public services, and deliver a new devolution settlement for the County and City Regions of England.[2]

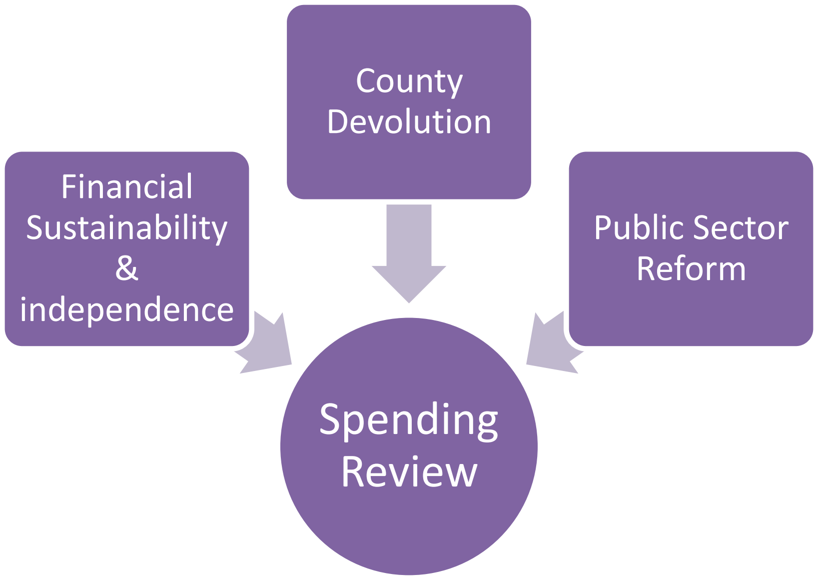
[1] For the purposes of this submission the term 'counties' is used to refer to the 37 county and county unitary authorities of the CCN membership.

[2] Our Plan for Government, CCN, 2014

15. Our Plan for Government was followed in March 2015 with the culmination of our County Devolution project with CCN member councils. Following months of detailed collaboration with member councils, CCN set out a comprehensive set of devolution proposals.

16. Our analysis provided in the above documents showed that without devolution enabling wide-ranging financial and public sector reform, county authorities will be unable to provide the services necessary to promote growth, protect vulnerable children, and care for our growing ageing population.

17. Our submission to the SR therefore builds on the evidence base and proposals in these documents and centres around three cross-cutting themes.



- **Financial Sustainability & Independence**: The local government finance system is fundamentally unsustainable. The current funding arrangements fail to reflect local needs and restrict councils from innovating, integrating and driving growth. Current funding streams also fail to incentivise local authorities to go for growth. Only financial and administrative devolution, alongside specific funding reforms, will enable local authorities and partners to solve key social and economic problems tailored to each area's unique circumstances and needs.

- **County Devolution**: A devolution settlement of fiscal powers and economic growth budgets for all local areas is clearly needed to capitalise on our economic potential and meet the unrelenting challenges facing UK Plc in a competitive global economy. This needs to be matched with wider devolution proposals across health and social care.

  Public Sector Reform: Meeting the fiscal challenge requires a *One Place, One Budget* approach, with CCN member councils using their track record on public sector efficiency to drive cost savings in Whitehall budgets devolved to a local level. They must be empowered to reduce the complexity and cost of local public services across local areas, with Whitehall incentivising and actively promoting greater merging and integration of commissioning and service delivery.

Section One: County Devolution

Summary

- *Devolution and public sector reform are priorities CCN share with Government. We believe that delivering devolution through the SR process and beyond are integral to the future of local government, particularly at a time of financial restraint.*

- *We welcome and note a significant change in direction on devolution to county areas. Government must continue to ensure an evidence-based, balanced and all-encompassing approach to devolution and economic growth policy.*

- *While CCN believe significant progress is being made, more can and should be done to ensure all areas can benefit from the growing consensus on public service devolution.*

- *CCN continue to set out a comprehensive, detailed and ambitious package of devolution options for county areas across skills, employment, planning, transport, infrastructure and health and social care. Each devolution deal for local areas will be a combination of devolution by default and bespoke negotiation.*

- *Extra consideration needs to be given to county governance. Government must engage in devising alternative Governance models for county areas, building on the recommendations of CCN & IPPR.*

- *We support the Government objectives that the Spending Review process should deliver a range of devolution deals for the most advanced, ambitious and ready local areas. However, the deadline for devolution submissions is unhelpful, lacked clarity and is highly unrealistic.*

- *Local Enterprise Partnerships (LEPs) have an important role in delivering English devolution. CCN believe that LEP boundaries should, where locally requested, be reviewed and rationalised to fit the functional economic area.*

Background

18. In announcing the SR the Chancellor indicated that Government will use the review to take radical steps towards devolution across the UK. SR guidance stated that it will look at how transforming local government finance and further decentralising power can maximise local economic growth and the integration of public services.

19. Devolution and public sector reform are priorities CCN share with Government. In March 2015, CCN published a comprehensive County Devolution report. These set out a detailed menu of devolution options to be implemented as part of a wider English devolution settlement across planning, skills, employment, transport, infrastructure, health and social care.[3]

20. We believe that delivering devolution through the SR process and beyond is integral to the future of local government, particularly at a time of financial restraint. This is emphasised by our SR survey. Some 67% of county leaders believe a 'lack of access to devolved powers from government' to be a risk or high risk to their authorities financial sustainability over the next five years (see table 12 page 24). In addition, a 'comprehensive devolution settlement of functions and budgets' is regarded as the second top priority for ensuring fiscal sustainability over the course of this parliament.

21. Following our county devolution project and extensive campaigning, we welcome commitments to place devolution at the heart of Government policy and the Spending Review, extending the offer of 'substantial' devolution deals to county areas.

22. The recent announcement of the first rural Devolution Deal in Cornwall is historic and significant in rebalancing the devolution agenda to ensure that it reaches all four corners of England. This is a significant extension of Conservative

[3] CCN. *Our Plan for Government: County Devolution* (2015)

Manifesto commitments in this area.[4] There is now clear impetus from the Treasury, No.10 and DCLG to ensure counties play an important part in the English Devolution narrative.

23. The Spending Review, and crucially the period preceding, presents a unique window of opportunity to deliver devolution right across the city and county regions of England.

24. While CCN believe significant progress is being made, more can, and should be done to ensure all areas can benefit from the growing consensus on public service devolution. Below, we firstly set out a range of proposals and considerations we believe are critical to ensuring the Spending Review delivers the first stage of a County Devolution settlement, before broadly outlining our specific county devolution proposals to support economic growth.

Policy Proposals

25. Since March, CCN has been collaborating with member councils and Whitehall Departments to support local areas in putting forward ambitious proposals for local areas.

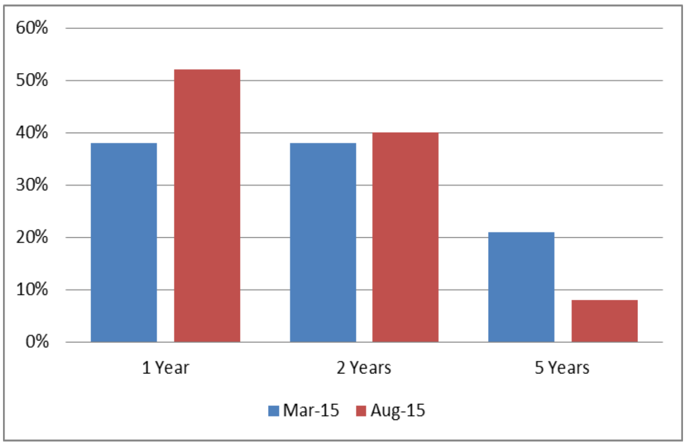
26. All CCN member councils who responded to our SR survey are now in discussions with local partners, with councils at varying stages of discussions with both Central Government and local partners. Table 2 below shows that that our member councils are working with a broad range of local and national partners to development plans.

27. There is clearly added impetus in county areas, given Government proposals to date and those outlined in the Spending Review documentation. Some 52% of county leaders would like to see devolution to their area within one year and 40% within two years. The former is up from 38% in March 2015.[5]

[4] Conservative Party Manifesto 2015.

[5] CCN. *Our Plan for Government: County Devolution* (2015)

Graph 1 – Council Leaders Devolution Surveys. What timescale would you like to see devolution to local areas happen within? (CCN, 2015)



28. We broadly welcomed the introduction of legislation through the Cities & Local Government Devolution Bill to enable devolution deals in England, and strongly advocated the introduction of the words 'Local Government' into the title to ensure all parts of the country could benefit. We also note that the Explanatory Notes that accompany the Bill make specific reference to county areas.

29. We are disappointed, nonetheless, that their remains no explicit commitments to fiscal devolution (see p. 32) through the Bill. It is also still subject to large amounts of central control by the Secretary of State for Communities and Local Government. These are issues we will engage with as the Bill proceeds through Parliament.

Governance & Accountability

30. Given counties large geographies and more complex provider landscapes, particularly in two-tier areas, extra consideration needs to be given to governance, accountability and timescales for delivery.

31. The Bill makes provision for an expanded role for Combined Authorities (CAs), so that any public sector function may be included. CCN have campaigned for such local flexibilities and are very pleased to see that this has been listened to. An extended remit for CAs will mean that counties have more flexibility in deciding

how public sector governance, powers and budgets should function in their area.

32. Such an expansion in CA remit is important for counties, given activity in local areas to form CAs with local partners. Table 1 summarises the latest results from our SR survey questions on devolution governance. Some 67% of council leaders believe that a CA is either a quite or very appropriate governance arrangement for their local area. Our County Devolution project and supplementary qualitative evidence through our SR survey shows many county areas are in advanced discussions on forming CAs or have already submitted proposals.[6]

33. While activity is clearly progressing on CAs in some areas and it is clearly regarded as a viable option, we do believe that additional consideration needs to be given to governance arrangements in county areas.

34. In particular, we continue to have concerns over the primacy of the 'metro-mayor' model both in terms of the Bill itself, and also Treasury overtures on this being the only means in which to achieve a 'substantial' devolution deal.

35. Results of our SR survey show that some 80% believe that an Elected Mayor is either a quite or very inappropriate governance model for their local areas.

36. It is clear that while some county areas may consider a mayoral model, government must engage CCN and its member councils in developing alternative models that can offer strong and robust accountability. Anything else would risk a two-speed devolution settlement, which would be unacceptable to the residents and communities in county areas.

Table 1 – CCN SR Survey: Which of the following governance arrangements do you believe would be appropriate for holding devolved powers in your area? (undecided option excluded)

	Not at all appropriate	Not appropriate	Quite appropriate	Very Appropriate
Non-statutory Leaders'/public sector board	13%	4.2%	33%	13%
Unitary Authority	35%	12%	4%	35%
Power held by upper tier authority	8%	13%	29%	25%
LEP	38%	33%	33%	0%
Joint Committee	8%	33%	33%	4%
Economic Prosperity Board	16%	28%	24%	12%
Combined Authority	11%	11%	19%	48%
Elected Mayor	48%	32%	8%	0%

37. CCN have commissioned the Institute for Public Policy Research (IPPR) to consider appropriate county governance models and how differing models may be linked to devolved powers. This will explore county CAs, particularly given their new scope, but will also consider other possible models. We are engaging with seven of our member authorities to illustrate different models, to identify barriers and solutions, and to demonstrate rigorous and accountable county governance.[7] A final report will be due for publication in autumn 2015. Engagement with central government will run throughout the work, with a senior civil servant sitting on the project advisory group.

- **Proposal: Government engages in alternative governance models for county areas, building on the recommendations of CCN & IPPR.**

Delivery Timescales

38. Spending Review guidance states that local areas who would like to be considered for a substantial and wide-ranging devolution deal should come forward with proposals by the September 4th deadline to ensure they are considered as part the Spending Review.

[6] CCN. *Our Plan for Government: County Devolution* (2015)

[7] The seven authorities involved in the IPPR research are Derbyshire, Nottinghamshire, Hampshire, Cheshire West & Chester, Cheshire East, Cornwall, and Dorset.

39. Many of our members are working to meet this deadline, either through the presentation of detailed devolution proposals and governance arrangements, or statements of intent between local partners.

40. We support the Government objectives that the Spending Review process should deliver a range of devolution deals for the most advanced ambitious and ready local areas. This simply must include those county areas already in detailed discussions with Government.

41. However, it is clear from our research that while the deadline has provided added impetus amongst local partners to collaborate and begin preparations. Government should not, and cannot, set artificial deadlines if they are to deliver meaningful devolution deals for most areas.

42. Given the need for more intense and wide-ranging negotiations in county areas, we believe the Spending Review deadline for devolution submissions was unhelpful, lacked clarity and is highly unrealistic.

43. It has been subsequently indicated that the stated deadline for submissions is not a cut-off point for negotiation with Government departments during this Parliament. However, we believe that the impression left with local areas has been a sense of unnecessary urgency.

44. Our research shows that many county areas are ready for substantial devolution, but others are at an early stage of engaging with both local and national partners to agree outline proposals and governance arrangements. For instance, only 43% of CCN member councils have engaged with the Treasury, and 61% the DCLG.

Table 2 – CCN SR Survey: Which local & national partners are you engaging with to develop devolution and governance arrangements?

Districts	82.1 %
Unitaries	60.7 %
CCGs	64.3 %
NHS England	25.0 %
Police	50.0 %
LEP	96.4 %
Wider business sector	46.4 %
JobCentre Plus	17.9 %
Skills and education providers	60.7 %
Community and voluntary sector	28.6 %
DCLG	60.7 %
Treasury	42.9 %

45. Although statements of intent are welcomed, we believe some local areas should focus on developing more detailed proposals and governance arrangements rather than rushing to meet unrealistic deadlines. In particular, we believe it is critical that upper-tier councils have agreed plans with district councils before presenting initial proposals to Government.

Proposal: Government, particularly the Treasury, must provide immediate clarity on the timescales and negotiation framework for devolution deals.

46. Alongside Government providing a more realistic timescale for delivering devolution deals across county areas, the Government must continue to ensure both its language and policy proposals seek to exploit the economic potential of the whole nation and are not narrowly focused.

47. As previously stated, we welcome and note a significant change in direction on devolution to county areas. However, more needs to be done.

48. For instance, government's recent Productivity Plan focused almost exclusively on city areas. This is despite evidence presented in Appendix 1 showing that counties, on average, have lower productivity to that of the Core Cities.

49. CCN have consistently argued and demonstrated that devolution to county and city regions is equally important to achieving government objectives on growth, productivity and public service reform.

Local Enterprise Partnerships & Public Sector Partners

50. It is clear that central government see LEPs as an integral partner in any devolution deal arrangement. At the recent LGA Conference the Secretary of State, Greg Clark said 'I would not expect to approve any deal that did not have a clear role for the LEP'. Likewise it is clear that government expect all public sector partners involved in a deal to be fully signed up to that deal, for example district councils in a two tier area, and health partners where there are health and social care proposals. The Secretary of State recently listed 'unity' as an essential element of a deal.

51. Our SR survey of county leaders shows that counties are fully signed up to this agenda. Table 2 provides a summary of the partners counties are engaging with on devolution proposals. Almost all, 96%, are working with their LEPs and 82% with district councils.

52. Counties are very keen that locally elected bodies, LEPs and the broader public sector in an area are closely aligned and integrated, to ensure the provision of planning, infrastructure, investment, skills and economic growth are designed together over the long term. In this way the public sector and business community will be able support aims shared with Government to increase productivity, appropriate house building and sustainable employment and economic growth. This becomes even more crucial given the move towards greater devolution of functions and freedoms for local areas.

53. In many county areas the LEP boundaries work well with the functional economic area, and this is allowing areas to come together and build effective governance and devolution proposals. However, in some places the LEP boundaries do not reflect the functional economic area, boundaries overlap and create complex landscapes (particularly where authorities are members of more than one LEP) or cut through and divide economies.

54. This is not conducive to creating an integrated, strategic and focussed view of local growth, nor will it support transparency and accountability in the use of public money in the operation of any devolved arrangements.

55. Counties wish to build devolution governance which supports economic growth, effective and efficient local services and ensures that democratic and business views are both empowered.

- **Proposal: LEP boundaries should, where locally requested, be reviewed and rationalised to fit the functional economic area.**

56. We believe that this will help both local areas and central government achieve their goals, and we ask that central government look to mandate this at the earliest opportunity.

Council Support

57. CCN continue to work closely with Government departments and the LGA to ensure our agendas are aligned and to help inform a strong case for counties. We welcome recent secondments from the DCLG to the LGA and the support offer being developed for local authorities.

58. In relation to promoting the importance of two-tier devolution proposals, CCN, in collaboration with the District Councils' Network (DCN) have committed to a programme of national collaboration and support for two-tier areas to ensure relationships between county and district councils are strengthened.[8]

[8] CCN/DCN. Joint Statement Devolution, Growth and Public Sector Reform: County & District Collaboration http://www.countycouncilsnetwork.org.uk/library/july-2013/file97/

59. We believe, given our submission, there is a strong case for specific support for county areas. Following our County Devolution project and existing programme of collaboration with member councils, CCN has recently established a County Devolution Working Group, consisting of devolution leads and experts from across our member councils. The group's aim is to support the development of proposals across member councils, engage directly with Government and help build the case for devolution to county areas.

A County Devolution Settlement: Securing the Recovery

60. Counties continue to be the engine room of growth outside of London and are the most significant contributors to UK Plc. However, while county economies do generally perform well there are still areas of weakness and great potential that could be unlocked through devolution. Appendix 1 provides an updated analysis on county economies, demonstrating our strengths and weaknesses and the supporting case behind our proposals.

An Economic Settlement / Single Pot

61. Each devolution deal for local areas will be a combination of *devolution by default* and *bespoke* negotiation. Alongside bespoke and ambitious devolution deals, we suggest that Government use the Spending Review to devolve certain growth budgets and powers by default.

62. CCN proposed such an economic settlement through Our Plan for Government and subsequent County Devolution project, and this mirrors the work of the LGA, Non-Metropolitan Commission and Lord Heseltine. The single pot recommended through *No Stone Unturned* has not been fully realised yet, with the Local Growth Fund currently amounting to less than 10% of central spend on economic growth.[9]

63. The Local Growth Fund as it is currently constituted means that much time is spent both in central and local government and in LEPs bidding for funds. This protracted process is not responsive enough to urgent economic needs, nor does it deliver value for money. The LGA's analysis showed that in 2013-14 alone there were 100 different pots of funding for growth and regeneration amounting to over £22bn across over 20 central government departments and agencies.[10]

64. It is clear that consolidation of the majority of these funds at the local level will allow the design of a whole system which is responsive to the needs and ambitions of business and communities. It will also enable much greater synergy between the public and private sectors to develop strategy and leverage further investment.

65. To ensure such a settlement is effective and can achieve the best value for money there will also be the need for more of the proceeds of growth to be retained locally and greater powers to set levies and subsidies consolidated at the strategic level.

Proposal: Devolve the majority of growth and regeneration budgets to local areas through a Growth Settlement, ensuring adequate democratic accountability

66. Below, we summarise our economic growth proposals for economic devolution that should be included in a default and bespoke growth and devolution settlement for counties. Further proposals on fiscal devolution, public sector reform, health and social care are presented in the following sections.

Skills & Employment

67. 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

[9] The Local Government Association, Spending Review Submission 2015

[10] Ibid

employment support is currently delivered through 28 different national funds and initiatives, without much local input. Addressing these issues has the potential to close chronic skills gaps, increase productivity levels and living standards and help achieve Government's goals of full employment and 3 million more apprenticeships.

68. Skills funding has seen substantial reductions in recent times and is set to see further substantial reductions through the Spending Review process. Within this context the imperative to consolidate budgets and intelligently design skills and employment support systems at the local level is stronger than ever.

69. Business, provider and public sector partnerships are best placed to calibrate the local system so that it is inherently responsive to employer needs, and delivers on the ambitions of the area and the country. A re-shaped system must be led by business and economic need and ambition. Equally the use of public funds must be linked to clear democratic accountability and local government must have a clear role in local devolved arrangements.

70. We strongly suggest that central government and local areas are ambitious in re-designing the skills system. Central government should look to fully devolve the majority of centrally controlled skills and employment support budgets as part of an economic settlement, and enable local areas to design and deliver other programmes such as the European Social Fund. In this way local areas can ensure provision is business-led and designed in a holistic way.

71. We must also ensure that the system is sustainable and fit for purpose to deliver the high quality skills and qualifications our communities and economy need. central government should therefore ensure that budgets devolved to each area will meet demand, and are long-term to allow future planning and certainty for business. Budgetary envelopes set through the Spending Review will need to take account of this, the area reviews which Government intend to undertake may then be a means of agreeing feasible place based budgets with the local area.

72. Our specific proposals on skills and employment are outlined in column 1 Table 3, page 17.

Planning & Housing

73. Counties share Government's goal to build the appropriate quality and quantity of houses needed to support economic and population growth over the coming years. Counties have the land needed to support this growth, this is demonstrated by the fact 53% of housing development in 2014 happened in CCN member areas. County populations have grown by 2.6% from 2010-2014 and the number of households in counties is projected to grow by 18% by 2037. Local planning needs to be improved to support this, but equally local areas must be properly equipped to provide the infrastructure needed.

74. Recent legislation such as the Localism Act 2011 and National Planning Policy Framework (NPPF) reformed and localised the system, while placing onus on cooperation and collaboration. As currently constituted, the Local Planning process and the Duty to Cooperate are not stimulating the strategic view and delivery of housing they were intended to produce.

75. This is particularly apparent in county two-tier areas where each district is a planning authority, able to agree plans without the need for sign off from the county council, which is responsible for corresponding infrastructure. Building can be frustrated due to local disagreements, and contested developments and Local Plans. We suggest that there are further steps which can be taken by Government to consolidate the NPPF and to make best use of incentives and investment to achieve our shared goals.

76. The CCN and DCN have recently agreed a joint commitment to the principle of strategic spatial plans. This model would bring the county, districts, and potentially nearby unitaries together to design and implement a spatial plan, alongside a corresponding infrastructure plan, across the functional economic area. In this way local input would be achieved, while ensuring that a strategic view is taken across the economy. Such strategic plans could be developed in close alignment with the LEP and Strategic Economic Plan of the area. Setting such plans on a statutory basis, as has been agreed with the Greater Manchester Combined Authority, would ensure their development and adoption were prioritised.

77. To enable strategic planning and infrastructure we suggest that Government will need to re-calibrate incentives and allow additional flexibility around the Local Planning process.

78. Currently developer contributions to infrastructure via the Community Infrastructure Levy (CIL) are set and collected separately by each district. This has seen issues with inconsistency within functional economic areas and complexity and viability pressures for developers. We suggest that the CIL is reformed so that it is set, collected and utilised at the level of the functional economic area, whilst also taking into account the specific infrastructure requirements of the development. This would mean that the levy could be set in a consistent and longer-term way across the area, designed with a view to alleviate pressures on developers, increasing viability and surety. Additionally the consolidation of funds at this level could mean that local government are better able to leverage and encourage further private investment.

79. To allow strategic plans to be put in place there may need to be some flexibility given around the Local Plans process. For example the ability for the functional economic area to plan and deliver the total number of houses across its area, as opposed to targets for each district.

80. Reaching the right balance with incentives will also be important to encouraging timely and appropriate house building. Section two gives detailed considerations around a recalibration of the New Homes Bonus to achieve this. We also suggest that Stamp Duty Land Tax for all new developments is devolved to incentivise building and reinvestment in growth.

81. Central government and local authorities are the owners of approximately £370bn of land and property assets. It is vital that central and local government evaluate their assets and identify sites for development as a matter of urgency. To facilitate locally led efficient decision making, it is vital that Government work with local areas to consolidate land and delegate decision making on the disposal of assets situated in counties to those areas.

82. Our specific proposals on planning and housing are outlined in Table 3, page 17.

Transport & Infrastructure

83. 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.

84. It is critical that we enable county areas to meet essential infrastructure costs to support growing populations. It is equally important that county areas are able to invest in strategic infrastructure to stimulate the economy. This is essential to rebalancing the English economy and we strongly advise counties must form a key part of this strategy.

85. Counties underpin the national economy and connectivity. Covering 86% of the

country's landmass they are vital to the movement of goods and people into and around the country - whether it be through their network of ports and airports, transport of freight or major and local roads. Ensuring county infrastructure is fit for purpose now and in the future will also be key to managing congestion.

86. We welcome the forward planning given through the first National Infrastructure Plan (NIP) and pipeline produced in 2014. The Government have announced that they will be undertaking a review of their capital spend and renewing the NIP for 2015. It will be paramount that a rigorous process is set up to allow local areas to input evidence and priorities to the plan and pipeline on an on-going basis. Equally the review should be used to rebalance what is delivered at the local and national level - Government should operate on devolution by default basis.

87. CCN suggest that the majority of infrastructure and transport budgets are devolved. This would allow a truly business focussed strategy, tailored to the needs and ambitions of the area and aligned with housing provision. It would also eliminate the bureaucracy and time wasted through processes of bidding to Government, giving a much greater return on investment. With a single pot of devolved budgets local areas would also be able to work more closely with business to leverage more private investment – a strategy which Government have acknowledged will be key to delivering our shared ambitions.

Infrastructure Financing

88. While pressures on infrastructure and transport have increased the provision made through the Revenue Support Grant has decreased. This is particularly apparent with the removal of supported borrowing. Moving forward we must ensure local areas have the mechanisms they need to unlock the capital to support essential and growth stimulating infrastructure. Part of this equation should be the setting of sustainable revenue support by government, linked to demand. Devolved budgets should be adequate to meet our local and national objectives.

89. Other parts of this submission discuss the re-calibration of NHB and CIL. Government should also enable county areas to set up equivalents of Urban Renewal Districts and raise and spend Tax Incremental Financing locally. Government should also look to extend ambitious earn-back schemes to county areas to invest in specific infrastructure schemes for tangible economic benefit.

90. The local government finance section of this document gives an overview of Business Rates raising and retention in counties. Additionally we strongly suggest that local areas should be empowered to set the Business Rate multiplier, concessions, levies linked to specific infrastructure projects. The power to levy in this way has been extended to London and has enabled the Crossrail scheme. This overall package of powers could ensure that counties could make their areas competitive and attractive to business, while also funding valuable schemes.

Public Transport

91. Public transport is vital in county areas and is a lifeline to many in maintaining community ties, 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.

92. Counties have undertaken a double hit in terms of maintaining their public transport network. With many bus companies near the tipping point of commercial viability, an intelligent system of subsidies is key. However, reductions in the Bus Service Operators Grant, RSG, coupled with growth in demand, mean that counties are struggling to keep this balance. If the right level of public transport provision cannot be met then vital economic, employment and training links will be broken. Less accessibility to low level support will also

put more pressure on higher level, higher cost public services.

93. To allow counties to design an integrated and responsive system we suggest that the Bus Service Operators Grant should be devolved to the local level and links to fuel price should be removed. Local areas should be enabled to use this alongside their own budgets to work with bus companies and put subsidies in place where they are truly needed. Devolved transport budgets and RSG allocations should be sustainable and designed in a way which allows local areas to meet their demand.

94. The Concessionary fares scheme is a vital part of ensuring accessibly and prevention in county areas. However, as demand has risen, particularly in CCN's areas, corresponding RSG allocations have reduced. To ensure that demand is managed and costs are not passed on to other parts of the public sector system we suggest that Government ensure that the Concessionary fares scheme is fully funded, linked to demand in each area.

95. In addition, some city areas have been granted the powers to design integrated transport systems through bus franchising and smart ticketing. For example, London also has the powers to set specifications for bus and train routes and fares. Enabling these powers locally would mean that a business and public sector view can be taken across the whole system, to put the right levers in place to achieve the best outcomes and value for money. As outlined, this will be vitally important to county areas where geographical and demographic pressures need to be intelligently managed.

Road Maintenance

96. 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 and increasing use of roads and due to the fact that the resources available to maintain and repair are decreasing.

97. 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. Government have recently announced their new long-term Roads Investment Strategy (RIS). This will be funded through Vehicle Excise Duty, which will provide £15m over the next five years. Despite county residents and businesses paying directly into this pot the scheme once again overlooks priorities for our areas. The funding will be used only on a small number of major roads.

98. To ensure that local priorities are met and are linked to the needs of business and communities we suggest that the RIS is devolved. In this way funds can be aligned with other resources to achieve the best outcomes and value for money.

Broadband

99. Broadband Delivery UK (BDUK) are exploring approaches to deliver superfast broadband to the remaining hardest to reach areas, initially through a £10m competitive fund. The added value of enabling connection and the importance it has to businesses and communities we suggest that Government ensure that the delivery of 100% coverage across all rural areas can be fully funded. Given the challenges of designing solutions for deeply rural areas, and the varied approaches that will be needed depending on the area we suggest that Government devolve the design, tender and delivery of the schemes to local areas. In this way the county and unitary councils can work closely with their parishes, businesses and communities to find the best solutions.

100. Our specific proposals on transport and infrastructure are outlined in Table 3, page 17.

Table 3 – Summary of CCN Devolution Proposals for Economic Growth	
Skills & Employment	- Central and local government should be ambitious in their approach to skills devolution. Government should fully devolve the majority of centrally controlled budgets and powers, including Adult Skills Budget and Further Education funding. - Central and local government should ensure that budgets devolved to local areas are sustainable and can deliver the desired results. Budget envelopes should be 'place-based' and be designed and agreed through the local area review process. - Local partnerships should be joint commissioners with the Department for Work and Pensions for the next phase of the Work Programme and Work Choice to help tackle long term unemployment. - Co-location and co-design of Jobcentre Plus services with local authority and other local public sector provision. - Design of initiatives such as the Apprenticeship Grant for Employers, Apprenticeship Levy and Learner Loans should be devolved to the local level – so that the needs of local employers can be catered to and incentives can be set up to get the best results. - Devolution of Youth Obligation design and provision to the local level, alongside associated, sustainable funding. - Expand earn-back arrangements to reduce unemployment – creating incentives and enabling reinvestment in successful schemes. - Devolution of design and delivery of European Social Fund initiatives to the local level.
Housing & Planning	- Move towards a model of strategic planning as the primary plan and framework for an area. Government to further devolve the ability set statutory spatial plans to local areas. - Create a more strategic approach to CIL, consolidating the setting and utilisation of the levy at the strategic level, across a functional economic area. - Decision making powers and budgets relating to government owned public land and property devolved to strategic county areas. Further embedding of the One Public Estate initiative within Government Departments, and consideration of what land can be consolidated and devolved through the Spending Review process. - Government should allow stamp duty land tax on all new dwellings built in a county area to be retained and reinvested in affordable housing and supporting infrastructure.
Transport & Infrastructure	- Devolve local capital and revenue funding for infrastructure and transport to local areas as part of a growth settlement. - Improve mechanisms for local areas to inform and influence the NIP. Ensure local areas can feed into Government's capital review and rebalance what is delivered local and centrally. - Ensure sufficient funding through the RSG, devolution and national funding to supply vital county infrastructure (alongside other mechanisms for financing and attracting private investment). - Extend earn-back deals to county areas to implement specific transport and infrastructure schemes. - Empower county areas to set up equivalents to Urban Renewal Districts and to raise funds locally through Tax Increment Financing (TIF). - Empower county areas to set the Business Rate multiplier, concessions and levies linked to specific projects. - Devolution of the Bus Service Operators Grant, allowing local areas to determine how it is used. Ensure BSOG and RSG allocations are sustainable and can meet local demand. - The Concessionary Fares scheme should be fully funded through the RSG, linked to local demand. - Devolution of transport powers to county areas, including ability to set specifications for routes and fares for bus and train services, and powers to franchise bus services and set up smart ticketing. - Devolve the Roads Investment fund to local areas and ensure that roads maintenance funding through RSG and devolved funds is sustainable and linked to local demand. - Ensure that the next stage of BDUK is fully funded to achieve 100% coverage quickly and efficiently. Devolve the design and delivery of schemes to county areas. - Roll out the city based Broadband Connectivity Voucher scheme to businesses and social enterprises in county areas.

Section 2: Local Government Finance

Summary

- *CCN member councils face a £2.8bn funding gap by 2019/20. The growing funding gap for counties demonstrates that the sector is beginning to reach the limit of efficiency savings and the level of efficiency savings that can achieved within existing finance and policy parameters.*

- *The Government should introduce long-term indicative budgets for local authorities of at least five years.*

- *Ahead of the 2020 reset, the DCLG and HM Treasury should conduct a review of funding allocations and funding formulae to ensure fairness and transparency.*

- *The council tax referendum should be abolished. Failing this, the Government should set a higher upper-tier local threshold trigger of 5%.*

- *Business rate retention should be extended, and the local share between county and districts reviewed.*

- *Government should review the policy of New Homes Bonus. As part of the review, the Government must reform two-tier allocations, with upper counties receiving a minimum allocation of 60%.*

- *Government should explore additional revenue raising powers, devolved funding and transformation payments, including "Comprehensive Earn-Back" and the local retention of a proportion of stamp duty.*

- *Consideration should be given to allocating a proportion of the committed £8bn for the NHS to local partnerships between health and social care to shore up local care markets and assist the NHS in delivering against its £22bn efficiency target by 2020.*

Background: County Finances

101. Before setting out our proposals for achieving a sustainable and fair funding settlement for local government and CCN member councils, we outline the context to our proposals.

Local Government Expenditure

102. In 2015/16 counties accounted for 29.9bn of all estimated expenditure by English local authorities. This is down from total expenditure of £41.7bn in 2010/11, a 28% decline.[11]

103. Figures for per head expenditure for 2015/16 show that counties not only spend less per head of population, but they have witnessed a sharper decline in spending per head of population over the period. We have combined county and district expenditure for two-tier areas to reflect the full range of services.

Table 4 – Median Estimated Total Expenditure Per Head of Population (DCLG, 2015)

LA Type	2011/12	2015/16	% -
CCN Unitary	1,437.45	1,284.20	10.7
English Unitary (Non-CCN)	1,525.85	1,355.10	11.2
County & District	1,425.99	1,265.94	11.2
Metropolitan Boroughs	1,607.71	1,461.28	9.1
London Boroughs	1,687.49	1,583.29	6.2

104. The above figure on total expenditure, which includes council tax, charges and use of reserves, conceal the reductions in funding for local services from central government. By the end of 2015/16, core funding for local government will have already been reduced by between 37-40% in real terms.[12] Analysis by the Society of County Treasurers (SCT) for CCN on central government Grants per head of population shows that they have fallen a further 13.9% for CCN member councils during 2015/16 in real terms.[13]

105. Grant reductions have been accompanied by additional pressures and cuts elsewhere, and the imposition of unfunded or unquantified new burdens. This includes £200m of proposed reductions to public health grants this financial year and the ending of the local welfare provision grant, totalling £129.6m during 2015/16.

[11] DCLG, Total Net Expenditure 2011/12 & DCLG, Total Estimated Net Expenditure 2015/16.
[12] National Audit Office. Financial sustainability of local authorities 2014 (2014) & LGA Spending Review Submission (2015)
[13] CCN. Our Plan for Government 2015-20: County Devolution (2015)

106. A particular future cost pressure facing local government is the financial implications of the Government policy on the living wage. LGA analysis shows that introducing the National Living Wage (NLW) for council employees will cost at least £7m in 2016, with further contract cost pressures of £330m to introduce the NLW for domiciliary and residential care staff. By 2019/20 these figures could rise to at least £111m and £835m respectively as the NLW moves towards the £9.00 per hour target and outpaces general wage inflation.[14]

107. We agree with the Society for County Treasurers (SCT) analysis that if the new obligation is not properly funded this will lead to a significant reduction in the services counties are able to provide.

108. CCN would also emphasise the LGA's concerns raised in their SR submission on the business appeals system. Our members continue to identify appeals as the main source of risk and uncertainty to councils, and the system is in need of reform. We do not repeat the LGA analysis or proposal, but support their conclusions and recommendations.

Demand-Led Service Pressures

109. Funding reductions for CCN member councils come at time of escalating demand for services. This is contributing significantly to a growing funding gap for CCN member councils.

110. Upper-tier authorities across England face a number of similar demand-led pressures. However, counties unique demographics and geography lead to many of these demand-led pressures being higher and *atypical*.

111. Population growth has increased demand for services. The combined population of counties now stands at 25.5m, 47% of English population. The population has grown 2.6% between 2010-14, compared to 2.5% in Metropolitan Boroughs and 3.2% in England. Currently, it is estimated there are 10.6m households in CCN member councils. The number of households is projected to rise 18% to 12.8m by 2037.

Table 5 – Total Household Projections 2015-2037 (1000's) (ONS, 2015)

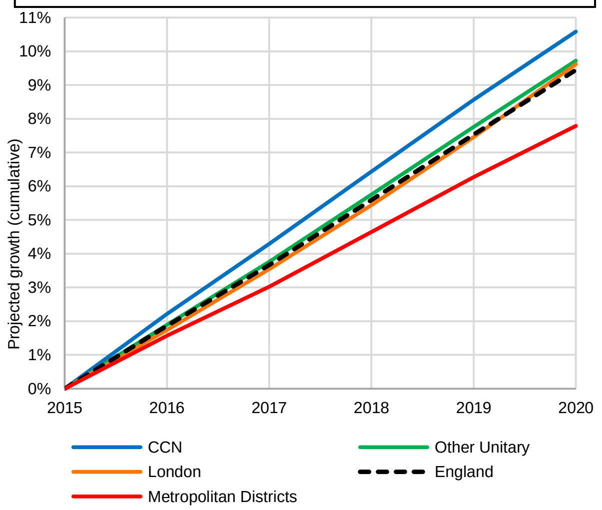
LA Type	2015	2037	% +/-
CCN Member Council	10,851	12,815	18%
All English Authorities	22,943	27,553	20%
London	3,491	4,659	33%
Metropolitan Boroughs	4,937	5,737	16%

112. Counties also have a rapidly ageing population, with service demand for social care outstripping that of other areas of England. The average CCN member council has 20% of its population aged over 65, almost double that of London and higher than all other parts of England. Census data from 2011 also showed the number of single person households aged over 65 is also significantly higher in county areas at 13.3% of all household types. Averages, however, disguise the extent to which older residents reside in county areas. Some 55% off those aged 65 and over (5.2m) live in counties.

Table 6 – Median Population % over 65, 75, +85 by LA Type (NOMIS, 2014)

LA Type	+65s	+75s	+ 85s
CCN Member Council	20.0	9.2	2.7
Metropolitan Boroughs	16.6	7.7	2.1
London	11.5	5.4	1.5
All English Authorities	16.9	7.9	2.3

Graph 2- Projected Population Growth of Residents Aged 65+ by 2020



113. Alongside a growing and ageing population, our members have faced a spike in children's services referrals, with

[14] LGA. Spending Review Submission (2015)

some member councils also struggling to meet growing demand for school places. Under investment in our rail and transport systems and unmet infrastructure costs are holding back the growth potential of county economies. Counties also contain some of the most deprived areas in England, with service delivery pressures also amplified by our unique larger and sparsely populated geographies. Demand-led pressures in county areas are explored in more detail throughout the following thematic sections.

114. Chief amongst the service pressures facing counties are those posed in adult social care. Our survey of council leaders in support of this submission asked leaders to identify the areas of greatest demand-led pressures in their authorities, with 86% selecting demographic pressures in adult social care.

115. The scale of the risk posed by demand for adult social care should not be underestimated. Leaders in our SR survey were asked what the greatest risks were for their council of over the next five years. Demand-led pressures in adult social care are regarded by 11% as a risk and a further 89% as a 'high risk'. This is the highest score amongst all responses (see table 12 on page 24).

Table 7 CCN Spending Review Survey. Which demand-led pressures represent the greatest financial challenge for your local authority? (With 1 being the greatest area of pressure)

Demand-led Pressure	1	2	3	4	5
School Places	8%	12%	46%	31%	4%
Demographic pressures in adult social care	86%	10%	4%	0%	0%
Children's Safeguarding	14%	68%	18%	0%	0%
Waste & Recycling	4%	7%	39%	39%	11%
Planning	0%	0%	4%	23%	73%

Efficiency Savings

116. 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. Our evidence shows that counties continue to the leanest and most efficient part of the local government sector.

117. During the last Parliament, transformation and efficiency programmes in our member councils reduced the workforce significantly. Total expenditure on employees reduced by a quarter (24.9%) between 2010 and 2014, significantly higher than other parts of the local government sector. Total employee headcount figures just for the two year period between September 2012 and September 2014 show that the workforce declined a further 10.9% (63,871) to 522,137.

Table 8 – Total Employee Headcount (LGA, 2015)

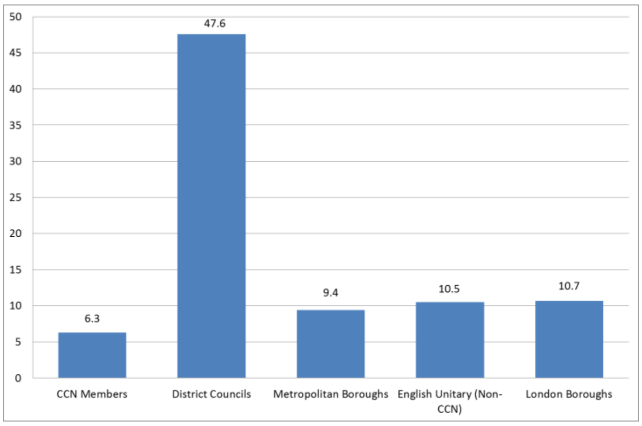
LA Type	Q3 2012	Q3 2014	% -
CCN Member Councils	586,008	522,137	10.9
Metropolitan Boroughs	397,960	355,405	10.7
District Councils	83,973	79,555	5.3
English Unitary (Non-CCN)	251,013	222,814	11.2
London Boroughs	196,107	184,562	5.9

Table 9 – Total Employee Expenditure (DCLG, 2015) (000s)

LA Type	2010/11	2013/14	% -
CCN Member Councils	20,147,935	15,122,327	24.9
Metropolitan Boroughs	12,549,933	10,379,186	17.3
District Councils	2,656,165	2,401,171	9.6
English Unitary (Non-CCN)	8,246,765	6,353,871	23.0
London Boroughs	8,786,170	7,701,608	12.3

118. Efficiency savings have been achieved through keeping management and back office costs down and the innovative use of shared service arrangements. On average, CCN member councils have the lowest proportion of budgetary spend on management and support services at 6.3%, compared to 10.5% in a metropolitan borough and 47.6% in a district council.

Graph 3– Spend on Management and Support Services as a Proportion of Total Spend (Audit Commission, 2014) (%)



119. The LGA's national map of shared services for 2015 shows that CCN member councils accounted for 175 of the total 416 shared service arrangements between councils. The total savings achieved by these arrangements was £124.7m, 30% of all shared service savings in England. Table 11 on page 23 lists examples of county shared services.[15]

120. Our SR survey of council leaders provides further insight into how councils have mitigated funding reductions so far, and how they believe they will meet funding challenges over the coming period.

121. Whilst measures such as decommissioning non-statutory services, reducing statutory services, raising council tax and introducing new charges are becoming increasingly important means of mitigating funding reductions, the results in Table 10 above show CCN member councils remained committed to achieving further efficiency savings.

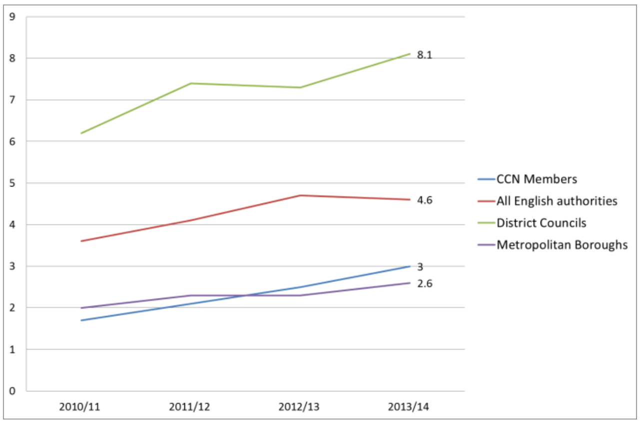
122. IT, procurement, organisational and service transformation are still regarded as the most effective means of mitigating funding reductions. Shared services arrangements are still regarded by 62% of leaders as effective, while the innovative use of traded services is regarded as effective or very effective by 61%.

Reserves

123. The increased financial risks for local authorities have required councils to implement robust medium-term financial plans, with a necessary uplift in reserve levels. Latest analysis by CIPFA shows that, as at 31st March 2014, councils held £3.7bn in general unallocated reserves and balances. This compares to cash balances of £4.3bn amongst NHS Foundation Trusts. As CIPFA says:

> "Reserves are a vital part of prudent financial management in local authorities, including their ongoing ability of local authorities to meet the balanced budget requirement."[16]

Graph 4- Median Unallocated Reserves as a Proportion of total net spend (Audit Commission 2014) (%)



123. CIPFA's analysis leads them to conclude that:

> "While the headline levels of reserves held by local authorities have increased significantly over the last parliament, almost all of those reserves are already allocated for specific investments and to manage future risk".[17]

124. Reserve levels for counties have continued to strike a balance between robust financial planning and ensuring levels are not excessive. Figures on unallocated reserves as a proportion of total net spend show CCN member councils have 3%

[15] National Map of Shared Services, Local Government Association, 2015

[16] 'CIPFA briefing – English local authority reserves' CIPFA, June 2015, http://www.cipfa.org/About-CIPFA/Press-Office/latest-press-releases/CIPFA-survey-shows-most-council-reserves-already-set-aside-for-longterm-financial-needs

[17] 'CIPFA survey shows most council reserves already set aside for long-term financial needs', CIPFA, June 2015, http://www.cipfa.org/About-CIPFA/Press-Office/latest-press-releases/CIPFA-survey-shows-most-council-reserves-already-set-aside-for-longterm-financial-needs

unallocated reserves compared to the national local authority average of 4.6% and 8.1% in the average district council.

125. Table 10 on page 22 shows that the use of reserves is regarded as 'very ineffective' by 24% of council leaders or 'ineffective' by a further 38% in mitigating any reductions in Government Grants. The use of reserves is also not a sustainable practice.

Table 10 - CCN Spending Review Survey. How effective do you believe the following measures will be in mitigating any reduction in Local Government Revenue Support Grant over the next 5 years?

Measure	Not at all Effective	Not Effective	Neutral	Effective	Very Effective
Traded services	0%	10%	29%	50%	11%
IT/Procurement Organisational Transformation	0%	7%	13%	61%	16%
Service Transformation	0%	0%	14%	41%	45%
Shared back office with partners	0%	3%	35%	55%	7%
Jointly providing services with community & voluntary sector	0%	4%	38%	55%	3%
Devolving functions to other organisations	0%	21%	17%	48%	14%
Increasing or introducing charges	0%	10%	38%	52%	0%
Outsourcing	0%	31%	48%	14%	7%
Demand management strategies	0%	0%	17%	49%	34%
Utilising social investment	0%	34%	31%	31%	4%
Reduced statutory services	0%	10%	43%	47%	0%
Raising council tax	0%	3%	19%	48%	30%
Raising new additional taxes	0%	3%	41%	38%	18%
Decommissioning some services	0%	14%	21%	53%	14%
Use of reserves	24%	38%	21%	14%	3%

Table 11 – CCN Council Shared Service Arrangements Examples (LGA, 2015)				
Authority	**Shared Service**	**Partners**	**Description**	**Savings**
Essex County Council	Vine HR	County, districts, unitary, London boroughs & Park Authority.	Established to provide shared HR services, shared strategic workforce development projects and learning and development at reduced costs; using combined buying power to reduce costs and challenge market rates; working collaboratively to establish shared approaches to common issues and problems. Benefits include smarter procurement, reduced costs on training, shared programmes and closer partnership working; colleagues from partner authorities train together and share knowledge, know-how and initiatives as well as income generating from innovative products such as e-Learning.	£3,650,000
Suffolk County Council	Public Law Partnership (PLP)	County, districts, unitary, London boroughs.	PLP is a federated partnership of 31 authorities, across four counties in the east of England. It operates an internal market with partners undertaking work for each other at a discounted rate, reducing spends on more costly external legal provision. Procurement of law libraries is undertaken collectively to leverage volume discounts, and training is provided to the workforce, building professional expertise at minimal cost. There is annual benchmarking providing comparative data for all, along with information to identify new projects to achieve further efficiencies and additional income.	£4,954,000
Surrey County Council, Hampshire County Council, Kent County Council, West Sussex	SE7 Collaboration	County and unitary authorities	The SE7 operates under two overarching principles drive all activity for the partnership: The SE7 councils work collaboratively to provide quality, value for money services while exploring opportunities to deliver improvements for our residents, communities and businesses. The partnership is delivering its aims through a focus on: highways construction and maintenance, waste management, information technology, property asset management and procurement. In addition to the financial benefits delivered to date, it is anticipated that a further £20m of benefits will be realised over the next three years.	£24,000,000
Lincolnshire County Council	Procurement Lincolnshire	County and district councils	Shared procurement across the eight local authorities in Lincolnshire. The service commenced in 2008 and involves 7 partner authorities with key priorities to: Increase efficiencies whilst maintaining quality, and develop socially responsible procurement.	£24,933,048
Cumbria County Council	Effective Procurement in Cumbria (EPiC) - joint procurement	County, district councils, police and NHS.	EPiC was established in 2007 (in a more informal way several years earlier) to deliver savings through smarter procurement. EPiC has a savings target of 4% for 2010/11. To date EPiC has exceeded targets set. The membership has now been expanded to include Cumbria Police and Cumbria NHS.	£2,000,000
Cambridgeshire County Council	Cambridgeshire Public Sector Network	County, district, unitary, Fire and Rescue, voluntary and community sector.	Cambridgeshire Public Sector Network is a shared services contract for provision of a communications network and associated services. It provides Wide and Local Area Networks, Telephony and Security Infrastructure Services. The procurement phase now completed and implementation is underway. Shared service and contract management function due to be implemented from April 2012.	£2,200,000
East Sussex County Council	The Link	County, district, unitary, police, fire & rescue, NHS and university.	The LINK is a consortium for the joint procurement and operation of best value ICT services. It encourages the participation of all public services organisations in Sussex and the immediate proximity. Governed by its stakeholders and managed on their behalf by a Consortium Client team, the Link delivers cost savings through aggregation, sharing costs and driving better collaboration. Through its procured suppliers, the Link portfolio currently includes WAN, LAN and other network services, and Telephony, Contact Centre and Unified Communications services. Further services are planned to support stakeholder requirements.	£4,000,000
Lancashire County Council	North West Foster Care Placements.	County, Metropolitan Borough, and Unitary.	The North West Foster Care Contract 2010 was launched in April 2010 and gives local authorities the chance to buy external foster care placements with clearly defined and common levels of service specification.	£2,500,000
East Sussex County Council	East Sussex Joint Waste Committee	County and district	Four WCAs in East Sussex have partnered to improve the quality and efficiency of waste collection, recycling, street and beach cleaning services by entering into a joint contract with Kier Services. The WDA also benefits from reduced disposal costs.	£2,900,000
Cambridgeshire County Council	LGSS	County, district, NHS, care sector.	Established in October 2010, LGSS is one of the UK's largest shared services ventures of its kind and is owned by Cambridgeshire and Northamptonshire county councils. They deliver a wide range of professional and transactional services to local authorities and other public sector organisations. These include HR, Finance, IT, Revenues & Benefits and Legal Services. For more information on our full business offering, see www.lgss.co.uk.	£19,000,000

Funding Gap

126. Counties have a strong track record of maintaining and improving services in the face of unprecedented funding reductions. We have shown a readiness to explore all possible means of delivering better services. But we have reached the limits of what is possible when local government is sharing such a disproportionate share of the burden.

127. Faced with continuing funding reductions and rising demand for local services, the latest LGA projections show that by the end of 2019/20, local government will be facing a total funding gap of £10.3bn. The funding gap is defined by the amount in which funding falls short of maintaining services, with councils having to bridge the gap through savings or additional revenue in order to present a balance budget as per their legal duty.[18]

128. Our analysis of the LGA figures for our 37 member councils show that they account for £2.8bn of this funding gap by 2019/20, 29-30% of the total gap. This is lower than our proportion of total spend (39%), but 27 of member councils in two-tier areas do not provide the full range of local government services, with district councils facing a funding gap for lower-tier services which is not included in the above figures.

Table 12 - CCN Spending Review Survey. How would you rate the following risks for your council over the next 5 years?

Risk	No Risk	Low Risk	Neutral	Risk	High Risk
Further cuts to central government grant	0%	0 %	4%	25%	71%
Demand led pressures (adult social care)	0%	0%	0%	11%	89%
Demand led pressures (children's services)	0%	0%	4%	41%	55%
Inability to set and retain taxes locally	0%	0%	14%	62%	24%
Unfunded burdens as a result of government policy	0%	0%	10.3%	62%	28%
Lack of access to devolved powers from government	0%	7%	28%	59%	7%
Lack of available capital funding for infrastructure investment	0%	10%	24%	34%	31%
Ability to borrow at competitive rates	0%	52%	38%	7%	3%
Lack of integrated working	0%	7%	32%	54%	7%
Local government reorganisation	14%	28%	34%	21%	3.45%
Failure of external providers	0%	10%	17%	55%	17%
A reduction in income from fees and charges	4%	29%	43%	21%	4%
Reduced scope for efficiency savings	4%	7%	10 %	45%	34%
Inability to plan due to short-term nature of Government budgeting	0%	4%	10 %	69%	17%

Policy Proposals

129. While counties continue to be the most efficient and effective part of the public sector, the growing funding gap for counties demonstrates that the sector is beginning to reach the limit of efficiency savings can be achieved within existing finance and policy parameters. In November 2014, the National Audit Office concluded that:

[18] The funding projections by the LGA are based on applying the projections for departmental spending implied by the March 2015 edition of the Office for Budget Responsibility economic and fiscal outlook.

"While local authorities have tried to protect service users, there is emerging evidence that funding reductions have led to a fall in service volumes…… Local auditors are increasingly concerned about the future financial sustainability of some authorities and their capacity to make further savings."[19]

130. The results of our SR survey, presented on page 24 in Table 12, further validate this conclusion and demonstrate that there are an increasing range of financial and reputational risks for CCN member councils. In response to our SR survey 45% of CCN council leaders believe that 'reduced scope for efficiency savings' is a risk during this Parliament, with a further 34% suggesting it is a high risk.

131. Without a fair funding settlement, specific reforms to local government finance and devolution enabling wide-ranging financial and public sector reform, county authorities will be unable to provide the services necessary to promote growth, protect vulnerable children, and care for our growing ageing population.

Sustainable & Fair Funding for Local Government

132. CCN is not opposed to budgetary reductions. *Our Plan for Government 2015-20* argued that counties will continue to play their part in reducing the national deficit, seeking efficiencies and further savings. However, we believe that any deficit reduction programme must be balanced and proportionate across Whitehall Departments and local public sector providers, ensuring resources are utilised in the most efficient and effective manner.

Departmental Ring-Fencing

133. During the last Parliament local government shouldered a disproportionate burden of deficit reduction due to ring-fencing. While counties protected the majority of frontline services through efficiency savings and service transformation, fiscal retrenchment inevitably led to the withdrawal of large amounts of non-statutory discretionary services and restricted access to some services.

134. With the Chancellor committed to protecting and increasing spending for health, international development and schools, alongside a commitment to maintain defence spending at 2%, local authorities are facing severe funding reductions over the course of this Parliament. As part of this Spending Review, the Chancellor has asked non-ringed Departments to draw up plans for the implementation of spending reductions between 25% and 40%.[20]

135. It is our view that the potential reductions on the scale outlined by the Chancellor for the Department for Communities and Local Government, a non-ring-fenced department, are highly disproportionate and give rise to fundamental risks for local government and the communities they serve.

136. Our survey of council leaders in support of this submission asked what the greatest risks were for their council over the next five years, with reductions in Revenue Support Grant (GSG) regarded by 25% of leaders as a risk and a further 71% a 'high risk'. This is despite RSG constituting a smaller and declining proportion of CCN member councils overall funding mix.

137. Our survey of council leaders provides evidence on the likely impact on local services of continuing reductions to RSG in the absence of the additional mitigating policy proposals outlined in this submission.

[19] National Audit Office. Financial sustainability of local authorities 2014 (2014)

[20] HM Treasury. A country that lives within its means: Spending Review 2015 (2015)

Table 13 – How would you rate the following risks for your council over the next 5 years?				
Implication of RSG Reductions	**Highly Unlikely**	**Unlikely**	**Likely**	**Highly Likely**
Councils & Central Government will be at risk from legal challenge or Judicial Review	0%	21%	38%	41%
Other services such as health & police will have to absorb extra pressures that can no longer be dealt with by council services	0%	10%	48%	45%
The public will lose trust in local and Central Government	0%	14%	69%	17%
Councils will be at risk from becoming financially unsustainable	0%	14%	34%	52%
There will be a risk that councils will not be able to continue meeting all of their statutory duties	0%	4%	48%	48%
There will be a risk to the safety & wellbeing of residents	0%	14%	69%	17%
Local authorities will become financially self-sustainable	33%	36%	24%	7%

138. The results in table 13 above demonstrate that disproportionate spending reductions will lead to CCN member councils making increasing difficult decisions over the future provision, quality and safety of core services. In some cases, it will lead to councils' completely withdrawing non-statutory discretionary services and challenge the future viability of councils being able to meet their statutory duties.

- **Proposal: The Government reconsiders departmental ring-fences and delivers a fair and proportionate approach to deficit reduction across all departmental expenditure.**

A Fairer & Freer Settlement for Counties

139. Equally important as the total quantum of funding is the consideration of the distribution of resources within the local government sector. In implementing the SR spending envelope, DCLG must consider how it can ensure *different parts* of the sector are equipped to meet projected funding gaps and there is no one-size-fits all policy approach.

140. Any reductions in funding must be accompanied by wide-ranging reforms to the financing of local government, including specific distribution formulae, funding incentives, settlement periods, and the introduction of greater freedoms and flexibilities. This will make local government fairer, more self-sustainable and independent.

Fairer Funding for Counties

141. Between 2006/07 and 2012/13 the Department for Communities and Local Government introduced the Four-Block Model as a method to allocate funding to local authorities.

142. The distribution of formula grant under this model relied on a series of formulae. These formulae frequently regressed to past activity and/or spending to ascertain future measures of "need".[21] These "need" formulae tend to contain a lot of urban deprivation measures, with less weight given to other measures such as sparsity and concentrated small pockets of deprivation. In addition, the current funding formulae fail to fully take into consideration population growth and demographic trends. This leads to funding being increasingly directed towards more built-up areas, particularly Inner London.

143. This funding inequity has now been cemented into current and future funding settlements, since it was the Four-Block Model that provided the funding baseline for the introduction of the Business Rates Retention Scheme in 2013/14. This is despite section one showing county population growth higher than other parts of the country, and DCLG/DEFRA commissioned research concluding that;

"where services involve a significant degree of travel, there is a general tendency for more rural authorities to have greater costs associated with travel claims and for more rural areas of

[21] The Balance of Power: Central and Local Government, pg50, paragraph 120.

authorities to have greater associated travel downtime”.[22]

144. As result of the balance in existing funding formulae, counties continue to receive less central government grant per head of population as part of the local government settlement and have done so consistently since 2010/11. Per head of population adjusted funding for 2015/16 is £218.54 in CCN member council areas, compared to £439.56 in Inner London and £387.54 in Metropolitan Districts.[23]

145. Whilst a simple comparison of funding per head cannot illustrate the complexities of service need in different areas it does go some way to illustrate the funding disparities across the country where a resident in inner London attracts three times more funding than someone in a county area. Disproportionate levels of RSG for other parts of local government, such as Inner London, also allow these authorities to keep council tax extremely low (see page 21).

146. We welcome steps in the last settlement to increase funding to rural areas through the rural funding element, and note the Government’s commitment to review the distribution of adult social care funding as part of phase two of Dilnot Funding. However, the latter has now been delayed until 2020, whilst the former falls well short of addressing the rural cost penalty facing CCN member councils.

147. While ensuring funding remains based on need and reforms do not unduly penalise other parts of the country, there is pressing need to ensure that rural as well as urban service needs, as well as demographic demand, are reflected in any funding distribution formula through a full review.

- **Proposal: Ahead of the 2020 reset, the DCLG and HM Treasury should conduct a review of funding allocations. Funding formulae must adequately reflect the challenges and additional costs of delivering rural services and demographic pressures in less urban and larger geographic areas.**

148. In addition to the fairness, RSG now lacks transparency, increasing complexity, ministerial control and public opaqueness.

149. Building on the Four-Block Model, the different components that constitute RSG funding have been increasing less transparent during the previous Parliament. For instance, the inclusion of concessionary fares makes it almost impossible to judge the evidence base in which funding is distributed accordingly to need and demand, and whether government is fully funding this burden.

150. Furthermore, the Local Government Finance settlement for financing previous capital investments through supported borrowing has not been protected from reductions since 2010 and effectively authorities which took up supported borrowing have fixed long term financing costs and are therefore disproportionately affected by funding reductions.

151. The CCN and SCT have campaigned for the abandonment of the model which councils felt was incapable of reflecting the nuances of differing local authorities, is too open to ministerial judgement, and leads to unfunded new burdens for local authorities.

Ring-Fenced Funding

152. During the last Parliament the Coalition Government removed the vast majority of ring-fenced elements of the local government settlement.

153. In general, this was a move supported by the LGA and CCN, allowing greater flexibility for local authorities to decide how best to spend resources locally in line with local need. This was important in allowing local authorities to deliver the funding reductions imposed during this period, protecting frontline services and continuing to meet their statutory duties.

[22] LG Futures. DCLG/DEFRA Research into Drivers of Service Costs in Rural Areas (2014)
[23] CCN. Our Plan for Government 2015-20: County Devolution (2015)

154. However, in light of a number of specific demand-led pressures across adult and children's social services, which have grown during the last Parliament, and the continuation of the Four-Block Model discussed above, we believe that there is a case for some element of ring-fencing for specific areas of the local government settlement being reintroduced in *exchange* for a guaranteed increase in funding.

155. Our SR Survey of Council Leaders asked whether they would accept any form of ring-fencing for service areas in exchanged for a guaranteed increase in funding. Adults and children's services were the only areas of local government expenditure that the majority of respondents would accept a ring-fence in exchanged for a guaranteed increase in funding.

156. Any ring-fence would be to ensure an *increased funding envelope* for adults and children's services, and allow local authorities the same discretion on how funds were invested across these service areas. Any ring-fence should not lead to additional cuts elsewhere in the local government settlement. Additional funding for adults should come from the ring-fenced proportion of the health budget (as argued under in the Health and Social Care section below).

- **Proposal: Government considers ring-fenced funding for adults and children's services in exchanged foe a guaranteed increase in funding.**

Long-term Funding Settlements

157. In recent years provisional settlements have been determined just three months before the start of a financial year. CCN has consistently argued that this timescale for publishing the local government financial settlement is completely unacceptable, restricting robust financial planning and leaving little time for public consultation and scrutiny.

158. CCN and the LGA have been calling for multi-year settlements for local government for some time. It is widely acknowledged that short-term settlements do not enable long-term planning and investment across public services, and is a barrier to the integration, pooling and better deployment of public resources. CCN's report *The State of Care in Counties: the integration imperative* showed that this was particularly the case across health and social care integration, acting as a barrier to effective joined-up budgeting and investment in community-based preventative services.[24]

159. The Government has stated its intent to work towards multi-year settlements for councils, clinical commissioning groups, schools and adult education providers, which will give local councils and their partners more certainty to better plan their service delivery. We agree with the Commission on Local Government Finance, that it is helpful that the government recognises the interrelationships between health and social care in this area, but we need the Government to go further and deliver on previous commitments to introduce the policy.[25]

160. Continuing short-termism is now a growing risk to CCN member authorities. Some 69% of council leaders in our Spending Review survey sighted 'inability to plan due to short-term nature of Government budgeting' as a risk to their authority, while a further 17% regarded this as a high risk. A long-term funding settlement of at least five years is therefore a high priority for CCN member councils for ensuring fiscal sustainability over the next five years.

- **Proposal: Government should introduce long-term indicative budgets for local authorities of at least five years. The settlement should be published no later than the end of**

[24] County APPG, CCN & LGiU. *The State of Care in Counties: the integration imperative* (2015)
[25] Independent Commission on Local Government Finance. *Financing English Devolution* (2015).

November, to allow more time for budget planning and consultation*.*

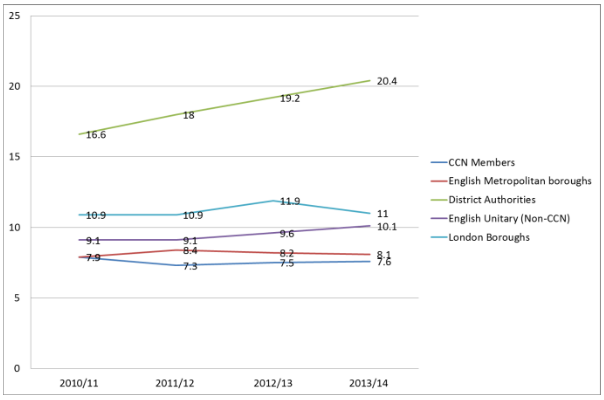
Fees & Charges

161. Counties inadequate share of RSG is not the only factor restricting their ability to meet the aforementioned projected funding gap.

162. While the 27 two-tier member councils in counties do provide fee paying and chargeable services, districts administer the majority of discretionary income raising services such as licensing, planning and building control.

163. The amount of income from sales fees and charges as a proportion of an average CCN member council spend has dropped over the period, and remains the lowest across the sector at 7.6%. In contrast, district councils have seen a 23% rise in sales, fees and charges as a percentage of total spend.

Graph 5 – Sales, Fees and Charges as a % of total revenue 2014/14 (Audit Commission, 2014) (%)



164. Although our councils are less reliant on fees and charges, we support the case for greater flexibility for local authorities to recover the full costs of providing services at a time when Government support for local services is severely reducing. This is particularly important for district councils providing important frontline services in county areas.

165. It is important to note here that this evidence on fees and charges further demonstrates that with upper-tier authorities providing largely statutory services, two-tier CCN member councils are restricted in their ability to offset funding reductions by raising fees and charges. This should be considered in line with the proposals on tax and funding incentives below.

- **Proposal: Councils are provided with greater freedom over setting fees and charges for local services to ensure full cost recovery of providing services**.

Council Tax

166. Receiving less RSG and revenue from fees and charges, CCN member councils are disproportionately reliant on their council tax base as a source of income to meet the escalating costs of providing services.

167. This is highlighted by analysis of revenue spending power data for CCN member councils. This shows that on average the council tax requirement forms 51.9% of CCN member councils spending power, with the Settlement Funding Assessment forming 31.9% and the remaining proportion made up of grant funding.

168. Many CCN member councils' will continue to freeze council tax. However, in ensuring that councils are able to mitigate the impact of funding reductions and rising demand for services, councils require greater local flexibilities, including over council tax. Council tax is subject to significant central control, much of which is enshrined in primary legislation. This one-size-fits-all approach is out of date and does not result in fair bills for taxpayers.

169. For counties in particular the referendum policy, which effectively acts as a cap on council tax, penalises service provision in county areas. The freeze grant compensation does not act as a financial incentive for councils nor does it provide long-term funding certainty.

170. The referendum threshold has further exacerbated financial pressures on counties. The Society for County Treasurers (SCT), in their response to the SR, highlighted that since 2011/12 the average Band D council tax charge has increased by only 2.5%, whilst over the same period inflation has grown by 10.5%. This meaning that counties have had to find other ways to fund inflationary costs relating to service delivery.

171. CCN continue to oppose the referendum policy. However, if the policy is to continue, those parts of the sector facing higher demand-led pressures and greater restrictions in their ability to meet demand through RSG or additional revenue streams, should be subject a higher threshold.

172. A higher threshold should be accompanied by additional freedoms, as proposed by the LGA, over council tax bands and discounts.

- **Proposal: The council tax referendum should be abolished. Failing this, the Government should set out a higher upper-tier local threshold trigger for council tax referenda. CCN recommends this is no lower than 5%.**

- **Proposal: Local areas should be allowed to change the relative liabilities of council tax bands and introduce new bands where needed. Council tax support eligibility restrictions should also be removed.**

New Homes Bonus

173. NHB was introduced as part of the local government settlement to incentivise councils to go for growth and build more homes. However, as with business rates retention (see page 31), this funding incentive requires reform.

174. Figures on NHB for 2015/16 show that from a total of £1.17bn, CCN's 10 unitary members received £80.1m, with the 27 two-tier counties receiving £96.6m. District councils received payments of £386m with metropolitan boroughs receiving £183.9m and English Unitary authorities £172.5m.[26]

175. CCN believe that these allocation shares between county and district authorities are becoming untenable in light of the financial pressures facing our member authorities.

176. The 80:20 spilt of NHB in two-tier areas will have negative net financial impact on county councils over the coming years if Government does not review this policy. The top-slicing of NHB from RSG compounds the impact on two tier counties, with counties effectively receiving less RSG for every house built in their area.

177. DCLG's own review of NHB found that by 2014/15 shire counties without fire responsibilities will be £45m worse off, with counties with fire responsibilities £25m worse off. In comparison shire districts were the highest net beneficiaries with net positive financial benefits of £250m for the same period.[27] This net financial gain for district authorities should be taken into consideration alongside financial data presented previously, such as the growth in fees and charges, static expenditure on employees, and higher reserve levels.

178. This level of disparity is inexplicable given that county councils are responsible for the delivery of infrastructure and transport that are vital to facilitate housing construction. In addition to this county councils will experience an increased demand in statutory services such as schools places and social services as a result of new homes being built. Evidence presented above and throughout this submission demonstrates the increasing demand-led pressures on CCN member councils.

179. NHB arrangements are exacerbated by the introduction of the Community Infrastructure Levy (CIL), which is not

[26] CCN. Our Plan for Government 2015-20: County Devolution (2015)
[27] Department for Communities and Local Government. Evaluation of the New Homes Bonus (December 2014)

delivering any significant funding to support infrastructure delivery. Due to five sets of regulations since CIL first appeared, and as a result of viability testing and Inspectors driving down rates at examinations, it now appears likely to offer only 5-10% of infrastructure costs. This compares to the 20%-30% needed to match current Section 106 allocations. If CIL is to deliver the funding required then it will need to return to first principles. Our proposals for achieving this are explored in section one.

180. Our evidence suggests that not only is the system fundamentally unfair, it is creating perverse incentivises which counter the wider objectives of Government policy.

181. Alongside ensuring adequate funding compensation for local areas as a result of housing growth, one of the core aims of the NHB policy is to facilitate housing growth. However, the funding is un-ring-fenced and as such councils do not have to reinvest it in housing or infrastructure.

182. Primarily spending Bonus receipts has been on general council services (60%), keeping council tax low (6.5%) and more worryingly only 10% investing receipts in infrastructure for new housing.[28] This compares to independent research undertaken by Shared Intelligence for CCN in July 2013 which provided evidence that CCN member councils were ring-fencing their smaller proportion of NHB for expenditure on growth-related activity.

183. CCN also contend that the NHB is not achieving other important objectives, such as incentivising joined-up collaborative working on housing, growth and strategic planning. In some cases, it is acting as a perverse incentive *against* joint working, which is concerning given the importance of county and district collaboration in delivering devolution deals.

184. Better collaboration is vital in two-tier areas, with strengthened strategic planning a key facet of this. DCLG's evaluation found that 47% of county council planning officers disagreed that the Bonus had "led to better communication and negotiation between county and district councils in my area with regard to new housing". In addition to this only 15% of county officers agreed that the Bonus had "let to better strategic coordination between county and district councils in my area on new house building", with 48% disagreeing.

185. With no commitment from the Government on the continuation of NHB beyond 2015-16, CCN believe that without reform the NHB is financially penalising our member councils for doing the right thing and supporting housing growth. In addition, the NHB, as currently structured, is not achieving important objectives of incentivising both economic growth and sector efficiency.

- **Proposal: Government Reviews the policy of NHB to ensure it is achieving its objectives of incentivising growth and promoting sector efficiency. As part of the review, the Government must reform two-tier allocations, with upper counties receiving a minimum allocation of 60%.**

Fiscal Devolution

186. Alongside council tax freedom, greater fiscal devolution and new revenue raising powers for local government are important to ensuring long-term financial sustainability and greater independence.

187. The fiscal imperative of the reforms outlined below is emphasised by responses to our SR Survey. Re-calibration of economic growth incentives is regarded as the second top priority by leaders to ensure the fiscal sustainability of counties over the next five years.

Business Rates Retention

188. CCN supported the introduction of business rates retention scheme but has consistently argued that further devolution is needed to incentivise growth and

[28] Department for Communities and Local Government. Evaluation of the New Homes Bonus (December 2014)

ensure fairness across local authority tiers.

189. In achieving this, we welcomed the reforms taken in April 2013 to allow local areas to retain 50% of total business rates and the recognition by central Government that local retention is a crucial incentive for growth. We also welcome recent pilots to allow local areas to retain 100% of business rate growth. However, we believe that the amount retained locally must be substantially increased and extended across England if the incentive is to have real impact.

190. We recognise that an element of equalisation must remain as support to provide key services such as social care cannot be directly linked to economic conditions. Beyond this we believe that greater local retention of the total business rates take would be a compelling incentive to work closely with partners and business to further prioritise growth measures and reinvest in successful initiatives.

191. Equally, fiscal freedoms to set and retain more business rates locally will mean that local areas will have more capacity to become sustainable and self-sufficient. Within the landscape of increasing pressures and decreasing funds this will become ever more vital. Such fiscal freedoms would support economic plans, but would also enable greater reform and longer term planning of services.

- **Proposal: Local areas should retain a greater percentage of business rate revenue.**

192. CCN also believe that the allocation of business rate retention between county and district councils should be reviewed. This is to ensure growth is being properly incentivised and resources fairly distributed across the sector according to need.

193. Despite key county services supporting local businesses to generate £8.4bn in business rates during 2013/14, CCN's 27 county councils only retain 9-10% locally, with districts retaining 40%. It is patently the case that it is county, rather than district council services, that are the key enablers of business growth, whether through transport and highways maintenance or infrastructure provision.

194. County Councils are responsible for strategic infrastructure across their area, they are the main liaison with the LEP and strategic economic plans and are core building blocks of functional economic areas. It therefore makes sense that the county council, or partnership organisation such as a combined authority, should be incentivised to drive economic growth. They should be enabled to take a strategic view across the functional economic area, including having a greater voice in Local Plans which shape development across county areas.

- **Proposal: Review the distribution of locally retained allocations between county and district councils, with a view to establishing an equal 50-50% in retained shares.**

195. The measures outlined above would help enable counties to further develop their competitive and attractive offer to business. This would foster sustainable growth, employment, productivity and living standards, while rebalancing the system so it better promotes fiscal sustainability and independence across all local authority types. The benefits of our proposals would extend to businesses, communities, local and central government, through increased growth and competitiveness, but also though reduced demand for public services and welfare.

Stamp Duty

196. The devolution of property taxes, specifically stamp duty, has been mooted as a possible revenue stream to devolve to local areas as part of a fiscal devolution settlement.

197. During 2013/14 counties contributed a total of £2.5bn in residential stamp duty yield. This is 41% of all residential stamp duty yield in England, only below the contribution of London at £2.7bn. The Core Cities contribute a total of £164m.

198. Given the scale of contribution that the counties make they must be empowered to retain a greater share of proceeds to reinvest back in to their economies and communities.

- **Proposal: Government should allow Stamp Duty Land Tax on all new dwellings built in a county area to be retained and reinvested in affordable housing and supporting infrastructure.**

European Funding

199. Government have taken the decision to retain the design of local programmes funded through European funding centrally. While Government have committed to ensuring local economic priorities are taken into account this misses valuable opportunities to tailor schemes within a whole system approach to the local area, and leverage further funding.

200. Government have given some powers of local discretion to London and the Core Cities, which can locally design and deliver to 10% of the funds for the area. We also strongly welcome the decision to award Intermediary Body status to Cornwall as part of their Devolution Deal.

201. DCLG have committed to reviewing the system by February 2016, we strongly suggest that local areas are involved in this review to devolve design and delivery of programmes to the local level.

- **Proposal: Use the review of European funding systems to devolve the design and delivery of programmes to the local level**

Public Sector Reform: One Place, One Budget

202. At a time when the UK continues to face financial challenges, Government and all public service providers need to think innovatively about how they work together to deliver high-quality public services that meet the needs of the entire population.

203. This is an objective shared by the DCLG. If funding continues to be reduced throughout the next spending review period, the Department has identified that many local authorities would have to go beyond the efficiency measures used during this Parliament, with transformation programmes focusing increasingly on joint working and integration with other local service delivery bodies to meet increasing demands for services.[29]

204. However, the National Audit Office has cast doubt on the DCLG ambitions on transformation, concluding that the DCLG has not yet transformed;

> 'Estimated the capacity of local authorities to carry out widespread service transformation…. Nor has it estimated yet the level of savings such projects could realistically make, how long this would take, or the potential impact on service users."[30]

205. The results of our SR survey show that CCN member councils do believe further transformation is possible, but a lack of integrated working does pose a risk to this being achieved in practice.

206. The results in Table 10 on page 22 show that CCN member councils believe the most effective means of mitigating funding reductions lie in;

- Continuing service transformation;
- Joint provision, commissioning, or devolving of functions to other organisations; and
- Demand management strategies.

207. But the results of our survey also reveal that some 61% of council leaders regard 'a lack of integrated working' as a risk or high

[29] National Audit Office. Financial sustainability of local authorities 2014 (2014)
[30] National Audit Office. Financial sustainability of local authorities 2014 (2014)

risk to the financial sustainability of their authority (see Table 12 on p. 24).

208. We have provided evidence in this submission that CCN member councils and the wider local government sector have a strong track record of maintaining and improving services in the face of unprecedented funding reductions. However, we believe that councils are reaching the limit to what can be achieved within existing policy parameters.

209. The only sustainable way forward is for counties to be empowered and incentivised to drive efficiencies in other parts of the public sector, integrated services and deliver the most effective deployment of the totality of resources within an area. This includes greater support for the development and implementation of demand management strategies, investment in early intervention, alongside powers to reduce service complexity and duplication, and lead integration across all local services.

210. CCN believe that there is much that the rest of the public sector can learn from the experiences and expertise of local government in driving efficiencies to secure better value for money across local services.

211. For instance, despite witnessing real terms increases in funding, concerns have consistently been raised over the ability of the health service to secure necessary efficiency savings. The National Audit Office concluded that while the NHS had delivered a substantial amount of efficiency savings in 2011-12, there is limited assurance that all the reported savings were achieved and savings were focused on pay freeze for public sector staff and reductions in the prices primary care trusts, rather than service transformation.[31]

212. More recently, the Kings Funds has concluded that the NHS is unlikely to meet efficiency targets agreed as part of the NHS Five Year Forward View. This is despite nearly £900m being provided by the Treasury or switched from capital budgets to plug the growing black hole in NHS finance.[32] Monitor recently reported that NHS Trusts in England have reported a total deficit of £822m in 2014-15, compared with £115m the previous year.[33]

213. Given their statutory obligations, democratic mandate, commissioning expertise and strategic capacity, counties are perfectly positioned to partner with central government to lead a revolution in the design and delivery of public services.

214. Building on Whole-Place Community Budgets, a *One Place, One Budget* approach should see CCN member councils empowered to reduce the complexity and cost of local public services across local areas, with Whitehall incentivising and actively promoting greater merging and integration of commissioning and service delivery. Reforms must be linked to a wider *County Devolution* settlement on growth and health and social care outlined in the following sections.

- **Proposal: Building on Whole Place Community Budget pilots, counties should be empowered to develop new models of collaboration and integration of local government tiers, health services, the police and other partners. This should lead to the eventual creation of single points of commissioning and procurement for a range of local public services, coordinated by counties.**

215. There is an ever growing body of evidence that locally delivered schemes provide better value for money than central government equivalents and should therefore be incentivised. The LGA and Ernst and Young have calculated that between £9.4 and £20.6bn in public spending could be saved over five years through extending the Community Budgets model across the country.[34]

[31] National Audit Office. Progress in making NHS efficiency savings (2012)

[32] Kings Fund. How is the NHS performing? April 2015 Quarterly Monitoring Report (2015).
[33] BBC News. 22nd May, 2015. http://www.bbc.co.uk/news/health-32846545
[34] LGA, Ernst & Young. Whole Place Community Budgets: A Review of the Potential for Aggregation (January 2013)

216. Research carried out in support of our County Devolution project showed confidence in the ability of member councils to drive efficiency in devolved Whitehall budgets and across local service providers, while improving outcomes, is extremely high. When asked about their confidence in making savings and improving outcomes if appropriate budgets and powers were devolved to their local area, 98% of respondents to the CCN Devolution Survey indicated that they were confident, with 87% very confident.[35]

217. Currently local councils do not realise enough of the savings they make to national expenditure through local transformation and integration. For example, the Joseph Rowntree Foundation have recently found that for every £1 of public spending saved by getting somebody back into work, 80p is accrued to central government and just 7p goes to local authorities.[36]

218. If we are to seriously address entrenched socio-economic problems, such as long-term unemployment, we need to move towards a model of sharing risk and return between central and local government. Allowing local areas to realise the benefits of their initiatives could create real incentives and allow reinvestment in successful initiatives creating a virtuous circle.

219. The Troubled Families programme has supported and incentivised local areas to take a comprehensive approach to complex need. Counties have performed well in terms of the number of families they have supported into employment. This success should be capitalised upon with greater measures to allow and incentivise local areas to shape provision around complex need unemployment.

220. Building on the Troubled Families payment by results framework and earn-back deal in Greater Manchester, integration and earn-back reward payments should be rolled out more widely. This should be led by counties, whose public sector transformation has successfully reduced pressure on central budgets, such as those of the Department for Work and Pensions (DWP) and the National Offender Management Service (NOMS).

- **Proposal: Government should explore how a proportion of centrally retained revenues and centrally accrued savings, including income tax and welfare savings, can be specifically designated or retained locally for investment in local services. "Comprehensive Earn-Back" for local areas should retain a strong element of national equalisation but be linked to an area's economic performance; tax contribution; and local efficiency savings.**

Section Three: Health & Social Care

Summary

- *Councils have worked hard to protect adult social care spending, however CCN member councils and local providers are facing a funding shortfall in the region of £959m for 2015/16. Demographic pressures in adult social care are the largest demand-led pressure in county areas, and regarded as the biggest financial risk to the sustainability of county authorities.*

- *Funding and demand pressures are leading to unsustainable pressures in local care markets. Government must commit to providing earmarked Care Act funding and undertake a comprehensive analysis of the sustainability of local care markets.*

- *Disproportionate reductions to social care budgets are leading to higher costs and inefficiencies in local health economies. Consideration should be given to allocating a proportion of the committed £8bn for the NHS to local partnerships between health and social care. Government should provide a long-term ring-fenced adult social care budget for the remainder of the Parliamentary term.*

[35] CCN. Our Plan for Government 2015-20: County Devolution (2015)
[36] Joseph Rowntree Foundation. The Benefits of Tackling Worklessness and Low Pay (December 2014)

- *Funding incentives across health and social care do not support integration and the objectives of the BCF. Government should review the financial incentives available to the NHS and Adult Social Care to promote prevention, early intervention and integration.*

- *Public service devolution has an important role in delivering health and social care integration. Opportunities for health and social care devolution are extended to county areas as part of wider County Devolution proposals.*

221. Prior to setting out our policy proposals for delivering a sustainable and equitable adult social care funding settlement, we set out the context for our proposals.

Financial Pressures and Rising Demand

222. CCN member councils have worked hard to protect adult social care spending, at the detriment to other service areas, to ensure that the most vulnerable in their communities are supported and statutory duties met.

223. Nonetheless, adult social care is facing a funding crisis at a time of rapidly increasing demand. CCN estimates from our research with LaingBuisson, *County Care Markets: Market Sustainability & the Care Act,* that CCN member councils and local providers are facing a funding shortfall in the region of £959m for 2015/16.[37] These estimates are based upon the predicted 'care home fee gap' for CCN member councils of £630m, coupled with LGA projections for our member councils on the funding gap in core budgets (£329m).[38]

224. The funding gap for counties is the result of funding reductions and growing demand. Since 2010 adult social care departments have had to make savings of 31% in their budgets, the equivalent of £4.6bn in cash terms.[39]

225. CCN research has shown that the budgetary positions of adult social services in county authorities are described by 77% of respondents as either 'severe' or 'critical'.[40] This situation could deteriorate further over the coming Spending Review period. Our SR survey of Council Leaders in support of this submission asked leaders to identify the areas of greatest demand-led pressures in their authorities, with 87% selecting demographic pressures in adult social care.

226. The scale of the risk posed by demand for adult social care should not be underestimated. Leaders in our SR survey were asked what the greatest risks were for their council of over the next five years. Demand-led pressures in adult social care are regarded by 11% as a risk and a further 89% as a 'high risk' (see Table 12 page 24).

227. The situation is particularly acute for county councils and county unitary authorities due to demographics trends and insufficient and unfair funding.

228. Excluding ring-fenced funding, adult social care now accounts for 37% all of expenditure by CCN member councils. For two-tier CCN member councils, this increases to 39%. The LGA has projected that the proportion of adult social care expenditure will increase to 49% for the average two-tier county by the end of the decade.[41]

229. The average CCN member council has 20% of its population aged over 65, almost double that of London and higher than all other parts of England. Census data from 2011 also showed the number of single person households aged over 65 is also significantly higher in county areas at 13.3% of households. Averages, however, disguise the extent to which older residents reside in county areas. Some 55% off those aged 65 and over (5.2m) live in counties.[42]

[37] CCN & LaingBuisson. County Care Markets: Market Sustainability & the Care Act (2015)
[38] The 'care home fee gap' is the difference between the 'care cost benchmark' and the weighted average fees (for nursing and residential care) currently paid by councils, multiplied by the number of residents to give a global figure which represents the incipient cost to councils of 'market equalisation'.
[39] ADASS Budget Survey 2015 (2015)

[40] CCN & Capita. Transforming adult social care survey (2015)
[41] LGA. Future funding outlook of AnyCounty Council (2013)
[42] See page 18

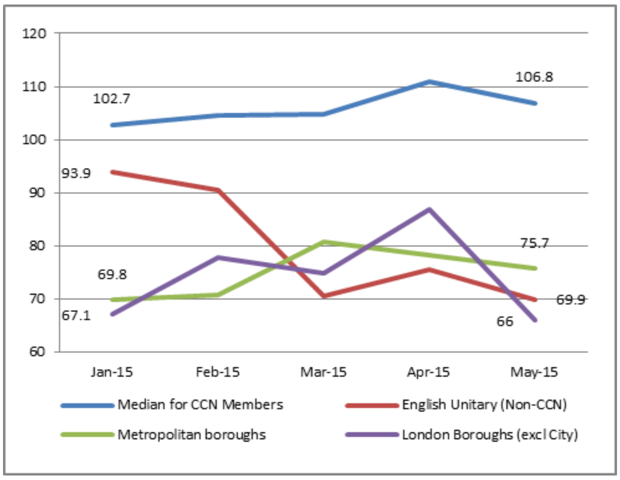
230. Despite being home to the highest proportion of older people nationally, counties receive four-times less older persons relative needs formula funding per head for over 75s, compared to London.[43]

231. Demand in other areas, such as an unprecedented increase in demand for Deprivation of Liberty (DOLs) applications has placed further strain on already limited county resources. Since 2013/14 counties have seen a 229.73% increase in the rate of DoLs applications per 100,000 population.[44]

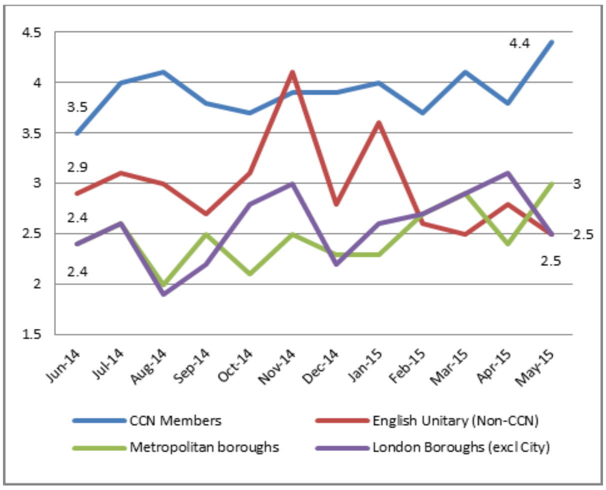
232. Declining budgets, rising demand, and insufficient funding in counties is having an impact on social care services, and the wider health economy. For instance, the proportion of people who think their local authority is providing people in their area with good social care services since spring 2013 to winter 2014 has declined from 43% to 38%.[45]

233. Latest national figures on delayed discharges, a key indicator of local pressures, show the number of patients ready to leave hospital but are delayed from doing so are significantly higher on average in CCN member councils and have grown over the past year.

Graph 6 - Delayed Days Non-acute Patients (Jan-May 2015, Median Average) (Department of Health, 2015)



Graph 7 - Non-Acute Patients whose transfer of care is delayed (monthly snapshot) per 100,000 Population Aged 18+ (Department of Health, 2015)



234. In addition, Graph 6 shows that the number of delayed days in county areas is also on average significantly higher than in other local authority type. In May 2015 the average CCN member council had a total of 106.8 delayed days, with the next highest being Metropolitan Boroughs with 75.7 days.

235. This 41% difference in delayed days presents a worrying picture at a time when demand for social care services is increasing and budgets have significantly reduced and are likely to continue to do so.

236. The crisis facing elderly care is a national priority of equal importance to the Government's stated Spending Review priority of enhancing economic output, reducing the deficit and 'delivering high quality services, such as the NHS'. Moreover, they are mutually reinforcing; providing quality health services and reducing the deficit cannot be achieved unless we tackle the escalating costs of health and social care failure.

Policy Proposals

Care Market Sustainability

237. The sustainability of county care markets will be pivotal if NHS England, supported by the Government, is to deliver £22bn of efficiency savings by 2020.

238. It is widely reported that all major care home groups with high exposure to

[43] CCN/LGiU/County APPG. *The State of Care in Counties: The integration Imperative* (2015)
[44] The Health and Social Care Information Centre. Deprivation of Liberty Safeguards (DoLS) – Monthly Summary Statistics (2015)
[45] Ipsos Mori. Public Perceptions of the NHS and Social Care (2015)

council funded residents are witnessing consistent falls in operating profits as a percentage of revenue. There are real fears that local authorities and providers, many with an over reliance on cross-subsidises between public and private care users, will be unable to sustain the added pressures of further funding reductions, alongside pressures bought forward by the Care Act.

239. CCN first raised concerns over underlying market instability and the impact of the Care Act in March 2014. CCN has consistently argued that market instability and the potential for 'market equalisation' – erosion in private fees as a consequence of transparency introduced by the Care Act - could further add to the deterioration and polarisation in social care markets.

240. To provide firm evidence and better understand the financial and sustainability risks in county care markets, a consortium of 12 county and unitary councils, facilitated by the CCN, commissioned independent research into the potential impact of the Care Act on local care markets. LaingBuisson, the healthcare market specialists, were tasked with evaluating the sustainability of residential and nursing care homes in the short and long-term in light of changes brought in by the Care Act.

241. The full report, *County Care Markets: Market Sustainability & the Care Act* was published in July 2015, before the delay in part two of the Care Act was announced. The report provided evidence on both the underlying instability in local care markets, and the potential impact of the Care Act leading to 'market equalisation'. The latter issue of further fee erosion is now less urgent in light of the delay to part two of the Care Act until 2020. We therefore focus here on the existing pressures in county care markets; particularly in light of announcements on the National Living Wage and its potential impact on social care providers.[46]

242. The main conclusions of our ground-breaking research into the underlying instability in county care markets were:[47]

- Faced with unprecedented pressures on social care budgets, councils have sought to act in the interests of their residents and negotiate even harder with providers to secure further efficiencies in social care commissioning.

- Local authorities have rightly exercised their strong market position as a 'bulk' buyer of social care placements to secure discounted rates from providers' over time. This has led to a widening gap between local authority residential and nursing care home fees and providers' costs. However, to a significant extent, it has only been possible for councils to continue to secure discounted care fees because providers have been able to charge self-funder fees in excess of the cost of care, to compensate for this shortfall in council fees.

- There is now clear evidence that self-funding older persons pay a growing premium for residential and nursing care compared to care arranged and funded by local authorities. The average premium shown in our research was over 40% on a 'like for like' basis, across the 12 councils participating in the study.

- The research shows that the widening gap between council fees and excessive prevalence of 'cross-subsidies' has had an adverse effect on the profitability of many providers of nursing and residential care. This is having a severe impact on the sustainability of the market, particularly small, independent providers. The growing *level* and extent of cross-subsidy is now unsustainable in many

[47] The Full CCN Report summarising the results and findings can be found at http://www.countycouncilsnetwork.org.uk/countycaremarkets/. The Full LaingBuisson technical report can be found at

areas, and a direct consequence of insufficient funding for social care.

- The sustainability of the care market depends on the profitability achieved from the overall mix of self-funders, local authority and health residents. With the above trends taking place, the mix of funding is changing significantly. There is already strong evidence of a growing 'polarisation' within the social care market, with many providers focusing almost exclusively on the self-funder market. This is resulting in a shortage of places for council placements and fee levels that increasingly councils cannot afford.

- Our research estimates that the existing 2014 'care home fee gap' to be £236m for the 12 consortium councils. The care home fee gap is defined as the amount by which council fees fall short of the care cost benchmark required to achieve market sustainability and maintain local capacity, without resorting to cross-subsidies from self-funders or the relatively small amount of third party top-ups. Extending these findings through extrapolation to all 37 CCN member councils produces an estimate of an existing 2014 care home fee gap amounting to £630m.

243. CCN welcomes the recently announced delay in implementing part two of the Care Act until 2020. Especially given the concerns we raised over the underlying instability in county care markets and the potential for the Care Act to significantly increase pressure on council budgets.

244. However, despite the delay, we remain extremely concerned by the existing instability in local care markets, continued underfunding of local services and the potential devastating impact of further funding reductions on the users of residential and nursing care homes. We recently set out our concerns in a letter to the Secretary of State for Health.

245. Our county care markets report shows that funding reductions in social care budgets have inevitably led to significant downward pressure on the fees paid by our member councils for residential and nursing care. This is leading to unsustainable pressures in local care markets, with many providers teetering on the edge of financial meltdown and collapse. There is also growing evidence of the development of a 'two-tier' polarised market, with providers seeking an ever increasing proportion of their business from higher fee paying 'self-funders', locking out local authorities from accessing segments of their local market.

246. While the delay in the cap on care costs has prevented any immediate significant movement towards 'market equalisation' (fee erosion) between local authority fees and those paid by private 'self-funders', it has not addressed our central concerns regarding the existing instability in local care markets and the level of cross-subsidy between publically and privately funded care; which is a direct result of the underfunding of county social care services at a time of unrelenting demand.

247. We agree with the Secretary of State for Health's statement in recent correspondence with the Chair of the Health Select Committee that there are 'good reasons why councils often pay less than self-funders for care' due to their bulk-buying and responsibility to seek the best deal possible to ensure value for taxpayers' money.[48] This is a point that CCN emphasised in our research report. We believe that cross-subsidy should continue to play a part, although smaller, in sustaining local markets and ensuring councils continue to deliver efficiencies as part of the Government's deficit reduction programme.

248. However, insufficient funding for social care services has led to cross-subsidies growing to unsustainable levels. This is neither sustainable for local markets, nor

[48] Secretary of State for Health Letter to Health Select Committee, 29th July 2015 http://www.parliament.uk/documents/commons-committees/Health/Correspondence/2015-16/Letter-from-Secretary-of-State-for-Health-to-Chair-dated-29-July-2015.PDF

fair to those that fund and arrange their own care. In addition, we simply must prevent the aforementioned polarisation in the social care market, where local authority supported residents only have access to a lower quality segment of the market.

249. The additional funding pressures created by Government commitments to introduce a National Living Wage (NLW) have heightened our anxieties over the sustainability of the market. In addition to our own letter to the Secretary of State for Health, recent correspondence to the Chancellor from the four major care home providers outlined their concerns on the potential impact of the living wage on provider sustainability.[49]

250. Unless fully funded, the financial implications of the national living wage for local authorities will be most felt in their costs for commissioning social care services and will undoubtedly impact on the profitability of providers, placing even more stress on local markets.

251. This viewpoint is supported by modelling work that has been undertaken by the Society for County Treasurers which found that the largest costs pressures from the NLW will be on social care contracts for residential and domiciliary care, as well as reablement and direct payments.

252. Ensuring councils are able to continue to provide quality social care services to all, and prevent system blockages and delayed discharges within the NHS, requires all earmarked funding for Care Act Part Two implementation to be provided to local authorities to help stabilise local markets.

253. The Government should also use the period between now and the new implementation date for funding reform to undertake a comprehensive analysis of the sustainability of local care markets, building on the modelling undertaken by CCN and LaingBuisson.

- **Proposal: The Government engages with sector stakeholders, including CCN, ADASS and care providers, to undertake a national study into the sustainability of the social care provider market, devising national and local policy responses and strategies to stabilise the residential and nursing care market in the short, medium and long-term.**

- **Proposal: Government commit in the Spending Review to invest the £6bn of earmarked Care Act implementation funding up to 2021/22 into the social care system to help councils stabilise their local markets and meet the needs of all vulnerable service users. This funding should be brought forward and front loaded from April 2016 and distributed according to local need.**

A sustainable funding settlement for adult social care

254. While adult social care budgets have been reduced by 31% over the last Parliament, the NHS has seen a real terms increase in funding over the same period, with commitment from Government to increase NHS funding by £8bn a year by 2020.

255. Jeremy Hunt, the Health Secretary, has rightly recognised that an effective social care system is intrinsically linked to achieving the aims of the NHS Five Year Forward View. A strong and efficient NHS needs a strong social care system and a strong social care system needs a strong NHS. Reducing pressure on hospital beds is dependent upon strong and readily available care provision.[50]

256. The NHS Five Year Forward View sets out the blueprint by which £22bn in efficiency savings by the NHS by 2020 in return for increased funding from Government. However, Monitor recently reported that NHS Trusts in England have reported a total deficit of £822m in 2014-15, compared with £115m the previous

[49] BBC News. 20th August 2015 http://www.bbc.co.uk/news/health-33986252

[50] Letter to Rt Hon Jeremy Hunt, 17 August 2015

year.[51] It was recently stated in an NHS England Board paper that this deficit can almost entirely be 'accounted for by the run-up in temporary staffing costs'.[52]

257. Large scale efficiencies, such as those set out in the NHS Five Year Forward View, cannot be achieved in isolation. Acute care is the mostly costly form of care (see Table 14). For example, a single attendance to Accident and Emergency (A&E) cost £124 in 2013/14. When compared to the cost of a single day of nursing care at county fee rates (£90.14) or the 'care cost benchmark' set out in CCN's County Care Markets report (£111.86), it is clear to see why non-essential cases must be dealt with in different and most cost effective care settings.[53]

Table 14: Finished Consultant Episodes Based Average Costs, NHS[54]

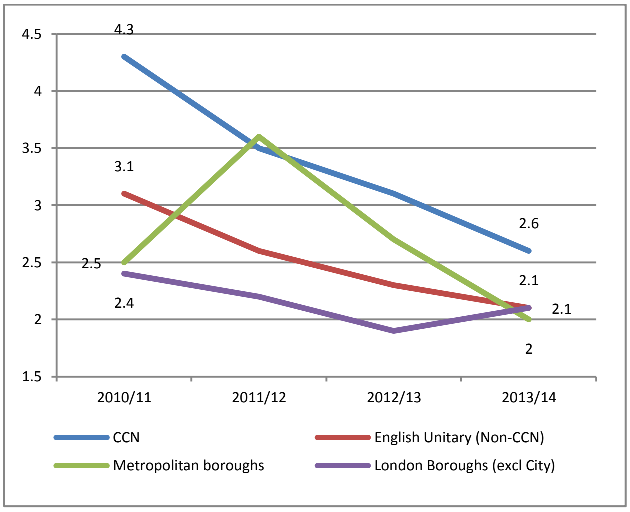
Point of delivery	2012-13 (£'s)	2013-14 (£'s)
Day case	693	698
Elective inpatient (excluding excess bed days)	3,366	3,375
Non-elective inpatient (excluding excess bed days)	1,489	1,542
Excess bed day	273	275
Outpatient attendance	108	111
A&E attendance	114	124

258. An illustrative example of the need for a whole-systems approach is the interdependency between health and social care in relation to delayed discharges of care.

259. Facilitating the smooth transfer from acute settings to local authority care can be problematic for numerous reasons, including lack of appropriate or available capacity in care setting such as residential or nursing care. Delayed transfers are costly, with every excess bed day in hospital costing the NHS on average £275 (see Table 14) and most importantly delays can have a detrimental impact on a patient's wellbeing.

260. If Government chooses to disproportionately reduce funding to counties, and by proxy adult social care, whilst increasing funding for the NHS it will not be possible to deliver a whole-systems approach to health and social care. Putting money into the health system whilst failing to adequately fund social care will mean councils struggle to provide the essential support which keeps people out of hospital and living in their own homes for longer.

Graph 8 - Delayed Transfers of Care from Hospital which are Attributable to Adult Social Care Per 100,000 Population



261. Graph 8 highlights that CCN member authorities have made significant progress in reducing the number of delays attributable to social care, from 4.3 per 100,000 of population in 2010/11 to 2.6 in 2013/14.

262. Given the scale of funding reductions to adult social care since 2010 and the sustainability of local care markets it is hard not to assume that this trend will continue without additional investment from Government. As stated in table 14, each excess bed day in acute care costs £275 per patient, significantly more than alternative forms of social care.

263. A sustainable multi-year funding settlement for health and social care for the remainder of the Parliamentary term would provide counties with the confidence to invest funding in new models of care, develop innovative solutions and to deliver integrated services in partnership with the NHS that are focused on improving patient

[51] BBC news, 22nd May 2015 http://www.bbc.co.uk/news/health-32846545
[52] Board Paper NHS England. May 2015 http://www.england.nhs.uk/wp-content/uploads/2015/05/item3-board-280515.pdf
[53] CCN & LaingBuisson. County Care Markets: Market Sustainability & the Care Act (2015)
[54] Department of Health. Reference Costs 2013/14 (2014), p. 5

outcomes. Vitally, efficiencies and savings to the public purse will be delivered.

264. In taking tough decisions on spending the Government must take holistic view on its commitment to increasing health expenditure by £8bn, recognising that funding at the expense of disproportionate cuts to local authorities will only lead to higher system costs within the NHS and poorer outcomes for local residents.

265. To play their part counties must be provided with the same certainty over adult social care funding as the NHS currently receives. Our SR survey of County Leaders found that 72% of them would accept some form of ring-fencing for adult social care in exchange for a guaranteed increase in funding.

- **Proposal: Consideration should be given to allocating a proportion of the committed £8bn for the NHS to local partnerships between health and social care to shore up local care markets and prevent cost-shunting.**

- **Proposal: Government provides a ring-fenced adult social care budget for the remainder of the Parliamentary term, working towards integrated place-based financial settlements for the NHS and Adult Social Care from 2020/2021.**

Incentivising Integration

266. Government has rightly placed full integration between health and social care as one of its primary objective for this Parliament.

267. The establishment of the Better Care Fund (BCF) by the Coalition Government was intended 'to deliver better, more joined-up local services to older and disabled people to care for them in the community, keep them out of hospital and avoid long hospital stays'.

268. CCN supported the introduction of the BCF. The model has provided a framework for achieving better integration. Through a single pooled budget, Government can achieve its objective to 'incentivise the NHS and local government to work more closely around people, placing their wellbeing as the focus of health and care services'.[55]

269. However, as CCN has set out at length elsewhere, any continuation or extension of the BCF must involve significant reforms, particularly to funding incentives.[56]

270. Improving and aligning incentives will play a key part in bringing partners together in local areas to improve outcomes for residents and to deliver the efficiency savings required as a result of the significant reduction in public spending. To achieve these goals incentives must move away from rewarding contacts with service users and reward the NHS and social care for improving outcomes and preventing people from entering expensive crisis care unnecessarily.

271. The BCF includes payment-for-performance incentives to encourage the NHS and social care departments to work together at a local level to reduce admissions to the acute sector, which on the whole is significantly more expensive when compared to care delivered in community settings. These payment-for-performance incentives, such as delayed discharges of care and reducing emergency admissions to hospitals, have to-date proven to be difficult to deliver.

272. For example, the reducing emergency admissions to hospitals supporting guidance requires Clinical Commissioning Groups (CCGs) to set aside resources to protect against the risk that non-elective admission reduction targets are not delivered. If the targets are met, or partially met, the equivalent funding will be released into the pooled budget for expenditure on other 'Approved Schemes' in line with the terms of the Local BCF

[55] Better Care Planning (2014) http://www.england.nhs.uk/ourwork/part-rel/transformation-fund/bcf-plan/
[56] CCN/LGiU/County APPG. *The State of Care in Counties: The integration Imperative* (2015)

Plan. If they are not met hospitals are paid for the higher-than-expected number of admissions from the £253m payment-for-performance part of the BCF.

273. However, NHS England has stated that CCG-funded elective and emergency activity is likely to increase in 2015/16 to between 2-3% on average, when compared with 2013/14 outturn. This means that in areas that have not met their targets, acute trusts will receive a large proportion of the BCF monies to fund the increase in activity. Added to this, if admissions exceed the £253m available, then Trusts will be paid for additional admissions through the NHS's tariff payment system.

274. The Tariff has recently been revised and means that hospitals will receive a higher marginal rate for increases in emergency admissions than previous, increasing from 30% to 70%.[57] Therefore, providing little incentive for Acute Trusts to work to reduce admissions and invest in preventative activities.

275. Such targets and funding mechanisms are contradictory to the aims of the BCF and also to delivering the efficiencies set out in the NHS Five Year Forward View. The NHS as a whole, both commissioners and providers must be incentivised, in partnership with local authorities, to divert people away from unnecessary hospital admissions and into more appropriate and cost-effective care settings.

- **Proposal: Government review, as a matter of urgency, the financial incentives available to the NHS and Adult Social Care to promote prevention, early intervention and integration to ensure that they focus on improving outcomes for residents and do not simply reward activity.**

Health and Social Care Devolution

276. While we support an extension of a reformed and expanded BCF, CCN are strongly of the view that devolved health and social care arrangements must be part of a wider county devolution settlement to secure full integration between health and social care.

277. The County APPG Report *The State of Care in Counties*, and CCN's *County Devolution: Health & Social Care* reports set out a range of proposals for devolution, as part of a wider County Devolution settlement outlined in Section One.[58]

278. Building on the BCF, local NHS and local authority partnerships should be invited to bid for devolved funding and powers. These deals would build upon strong partnerships that have been built through local Health and Wellbeing Boards and developing new governance proposals, such as combined authorities, in county areas.

279. There should not be a one-size-fits all approach to achieving such devolution. Any devolution deals should build upon those already agreed in Greater Manchester and Cornwall, but be designed through bespoke negotiation. Each county, or grouping of authorities, has its own unique demand pressures and health economies that will require specific devolution proposals across health and social care that reflect local needs and circumstances.

280. Strong governance structures for the oversight of Health and Social Care devolution and delivering integration already exist through Health and Wellbeing Boards. Therefore, top-down structural reorganisation would not be required.

281. Such devolution deals can be implemented by strengthening the role of Health and Wellbeing Boards, changing their remit so they become Health System Boards. This should include proposals for rationalising local health economies, including reforming CCG boundaries and

[57] Monitor & NHS England. Most NHS providers opt for 'Enhanced Tariff' for 2015/16 (2015) https://www.gov.uk/government/news/most-nhs-providers-opt-for-enhanced-tariff-for-201516

[58] CCN/LGiU/County APPG. *The State of Care in Counties: The integration Imperative* (2015) & CCN. Our Plan for Government 2015-20: County Devolution (2015)

potentially reducing the number of organisations.[59]

282. Such an approach would allow Boards to play a central role in coordinating integration and overseeing a shared commissioning strategy at a local level. [60] This approach would empower Boards to commission primary, secondary and social care services and empower them to hold budgets. Such budgets could be pooled using the Better Care Fund arrangements that were established as part of the Care Act 2014.

283. Devolving through Health and Social Care devolution deals would not solve the underlying funding problem in social care, and would require greater localisation of elements of the NHS, but it would allow local areas to develop their own solutions to their local challenges, provide freedom to improve outcomes and drive efficiencies across local public services.

Proposal: Opportunities for health and social care devolution are extended to county areas. As part of wider County Devolution proposals, county areas are actively supported by Government to explore the devolution reforms outlined in the *State of Care in Counties: the integration imperative* and *CCN County Devolution: Health and Social Care.*

Meeting the Accommodation Needs of Older People

> *'The NHS bed blocking crisis will deepen due to more older patients waiting for home adaptations and care arrangements in the future, unless we build a new generation of adaptable, care-ready homes*[61]

284. The stabilisation and sustainability of local care markets in the short-term is vital to ensuring that there is good quality affordable care for the most vulnerable in our society. Building upon this, Government must provide the freedoms, flexibilities and finances to empower counties to facilitate the development of improved accommodation options for older people with and without care and support needs.

285. The delivery a range of accommodation options is vital if top-tier local authorities are to deliver their new duty, set out in the Care Act, to facilitate and shape their market for care and support. This duty also states that local authorities must ensure that their markets are sustainable and diverse and offer continuously improving and innovative services.

286. The National Housing Federation has estimated that with three million more adults aged over 65 expected in England by 2030, over 100,000 extra homes for older people will be needed in the housing association sector alone in the next 15 years. The need for specialist housing for older people is starker in county areas. Census data from 2011 shows that the number of single person households aged over 65 is significantly higher in county areas at 13.3% when compared to other local authority types.

287. In order to deliver this level of homes, flexible well planned high quality housing is required. This housing will offer choice about how and where people live - it can tackle fuel poverty, support continued independence and maintain social interaction. The right housing can reduce residential care placements, facilitate earlier hospital discharge and prevent emergency admissions. Therefore reducing costs and demand on the NHS and adult social care, as well as improving outcomes for residents.

288. The Housing LIN has suggested that demand for care home provision could be reduced through the delivery of extra care housing, with at least one third of residents potentially diverted to more appropriate housing with care, and possibly up to two thirds if appropriate

[59] CCN. Our Plan for Government 2015-20: County Devolution: Health & Social Care (2015)
[60] Ibid
[61] 'National Housing Federation calls for thousands of new 'care-ready' homes to be built', National Housing Federation, February 2015

information and advice had been available.[62]

289. Specialist housing for older people has a key role to play in an integrated health and social care system. Unsuitable accommodation is one of the key contributors of demand on social care and health services for older people.

> *'Housing plays a critical role in helping older people and adults with disabilities or mental health problems to live as independently as possible, and in helping carers and the wider health and social care system offer support more effectively'.*[63]

290. Extra-care housing, or housing with care, is increasingly being recognised as an essential component of joint-commissioning by health and social care services. It can play a key role for immediate care and rehabilitation in reducing delayed discharges of care by allowing patients to move to an extra care facility where they would otherwise be unable to leave hospital as their own home may no longer suit their own care needs.

291. This issue of insufficient supply of suitable retirement housing carries a number of adverse effects both to resident's health and wellbeing and the demand for adult social care.

292. In addition, Adult Social Care provision is both less effective and less efficient when delivered in general housing than in purpose built accommodation that focusses on older people.

293. Retirement Living and Assisted Living Schemes which meet the Home for Life design requirements have long been identified as improving health and social care outcomes. For many people there was a substantial improvement in their health, a diminution in the volume of care and support required and a greater sense of security and well-being. [64] The Personal Social Services Research Unit evaluation of Assisted Living Extra Care found that for most of those who were followed up, their ability to look after themselves either stayed the same or improved after they moved in. [65]

294. The value of adaptable retirement accommodation, such as extra care housing, has been further emphasised by recent findings from the International Longevity Centre – UK (ILC-UK).[66] The research found that the average person in a retirement village experiences half the amount of loneliness (12.17 per cent) than those in the community (22.83 per cent).

295. Beyond those in receipt of state-funded care, the availability of retirement accommodation for those people who are classified as 'self-funders' to privately purchase or rent will also aide Government in meeting its NHS efficiency target of £22bn. Increasing the supply of such housing options has the potential to free-up general housing stock to the market, which in turn will help Government tackle the housing crisis.

296. Delivering on their market shaping duty is more problematic in two-tier areas. Whilst County Councils may have a desire to be involved in planning decisions on the delivery of extra care housing and other supported accommodation, they are not the planning authority. Therefore, the County Council is a consultee in the process, rather than the decision maker. Providers may favour the development of

[62] Understanding local demand from older people for housing, care and support, Housing LIN, 2011.

[63] Care and Support Specialised Housing Fund: Phase 2, Homes and Communities Agency/Department of Health February 2015.

[64] Identifying the health gain from retirement housing, Institute of Public Care, 2012

[65] Evaluation of Assisted Living, Personal Social Services Research Unit, 2012

[66] Village Life- Independence, Loneliness and Quality of Life in Retirement Villages with Extra Care Housing, International Longevity Centre-UK, August 2015

residential or nursing homes, whilst the County Council would prefer to deliver a shift in accommodation available for people with support needs.

297. Added to this, the Housing LIN found that difficulties in classifying planning applications for extra care housing were identified by planning officers as one of the most significant hurdles to development progress.

298. The planning classifications of extra-care housing have varied, with such developments potentially falling into three classifications:
- C2- Residential institution
- C3- Dwelling houses
- Sui-generis- without classification

299. According to case law, extra care housing is not one, simple concept, with a statutory definition. Schemes vary in scale and nature so it may be, indeed has been the case, that schemes warrant different classification in terms of use class order. However, it would also appear that some schemes that look to be very similar have been classified differently.[67] This ambiguity can lead to delays in construction due to appeals and legal challenges on the classifications of developments.

300. Many local authorities do not have a significant capital programme to speak of. Despite this some have allocated capital expenditure to foster growth in the provision of Extra Care housing. Despite budgetary pressures, such actions are seen by some local authorities as an intervention that will produce long term savings in social services spending on more intensive placements in residential and nursing care homes.[68] It is imperative that Government make capital funding available to local authorities in order to deliver a range of accommodation options for older people.

301. In order to drive efficiencies across health and social care, Government must create the conditions by which counties and the NHS can deliver housing options that meet the needs of their local population.

Proposal: HM Treasury make a significant sum of capital funding available to local authorities from 2016/17 to allow urgent upfront investment in adult social care supported living accommodation, such as extra care housing. This capital investment will deliver revenue savings for local authorities in future years, contribute to the delivery of the NHS Five Year Forward View efficiency savings, reduce the need for costly acute care and free-up general housing stock.

Proposal: Government review the planning classifications for retirement developments, such as extra care housing, in order to streamline the process, increase the rate of construction and to reduce legal conflicts.

67 Planning Use Classes and Extra Care Housing, Housing LIN, November 2011.

68 Funding Extra Care Housing: Part 2- Capital Funding, Housing LIN, 2013.

Section Three: Children & Young People

Summary

- *Counties have been faced with rising demand for Children's Services at a time when revenue budgets were reduced by 40% over the course of the last Parliament.*

- *Counties have continued to deliver high quality Children's Social Care services, despite increasing demand and spending 27% lower per head of population.*

- *Counties must be provided with sufficient and sustainable multi-year revenue settlements that take into account increasing demand on services. Ring-fenced multi-year budgets for Children's Safeguarding are provided to counties.*

- *CCN member councils are committed to delivering high quality school places for every child that is close to where they live. This is a challenging agenda as changes in population profiles in counties have led to the location of school places not matching the need and demand.*

- *It is important that decisions about school admissions are taken at a local level and supported by democratic oversight from locally elected councillors. Stronger decision-making powers should be devolved to counties for the provision and placement of schools.*

- *Schools capital funding should be devolved to counties, to allow councils and schools to work together locally to prioritise projects based on local need, including repairing, rebuilding and building new schools.*

- *CCN's members include some of the lowest funded education services; precisely as a result of the use of historic spend data to drive funding allocations.*

- *As part of its continuing commitment to reform the schools funding formulae, the Government must examine the whole of schools funding – including Early Years and High Needs.*

Background

302. Counties have historically been underfunded for the provison of children's services. CCN member councils include some of the lowest funded education services nationally, whilst demand on safeguarding services has risen dramatically at a time when local authority budgets have faced far reaching cuts of approxiamtely 40% from 2010-15.

303. Counties want to ensure that, regardless of where they live, children are safe and cared for, healthy, and have a good education that enables them to fulfil their potential

304. Through a range of services, including early years, school admissions and transport, health visiting services, counties play a major role in children's lives. For a minority of children and families, counties also need to target additional early intervention, family support and social care services to protect the vulnerable and tackle complex problems.

305. Over the past four years, counties have delivered Government reforms to the education system and major initiatives such as the Troubled Families Programme. We believe a comprehensive reform programme should build on established success while offering new opportunities to progress the principles of fairness, accountability, democratic leadership and innovation.

Safeguarding Vulnerable Children

306. Counties have been faced with rising demand for Children's Services at a time when revenue budgets have been reduced by 40% over the course of the last Parliament.

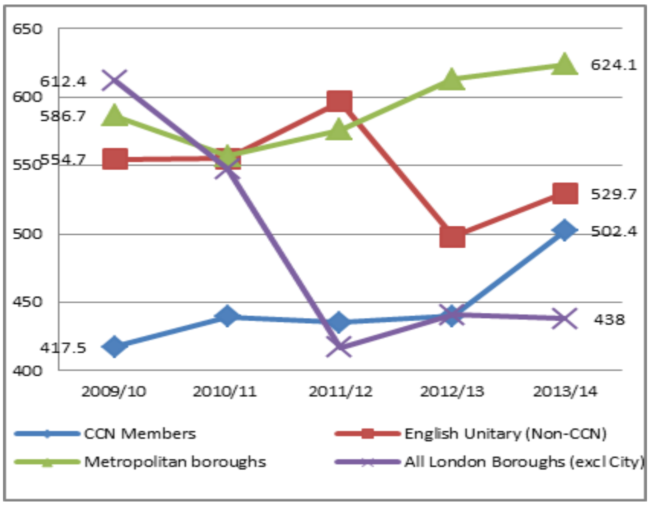
307. A recent CCN survey of Cabinet Members with responsibility for Children's Services found that nearly half (48%) of the Cabinet Members that responded to the survey described their council's current budgetary pressures in children's services

as 'severe', with a further 16% describing them as 'critical'.[69]

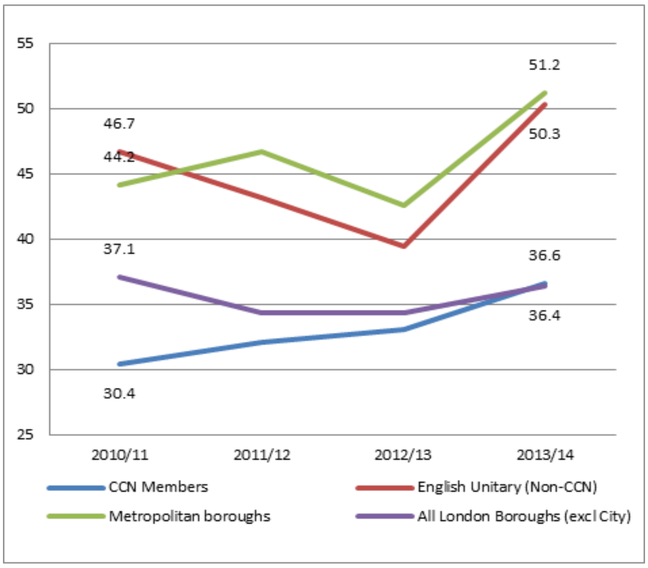
308. Counties have worked hard to protect budgets and improve local services despite funding reductions. County geographies and funding arrangements continue to pose a number of challenges.

309. CCN member councils have seen a rise in referrals to Children's Services of 20.3%, a 20.4% increase in the number of children subject to a child protection plan for 12 months or more and a 13.9% increase in the number of children looked after.

Graph 9 - Rate of Referrals to Children's Social Care Per 10,000 Population (DfE, 2015)



Graph 10 - Children Subject to a Child Protection Plan per 10,000 Population (DfE, 2015)



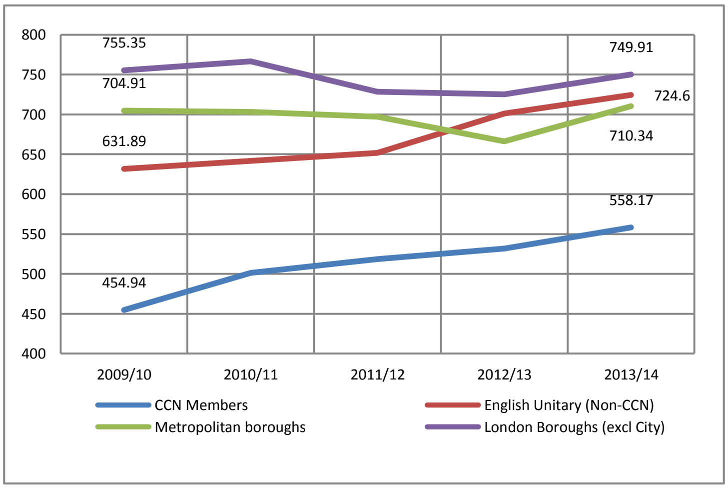
310. Despite this counties have managed to protect, and in some cases increase, spending on Children's Services. To counter increasing demand counties have increased revenue expenditure on Children's Services per head of population by 22.7% from 2009/10-2013/14. This increase in expenditure is considerably more than other local authority types summarised in table 15.

311. However, despite an increase in expenditure, counties continue to spend significantly less per head of population on Children's Services than all other local authority types. For example, expenditure per head on children's services in counties is approximately 27% lower than the next highest spend in non-CCN unitary authorities.

Table 15 – Revenue Expenditure, Children Services 2009/10 to 2013/14 % Change (DCLG)

LA Type	% -/+
CCN Member Councils	+22.7%
Metropolitan Boroughs	+ 0.8%
English Unitary (Non-CCN)	+14.7%
London Boroughs	-0.7%

Graph 11 - Total Revenue Expediture on Children's Services Per Head of Population (DCLG, 2014)



312. Counties have continued to deliver high quality Children's Social Care services, despite increasing demand.

[69] CCN. Our Plan for Government 2015-20: County Devolution, p. 21 (2015)

313. Ofsted inspections of Children's Services have shown of those authorities that were inspected in 2014/15, CCN member authorities achieved the highest proportion of 'Good' ratings at 60%. This is favourable when compared with other local authority types, outlined in table 16.

Table 16 – Ofsted Inspections – Children's Services 2014/15. % Rated as 'good' by LA type (DfE, 2015)	
LA Type	**%**
CCN Member Councils	60%
Metropolitan Boroughs	16.7%
English Unitary (Non-CCN)	6.3%
London Boroughs	11.1%

314. Councils and Councillors have responsibilities to protect the most vulnerable in our society, something that is becoming increasingly difficult due to a squeeze on public spending and increasing demand for core services. Our SR survey showed that children's safeguarding is regarded by Council Leaders as the second largest demand-led pressure facing their authority (see table 12 on page 24).

315. Local authorities need to be in a position to work with other public sector agencies and the public to safeguard children, ideally preventing instances of abuse and neglect at an early stage, rather than intervening at the crisis stage. Counties strive to deliver the best outcomes possible for children and particularly those most in need, but this will become increasingly difficult as budgets continue to fall.

316. The results of CCN's Children's Services Survey support this view and found that the Children's Safeguarding and Child Sexual Exploitation are the greatest financial and reputational risks facing county Children's Services departments.[70]

317. An increased focus on child sexual exploitation (CSE) as a result of high profile cases in areas including Oxfordshire and Rotherham has led, in part, to an increase in referrals to children's social care. Between 2009/10 and 2013/14 CCN member councils have seen a 20.3% increase in referrals, whilst other local authority types, such as London Boroughs (-28.5%) and Non-CCN Unitaries (-4.5%) have seen a reduction in referrals over the same period.

318. The increased demand for Children's Services is further highlighted by a substantial increase, 20.4%, in the number of children subject to a child protection plan over a four year period in county areas.

319. The continued increasing demand on children's services in counties has meant that a number of CCN member councils have had to channel funding towards crisis intervention activities, rather than preventative services. Such action has been necessary to balance the books within the budget envelope of the local authority as a whole.

320. The annual announcement of the Local Government Finance Settlement in late December year-on-year does not provide a high level of certainty or security about future levels of funding, as outlined previously.

321. Ultimately, counties must be provided with sufficient and sustainable multi-year revenue settlements that take into account increasing demand on services. Budgetary certainty will allow counties to work with public sector partners to develop local solutions to ensure that the most vulnerable children in our society are protected from harm at the earliest possible stage. Without multi-year budgets that adequately address demand on services, counties will be unable to invest in preventative services that will produce better outcomes from individuals, reduce demand for crisis services and deliver better value for money.

322. In line with proposals in section two and three on ring-fencing, we also believe there is a case for ring-fencing this budget in exchange for a guaranteed increase in funding.

- **Proposal: Ring-fenced multi-year budgets for Children's Safeguarding**

[70] Results unpublished. To be released as part of research project in November.

are provided to counties. These budgets must take into account rising demand for services.

School Places

323. CCN member councils are committed to delivering high quality school places for every child that is close to where they live.[71] To achieve this counties want to work with Government to ensure that sufficient and sustainable funding is available to counties to deliver the school places required, in the localities that need them most.

324. This is a challenging agenda as changes in population profiles in counties have led to the location of school places not matching the need and demand. Whilst in other areas an ageing population has led to an excess in school places in some areas. The scale of the challenge is illustrated by the fact that 21.4% of CCN member councils' state funded primary schools are full or are in excess of pupil capacity, compared to non-CCN unitaries which have 18.9%. Each CCN member council has an average of 52.8% state funded primary schools in their county that are full or in excess of school capacity.

325. Counties also have one of the highest proportions of state-funded secondary schools (15.3%) that are full or have one or more pupils in excess of capacity when compared with other local authority types. For example, non-CCN unitaries have 14.3% and Metropolitan Boroughs have 10.6% of secondary schools in excess of capacity.

326. The Prime Minister's recent announcement that 'every school in England will be given the chance to convert to academy status' and the announcement of legislation to transform failing and coasting schools to academies sets the policy direction for the current Parliamentary term. [72] The academies programme has already led to a significant proportion of secondary schools converting to academy status. For example, in Oxfordshire 75% of the 36 secondary schools are now academies.

327. Local authorities have a duty "to secure sufficient primary and secondary schools", a duty they do not share with any other public sector organisation.[73] However, as a result of an increasing number of academies and free schools being established in county areas, decisions about the type and scale of provision are being taken out of the hands of CCN member councils.

328. For example, all new schools must be opened as academies, with all the final decisions about proposals and sponsors resting with the Secretary of State for Education. Legislation also does not allow CCN member authorities to require academies to expand, which is problematic given the majority of secondary schools are now academies. Something that must be remedied to all counties to deliver on their duty to deliver school places.

329. It is important that decisions about local services are taken at a local level and supported by democratic oversight from locally elected councillors. In line with the LGA proposals, CCN would like to see the restoration of decision-making on the provision of new schools returned to the local level, as it was prior to the Academies Act 2011.[74]

- **Proposal: Decision-making powers are devolved to counties for the provision and placement of schools, including i) final decisions about academy proposals and sponsors ii) The ability to require academies to expand current provision.**

330. Capital funding for the provision of school places has been subject to a significant reduction, further impacting upon the ability of counties to deliver on their duty to deliver sufficient school places. This is highlighted by the fact that the Department for Education (DfE) experienced a significant real-terms cut to

[71] CCN Our Plan for Government 2015-20 (2014)
[72] David Cameron 100 days: article by David Cameron, https://www.gov.uk/government/speeches/100-days-article-by-david-cameron
[73] Education Act 1996 Section 14(1)
[74] LGA. The role of councils in school place planning (2015)

capital spending (across all phases of education) of approximately one-third (34.3%) from 2010/11-2014/15. CCN member councils have received the equivalent of a 10.9% increase in Basic Needs Capital Allocation for Schools per head of population (0-16) from 2011-2014. By contrast Non-CCN Unitaries (31.02%) and Core Cities (53.56%) have received far greater increases in per head capital funding.

331. For example, Kent County Council could be facing a shortfall of between £10-20m in funding for school places from 2015/16-2017/18. Factors such as falling levels of capital receipts, competing priorities for Section 106/Community Infrastructure Levy contributions and increasing costs in part due to construction industry inflation running at a higher level than the Retail Price Index (RPI) are contributing to this shortfall.

332. In addition to devolved decision making on school places, counties must be provided with an indicative multi-year capital budget for schools. In line with LGA proposals, counties should be provided with a single capital pot for schools capital to allow counties and schools to work together locally to utilise the limited capital funding available for repairing, rebuilding and building new schools.[75]

333. The shortfall of good quality school places also impacts on the Government's commitments on affordable housing. For example, to live in the catchment area of an Ofsted rated 'outstanding' school people currently pay a premium of £21,000, when compared to neighbouring areas.[76] Affordability in the rental sector in such areas is also significantly affected with tenants living in three or four bedroom houses paying an average of 16% more.[77]

- **Proposal: Schools capital funding should be devolved to counties, to allow councils and schools to work together locally to prioritise projects based on local need, including repairing, rebuilding and building new schools.**

Schools Funding Formulae

334. CCN's members include some of the lowest funded education services; precisely as a result of the use of historic spend data to drive funding allocations. In July 2013 the Chief Inspector of Ofsted noted that the distribution of under achievement has shifted and the focus has shifted from deprived inner city areas, to deprived coastal towns and rural, less populous regions of the country.[78] Not all variance can be explained by funding, but when the funding level for the highest funded authority is almost £5,000 per pupil more than the lowest funded, it cannot be ignored as a factor.

335. Nationally, a recent Guardian analysis of Department for Education data showed that Free Schools received £7,761 per pupil in 2013/14, compared to an average of £4,767 for local authority run schools.[79] This discrepancy seems contradictory to the Conservative Manifesto pledge to give every child the '*best possible start in life*', given the significant difference in funding between school types.[80]

336. The last Government committed to overhauling the funding formulae for schools; however its proposals in 2015/16 fell short of fundamental reform, providing only additional in-year funding of £390m. For unfairly low funded authorities the additional funding in 2015/16 was welcome. Twenty nine of the thirty seven CCN member authorities benefited from these proposals. However, significant funding gaps still remain even for those authorities that gained from the proposals, and authorities that did gain nothing, or only a small amount continue to suffer from unfairly low levels of funding until the national funding formula is addressed fully.

[75] LGA. The role of councils in school place planning (2015)
[76] The Independent, 26 August 2014 http://www.independent.co.uk/news/education/education-news/poor-children-priced-out-of-best-state-schools-9689852.html
[77] Property wide, 22 July 2015http://www.propertywire.com/news/europe/uk-schools-property-rents-2015072210774.html
[78] Chief Inspector of Ofsted, July 2013
[79] The 60% Extra Funds Enjoyed by England's Free School Pupils, Guardian, 25 August 2015
[80] Conservative Party Manifesto 2015

337. In responding to the changes brought in last year,[81] CCN argued that the new allocations to CCN member authorities in 2015/16 were not of the magnitude that would be expected. It was difficult to understand how so many authorities that relatively high levels of per pupil funding gained under the proposals, whilst many that have low levels of funding gained little, or indeed nothing. In some cases local authorities did not gain from the proposals even though a neighbouring authority with a higher level of funding per-pupil in 2014-15 will. This was neither fair nor transparent.

338. Further analysis of the figures used in deriving the allocations showed that the calculations were based on the split of the Schools Budget between the Schools Block, High Needs Block and Early Years Block. These splits were arrived at in 2012 but the determination of these splits was inconsistent and as such they should not be used as a reliable basis for calculating unfairness in school funding. Splits range significantly, but the SCT estimate that if an average national figure (81% for Schools Block) had been used then the results for CCN member authorities could have been far more favourable, better reflecting the need in schools.

339. CCN also argued that we would have liked to see a more wide-ranging review, focussing not only on the most unfairly funded with regard to the Schools Block but also to have examined the High Needs and Early Years funding. High Needs funding per pupil is already 4 times higher for the best funded areas than the worst, and Early Years per hour funding is 3 times higher in the best funded areas than the worst.

340. CCN member authorities are increasingly concerned about the future funding sustainability for Early Years – the grant system is not sufficient to fully fund current provision and as more two-year-olds take up their free places the inadequacy of the funding will become a serious issue.

341. CCN strongly support the Government's commitment to making school funding fairer and its commitment to put forward its proposals in due course. It is vital that the Formula uses up to date and relevant information to determine funding allocations, and addresses the historical discrepancies that result in huge differences in funding between local areas. The reform of schools funding has been under discussion for a number of years, and CCN continues to believe that the transition to a new system must be achieved without undue delay.

- **Proposal: The Department to examine the whole of schools funding – including Early Years and High Needs. Work needs to be done to address the locked-in funding inequalities which have come about as a result of allocations being based on past decisions on spend and utilisation – both of which are intrinsically linked to historic funding.**

[81] CCN. Consultation Response Fairer Schools Funding in 2015-16 (2014)

APPENDIX 1: Economy and Growth

Growth

342. Latest GVA figures show that the county share of GVA continues to grow. In 2013 the economies of the areas served by the 37 CCN councils accounted for 41% of England's GVA, up 1% from the previous year, with a combined GVA of £527bn. This is strong performance compared to other areas of England.

343. Further analysis of GVA growth since the recession shows that outside of London counties have been the biggest contributors. CCN member councils have contributed 36% of GVA growth compared to 37% in London, 14% in non-metropolitan unitary areas and just 13% in the Core Cities.

Productivity

344. Despite our strong and vibrant economies delivering GVA, business growth, employment and taxes for UK Plc, productivity remains a long-term weakness.

345. Figures for counties show that their average productivity is 91, compared to the UK 100 Index. This is considerably below the average for London, at 122, and also the Core Cities average of 94.

Taxation

346. The economic output created by county economies in GVA and employment is mirrored in the revenues it generates for the Treasury. County areas are the nation's most significant contributors to the Treasury.

347. The latest breakdown of income tax receipts at local authority level show that county populations contributed £66.4bn, 49% of all income tax in England and 43% of the UK total. Per head of population, counties contribute £2,648.

348. During 2013/14 counties contributed a total of £2.5bn in residential stamp duty yield. This is 41% of all residential stamp duty yield in England, only below the contribution of London at £2.7bn. The Core Cities contribute a total of £164m

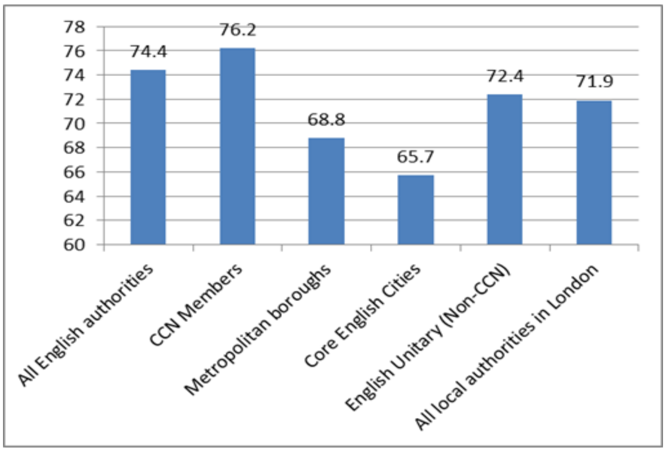
349. In 2013/14 the Government collected £21.8bn in business rates across the UK, with the areas that make up the CCN membership contributing £8.4bn. This compares to £6.6bn in London and £1.9bn in the Core Cities.

Employment

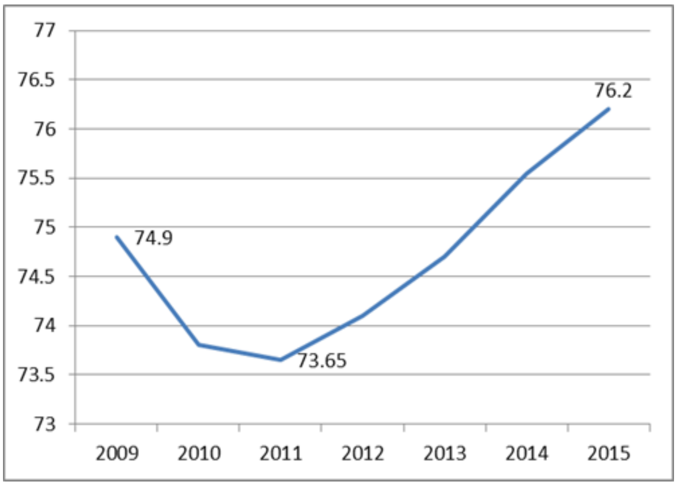
350. On average counties have higher employment levels than the national average. Growth in employment has picked up in counties following the recession and is on an upward trajectory. Equally on average CCN members show the lowest levels of unemployment.

351. However, below the headlines it can be seen that there is a big difference in employment levels within county areas. Considering the 5 CCN members with the highest employment levels these are far above the national average, but the 5 with the lowest employment levels are below the national average. In fact a number of county areas have employment levels below the national average.

Graph 12 – Percentage of the working age population in employment as of 2015 Q1 (NOMIS 2015 Q1)

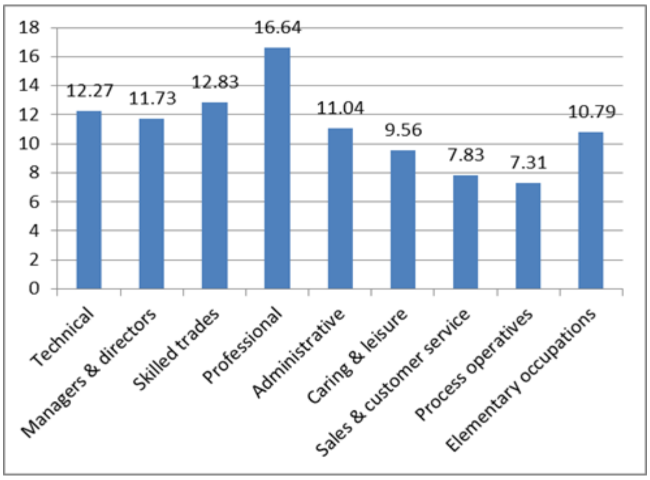


Graph13 – Growth in wages from 2007 – 2014 (NOMIS 2007 – 2014)



352. Contrary to some misconceptions county economies represent a very healthy mix of occupations. They have the highest levels of skilled trades in the country, above average levels of mangers and senior officials and are only behind London for levels of technical jobs. There is a geographical spread in counties, with areas either performing particularly well in professional type occupations or in skilled trades. Outside of London CCN members also have the largest levels of private sector jobs. It can be seen that this trend is continuing over time.

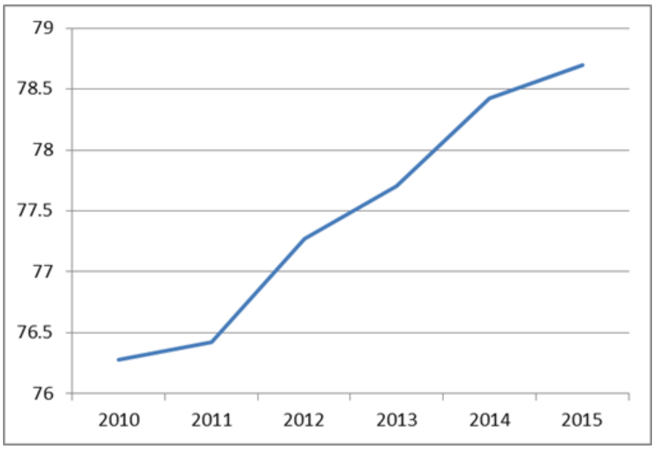
Graph 14 – Counties Percentage of employment in technical, managerial or skilled trades (Census 2011)



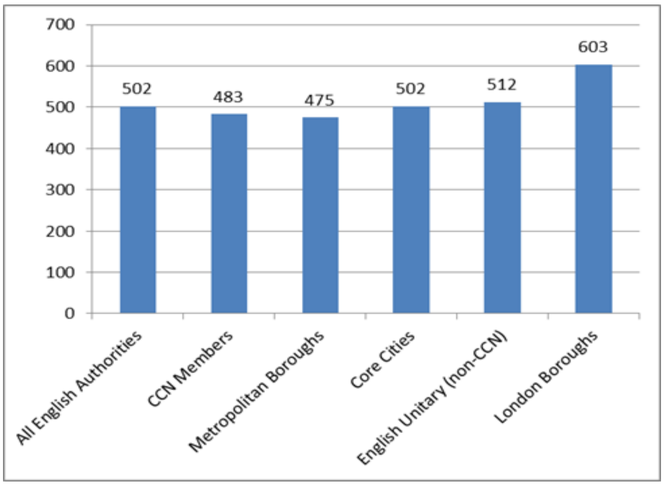
Wages

353. Both work base and resident base wages in counties are growing at a higher rate than other parts of the county. However it can be seen that resident base wages are growing at a faster rate than work base wages. This is compared to the national average and other parts of the country, where the work and resident wages are growing at the same rate. It can also be seen that average work base wages in counties are below the national average and below other parts of the country.

Graph 15 – Change in the percentage of the employed population who are employed in the private sector (NOMIS 2010 – 2015)



Graph 16 – Average work base wages in 2014 (NOMIS 2014)



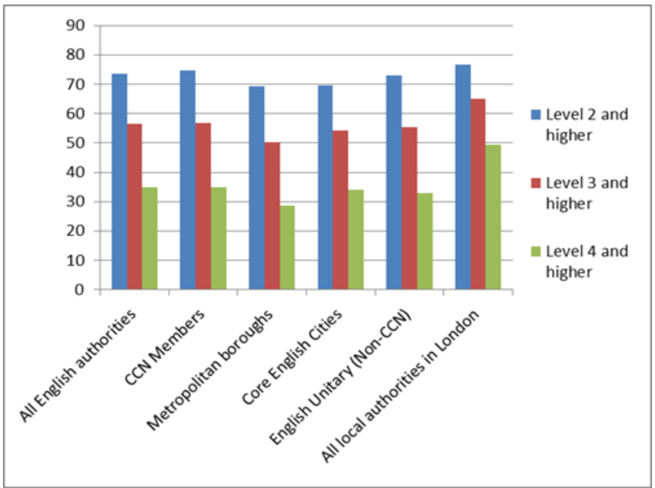
Deprivation

333. On average county areas are fairly affluent and do not show high levels of deprivation. However county areas do hold pockets of severe deprivation, in fact of the top 10 most deprived areas in the country the 1st, 2nd and 7th are within counties.[82]

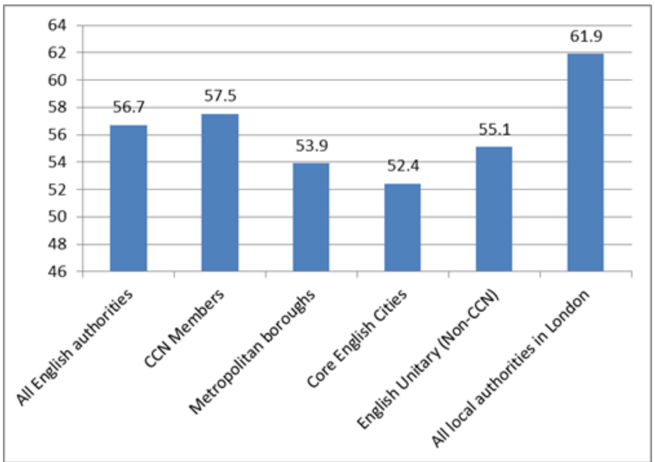
Skills and Employment

334. Counties perform relatively well in terms of skills and qualifications. Outside of London CCN members have the highest proportion of level 2, 3 and 4 qualifications. They also have the highest proportion of students achieving 5 GCSEs, grade A*-C.

Graph 17 – Percentage of the population with level 2, 3 and 4 qualifications (NOMIS 2014)

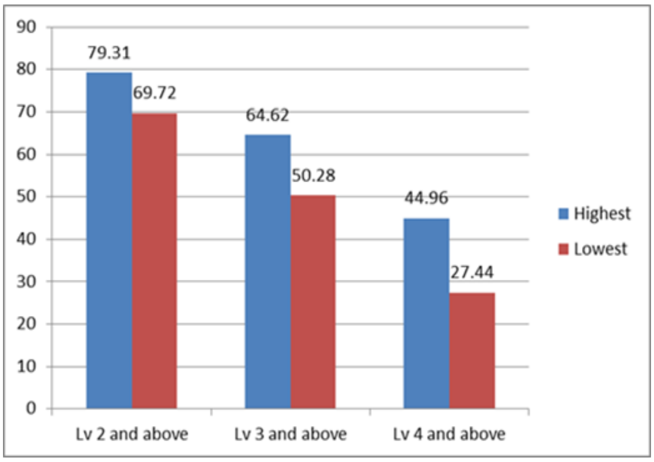


Graph 18 – Percentage of students who achieved 5 GCSEs A*-C, including English and Maths (Department for Education, 2013/14 academic year)



335. However, levels of qualifications vary widely across counties. In fact half of CCN members have qualification levels which are lower than the national average. It can be seen that the current skills system is producing particularly poor outcomes in many county areas.

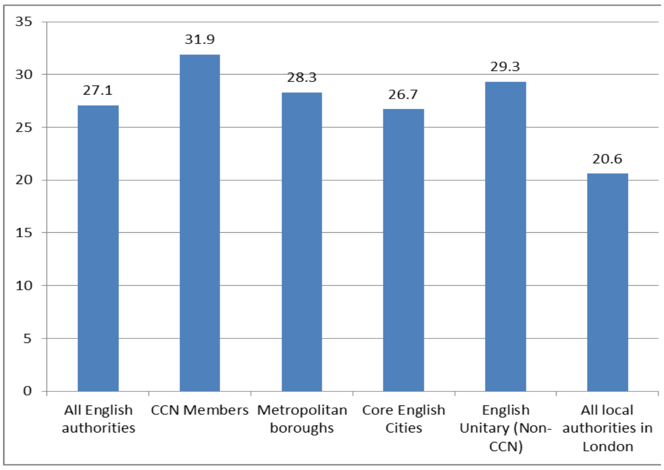
Graph 19 – Comparison between CCN member populations with highest and lowest qualifications (NOMIS 2014)



336. Counties also represent the largest performance gap between those students who are eligible for free school meals and those who are not. This gap is higher in CCN members than the national average and other types of authority area. This makes the localisation of skills and employment support systems even more important in county areas. This would allow post-16 provision and employment support initiatives to be designed together with other public services to meet the needs of vulnerable people.

[82] Census 2011, Deprivation Data

Graph 20 – % of students who are eligible for free school meals achieving 5 GCSEs A*-C, including English and Maths (Department for Education, 2013/14 academic year)

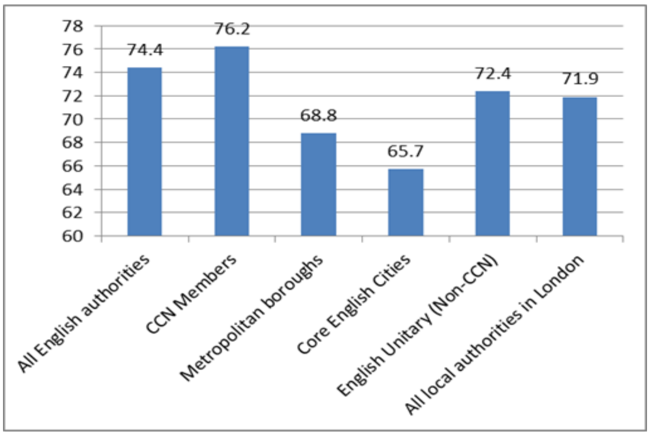


337. The current system is leading to a systemic mismatch in skills and employment. Using LGA localised data CCN have calculated that approximately £8.2 billion GVA and 698,425 opportunities for employment are being missed in counties due to a mismatch in training and opportunities.

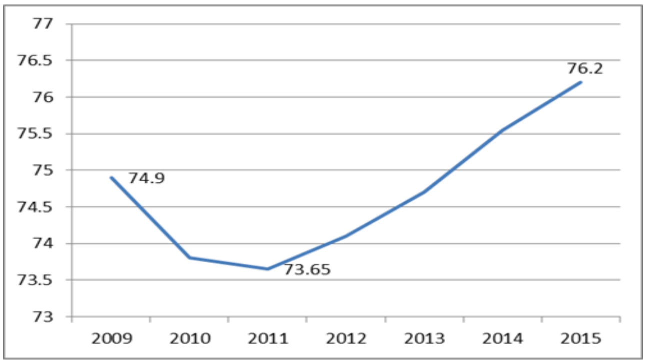
338. In county areas around 44,000 people are training for 4,200 jobs, a ratio of 10 to 1. Conversely around 17,000 people are training for 27,000 jobs in building and engineering, a ratio of less than 2 to 3.

339. On average counties have higher employment levels than the national average and other types of local authority area. Growth in employment has picked up in counties following the recession and is on an upward trajectory. Equally on average CCN members show the lowest levels of unemployment.

Graph 21 – Percentage of the working age population in employment as of 2015 Q1 (NOMIS 2015 Q1)

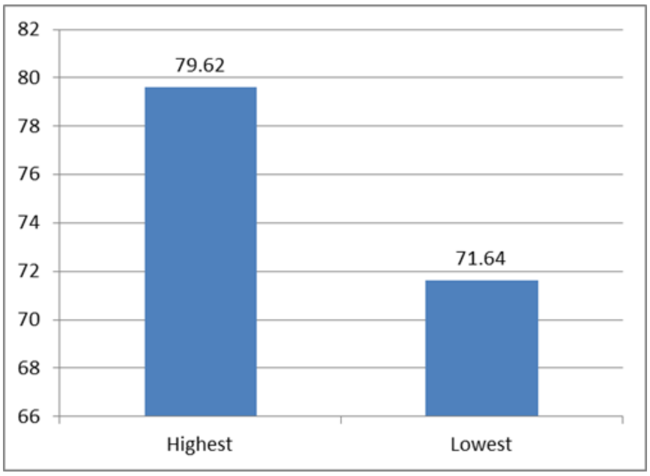


Graph 22 – Change in employment levels, CCN members, NOMIS 2009 - 2015



340. However, below the headlines it can be seen that there is a big difference in employment levels within county areas, with some county areas below the national average.

Graph 23 – Average employment levels across CCN members 2009-2015 (NOMIS 2009 Q1 – 2015 Q1)

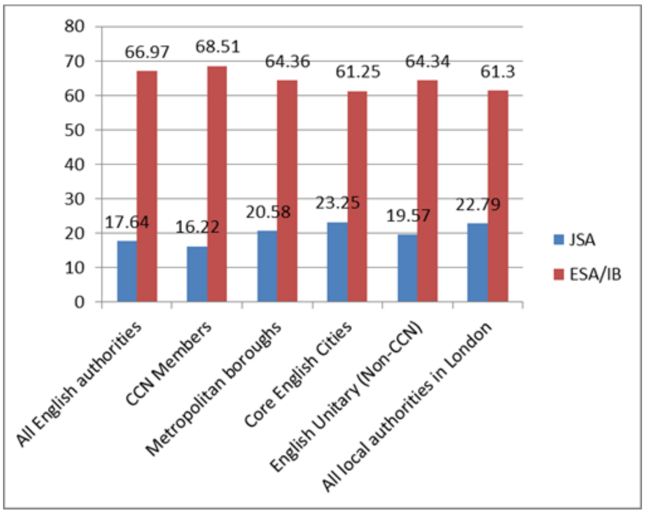


341. Although counties have low levels of unemployment, they have a higher level of those who are unemployed on Employment Support Allowance (ESA)

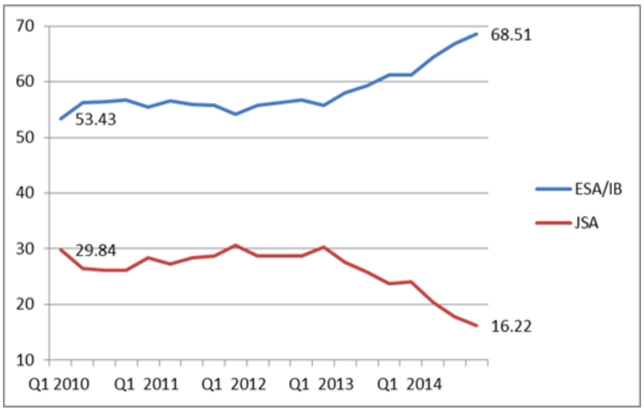
than other authority areas and the national average.

342. It is concerning that this trend is also increasing over time, and the trends seem to suggest people are moving from Job Seekers Allowance into ESA at an increasing rate in counties. Given this trend and the serious potential consequences Central Government should prioritise the devolution of employment support, including welfare to work initiatives, to counties. Local areas can then design support across the whole system and support those who are vulnerable and those with complex needs into gainful employment.

Graph 24 – Job Seekers Allowance and Employment Support Allowance / Incapacity Benefit levels (NOMIS 2014 Q4)



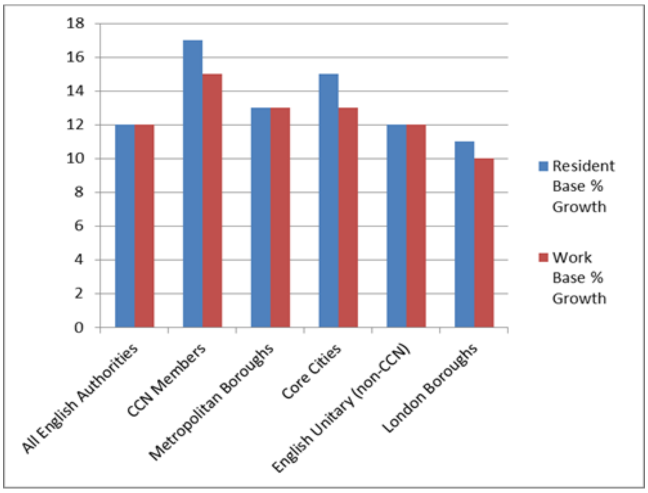
Graph 25 – Change in proportion of those on benefits on ESA and JSA in counties 2010 – 2014 (NOMIS 2010 – 2014)



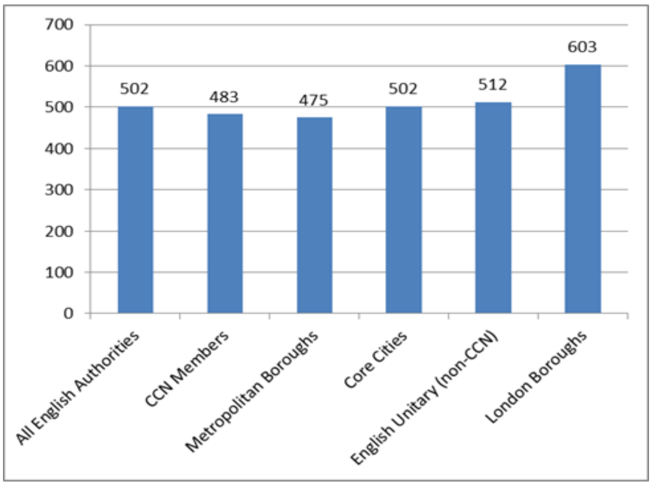
343. Both work base and resident base wages in counties are growing at a higher rate than other authority areas and the national average. However, it can be seen that resident base wages are growing at a faster rate than work base wages. It can also be seen that average work base wages in counties are below the national average and below all other areas except metropolitan boroughs.

344. While the wage growth and the high resident based wages in counties are positive it is important that work base wages are improved, to bolster county economies and the national economy.

Graph 26 – Average % change in wages in CCN member authorities from 2007 – 2014 (NOMIS 2007 – 2014)



Graph 27 – Average work base wages in 2014 (NOMIS 2014)



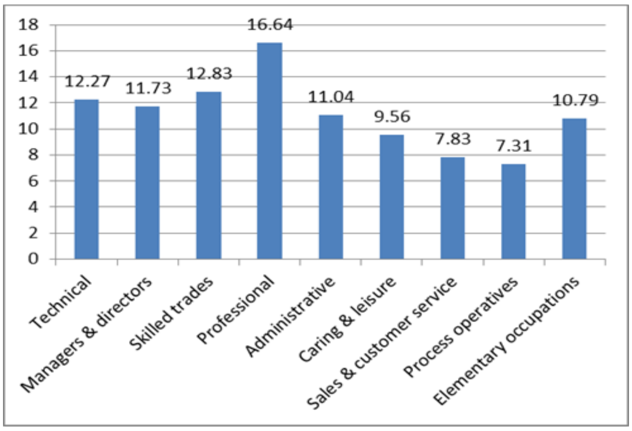
345. Wage levels vary widely across counties, for example the top 5 CCN member work base wage levels are on average £560 per week, this is higher than the national average and only behind London. Conversely the lowest work base wages are on average £442 per week, this is below the average for all other types.

346. Contrary to some misconceptions county economies represent a very healthy mix of occupations. They have the highest levels of skilled trades in the country, above average levels of mangers and senior officials and are only behind London for levels of technical jobs. There is a geographical spread in counties, with areas either performing particularly well in professional type occupations or in skilled trades.

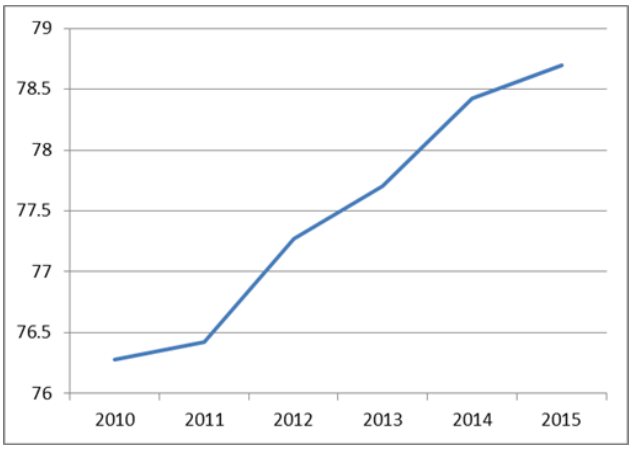
347. Outside of London CCN members also have the largest levels of private sector jobs. It can be seen that this trend is continuing over time.

348. Given the types of occupation counties produce it makes sense to enable county areas to grow their skills, jobs and economies ad create more high skilled and professional private sector roles.

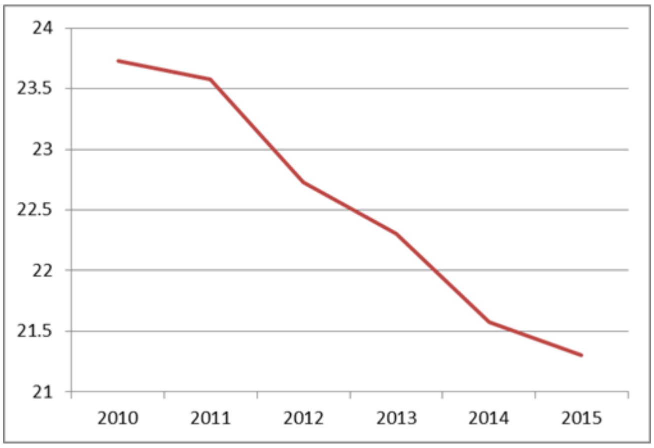
Graph 28 – Percentage of CCN member populations employed in different types of occupation (Census 2011)



Graph 29 – Change in the percentage of the employed population who are employed in the private sector (NOMIS 2010 – 2015)



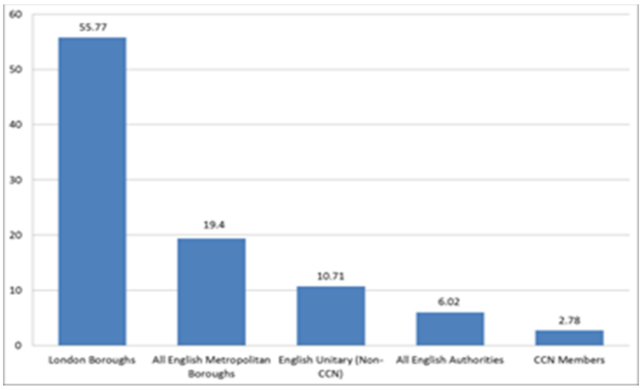
Graph 30 – Change in the percentage of the employed population who are employed in the public sector (NOMIS 2010 – 2015)



Appendix 2: Housing and Infrastructure

349. Counties cover 86% of England's landmass.

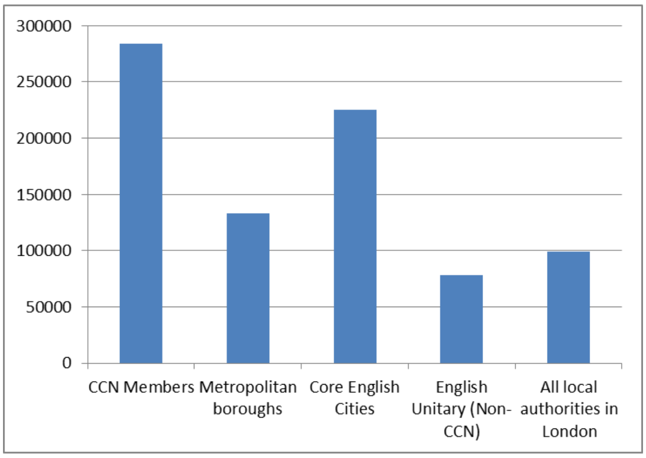
Graph 32 – Population density, persons per hectare, NOMIS, 2013



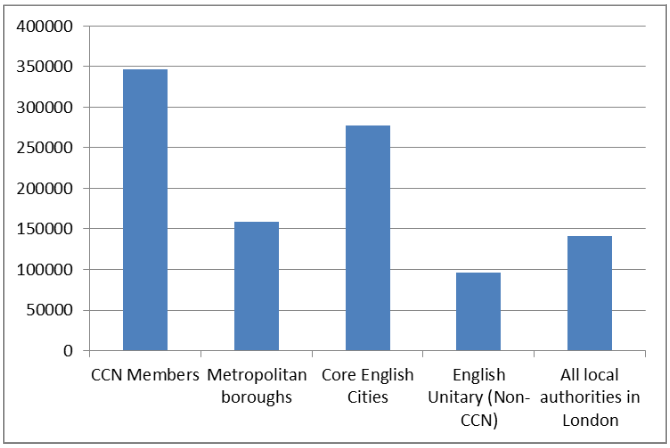
350. Counties contain a mixture of rurality, urban centres, small towns and villages. The percentage of the population living in market towns and rural towns constitutes 69.7% of county populations, compared to 22.3% nationally. This leads to population density being far lower for county areas than elsewhere, averaging 2.78 persons per hectare.

351. It can be seen that counties have on average the highest proportion of housing, and are equally projected to have the largest proportion of housing by 2037.

Graph 33 – Number of households (average for each authority type), Department of Communities and Local Government, 2011

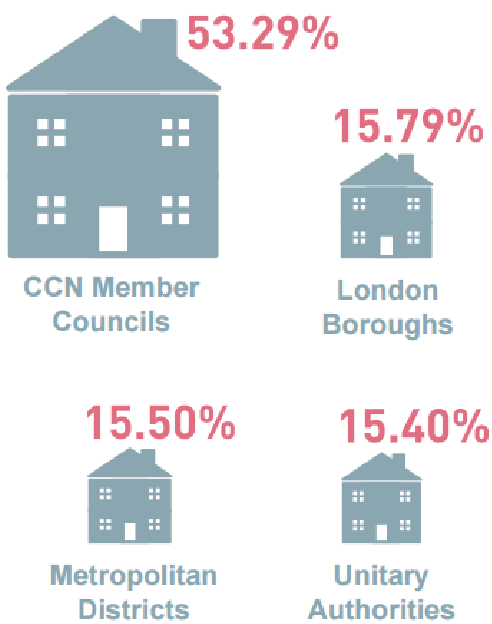


Graph 34 – Projected number of households by 2037 (average for each authority type), Department of Communities and Local Government



352. Over 53% of houses were built in 2014 were within CCN authority areas. This demonstrates that counties will be integral to solving the housing crisis going forward. The geographies of county areas present the space and attributes for housing growing populations and businesses. It is therefore crucial that county areas are empowered and incentivised to undertake strategic housing and infrastructure planning, and enabled to fund infrastructure in innovative and sustainable ways.

Graphic 1 – English Housing Survey, DCLG, February 2015



Kent and Medway Growth and Infrastructure

Kent County Council, Kent districts and Medway Council have come together to build an evidence base and framework to identify the infrastructure requirements in the context of planned growth.

The framework highlights a number of shortfalls that exist in the strategic planning and infrastructure process and in meeting the costs of vital infrastructure.

Across Kent and Medway 158,500 new dwellings are expected between 2011 and 2031, with an associated increase of 293,300 people. Delivering the necessary infrastructure to support this growth from 2014/15 – 2031 is estimated to cost at least £6.74 billion, or £396.5 million a year.

The framework has identified a combination of secured and potential funding to meet these requirements. Beyond this there is still a potential funding gap of £2 billion, or £118 million per year, for essential infrastructure.

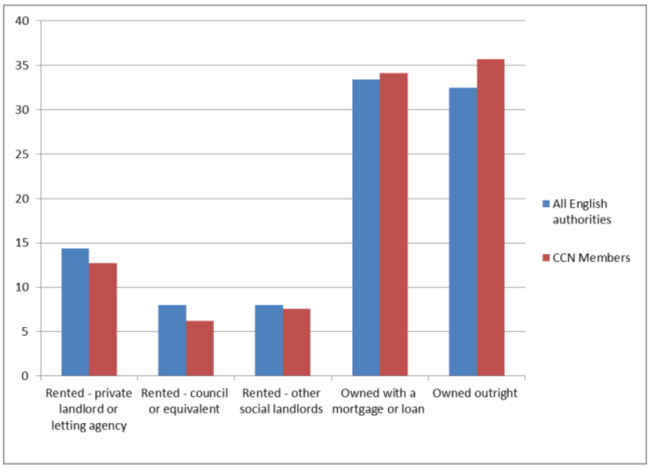
The evidence shows that current anticipated developer contributions, central government grants and other sources of income are not sufficient to support the level of growth projected for the area. The Community Infrastructure Levy has not been widely adopted across the county.

Local partners intend to continue dialogue and to maintain an up-to-date understanding of growth distribution and infrastructure needs. They also intend to use the framework to engage with central government to demonstrate the challenges faced in supporting growth in the area.

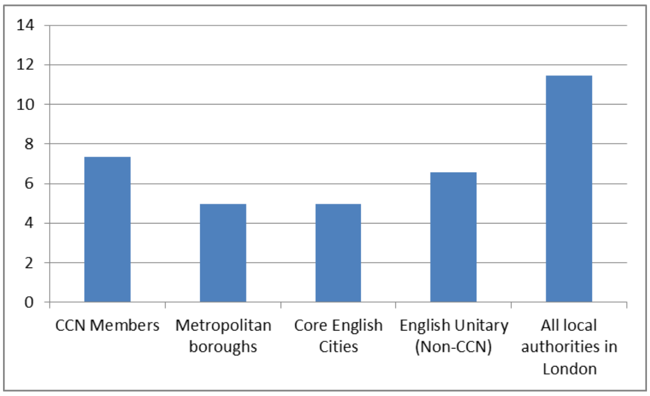
353. Counties, particularly two-tier areas, and those in the South East, face particular challenges with planning, house building and funding infrastructure. Full details and recommendations can be found within the *Economic Growth* section of this report.

354. It can be seen below that counties have a lower proportion of rented accommodation and a higher proportion of owned accommodation than the national average. Compounding this, counties have the least affordable housing outside of London. Counties must be given the tools to build more houses and corresponding infrastructure to ensure that new generations of their communities can find housing, and to support growth and improved productivity.

Graph 35 – Percentage of rented / owned housing, Office of National Statistics, 2011



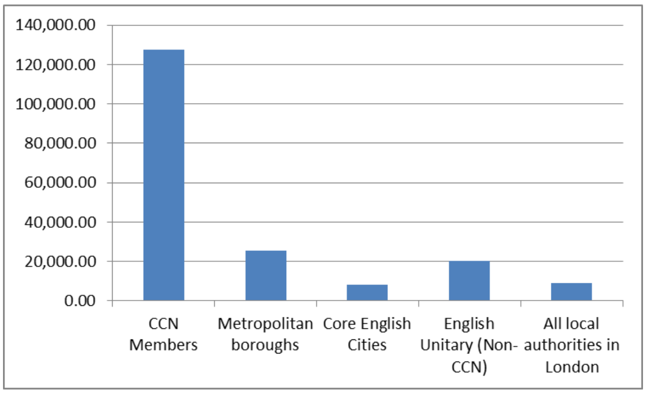
Graph 36 – Housing Affordability Ratio - lower quartile house price to lower quartile earnings (average for each authority type), Communities and Local Government, 2013



Road Maintenance

355. 70% of maintained roads are within the boundaries of CCN member councils, some 127,696 miles. The Local Government Association calculate that there is roughly a three way split between the usage of different types of road - a third on Motorway and Trunk roads, a third local authority major roads and a third on minor roads.[83] This shows the importance of those roads maintained and used in county areas.

Graph 37 – Road maintained by administrative area, Department for Transport, 2014



356. The Government's recent Roads Infrastructure Strategy channels Vehicle Excise Duty into the maintenance of major roads and motorways in the country. While we welcome a long term investment plan, we must ensure that local roads funding is also sustainable.

Table 17– ALARM Annual Survey, Asphalt Industry Alliance, 2015

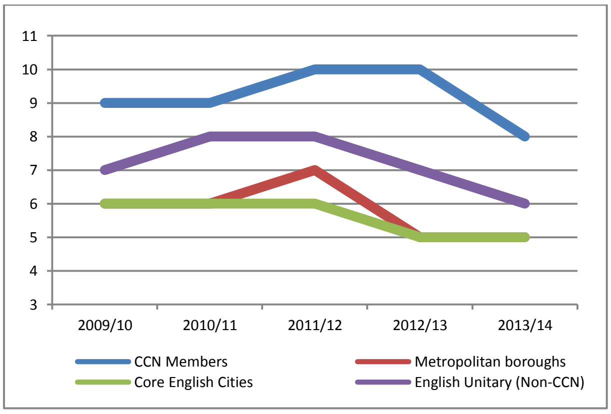
Average length of time before roads are resurfaced

Class of road	England	London	Wales
Principal	36 yrs	21 yrs	42 yrs
Non-principal	51 yrs	31 yrs	58 yrs
Unclassified	101 yrs	45 yrs	90 yrs
All classes	64 yrs	31 yrs	59 yrs

357. There is a big gap between the way in which principal and non-principal roads are maintained. Asphalt Industry Alliance figures show that non-principal roads in England take an average 51 years to be resurfaced and unclassified roads 101 years.

358. CCN member councils face particular pressures in the maintenance of their roads, and this demand should be accounted for in roads funding, local government funding and fiscal freedoms for local areas.

Graph 38 – Percentage of non-principle roads where maintenance should be considered, Department of Transport, 2009/10 – 2013/14



359. Within their publication *Better Roads for England* the Local Government Association conclude:

'Whilst it would be unreasonable to expect parity of funding across all types of road, the current discrepancy makes little sense. Very few journeys begin and end on the Strategic Road Network and the problems of congestion cannot be effectively addressed on the Strategic Road Network in isolation – all that will do is speed vehicles between increased delays on the local network.'

[83] Local Government Association, Better Roads for England, 2014

Surrey County Council
Roads Investment Fund

Surrey County Council (SCC) have welcomed Government's commitment to a long term roads fund, but have raised serious concern that it will be restricted to motorways and A roads maintained by Highways England.

The GVA of Surrey adds £35 billion to the national economy annually. The roads within the county are very busy and are vital to keeping the local and national economy moving. Residents and businesses depend on the local roads for their daily lives.

SCC have recognised the importance of this by embarking on a five year £100 million programme to renew 300 miles of roads. But Government funding for their roads continues to decline, by around £1 million annually.

So far they have been able to manage this through savings and efficiencies, but this is no longer sustainable and risks damaging continued economic growth.

The new Road Investment Strategy is funded through Vehicle Excise Duty – Surrey drivers contribute more than £100 million to the Exchequer through this Duty every year. However they only receive £20 million annually to invest in roads.

SCC believe that the Government should take the opportunity to ensure the Roads Fund provides fairer funding and recognise the vital importance of local roads to business and residents, alongside major roads.

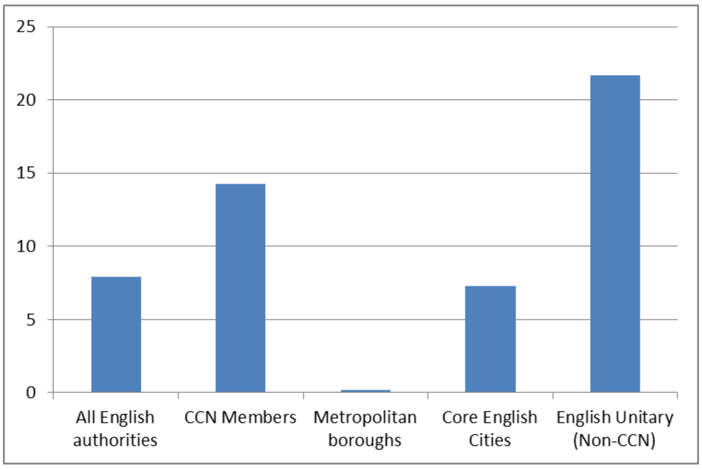
Passenger Transport

360. Beyond the vast geography and sparsity of county areas, they are also home to the largest proportion of older people. The average CCN member council has 20% of its population aged over 65, almost double that of London and higher than all other parts of England. These factors mean that passenger transport is not only crucial in supporting business, but also to keeping people connected to communities and services. These factors intensify pressure on providers and councils.

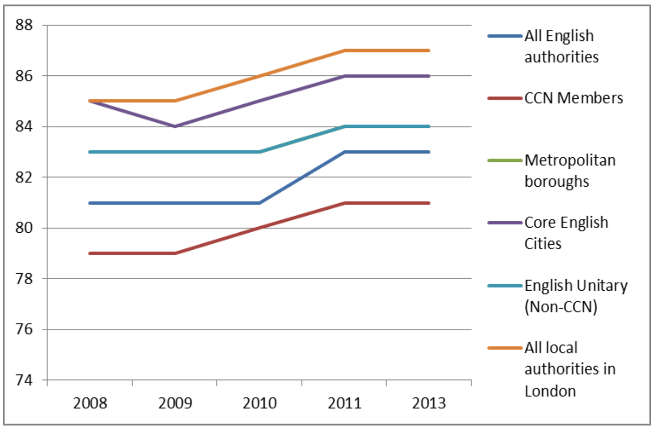
361. Large geographies, deeply rural areas and multiple hubs can pose challenges to the commerciality of bus services and in designing an integrated system. Councils in county areas then face real pressures in subsidising services. Equally concessionary fares have one of the highest subsidies per head in CCN member council areas.

362. Ensuring that the bus system within counties is sustainable and can meet the needs of residents is key to avoiding greater cost in other parts of the public sector.

Graph 39 – Revenue expenditure (£) per head of the population for concessionary fares, Department for Communities and Local Government,

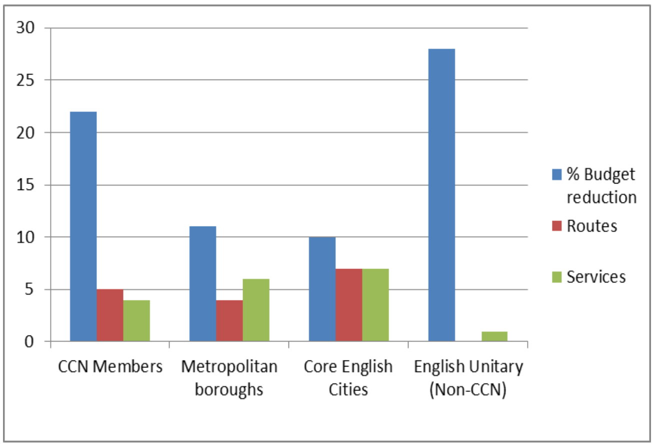


Graph 40 – Access to employment by public transport, Department for Transport, 2008 - 2013



363. The Campaign for Better Transport have undertaken a survey with councils and Combined Authorities to understand where reductions to bus budgets and services are taking place. There are some gaps in the data, but it can be seen that county areas have had to reduce their subsidy budgets further than urban areas.

Graph 41 – The Campaign for Better Transport - councils reporting reduction in supported bus budgets, routes and services 2010 - 2014/15



Devon County Council Passenger Transport

Devon County Council (DCC) has successfully managed its supported public transport network over a number of years. This has contributed to patronage growing by 44% since 2002/03 with over 26million passenger trips per year on local bus services (5 million of which are supported).

Following a reduction in budget of £1.35million in April 2011 and corresponding service reductions, savings have been achieved through operational efficiency of the transport network. However, they now face on-going pressure with, following a full consultation process, a planned reduction in budget of £1.76million by the end 2016/17.

As DCC has to continue to provide statutory services, public transport support is vulnerable even though it impacts on a large sector of the community. A large rural county like Devon also has statutory transport pressures with over £9million spent on the National Bus Pass and £21million on school transport.

Devolved Bus Service Operators Grant (BSOG) has helped mitigate the impact but any further cuts would start to affect services that carry a substantial number of passengers. Any impact on funding for public transport, such as a reduction in BSOG either for supported or commercial services, will affect the network as the LA will not have the funds to replace this loss.

Any reduction in funding also impacts on the viability of the operators. They have already seen the number of local bus operators more than halve over the last 25 years.

DCC have now got to the point where they have achieved most of the efficiencies possible within current parameters. Without a sustainable budget the only option to make further savings is to reduce core services. This risks leaving communities isolated and undoing the achievements of the last decade.

Founded in 1997, the County Councils Network (CCN) is a network of 37 County Councils and Unitary authorities that serve county areas. We are a cross-party organisation, expressing the views of member councils to the wider local government association and to Central Government departments.

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If you would like further information on CCN, including the latest policy briefings, publications, news and events, please visit our website at www.countycouncilsnetwork.org.uk

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