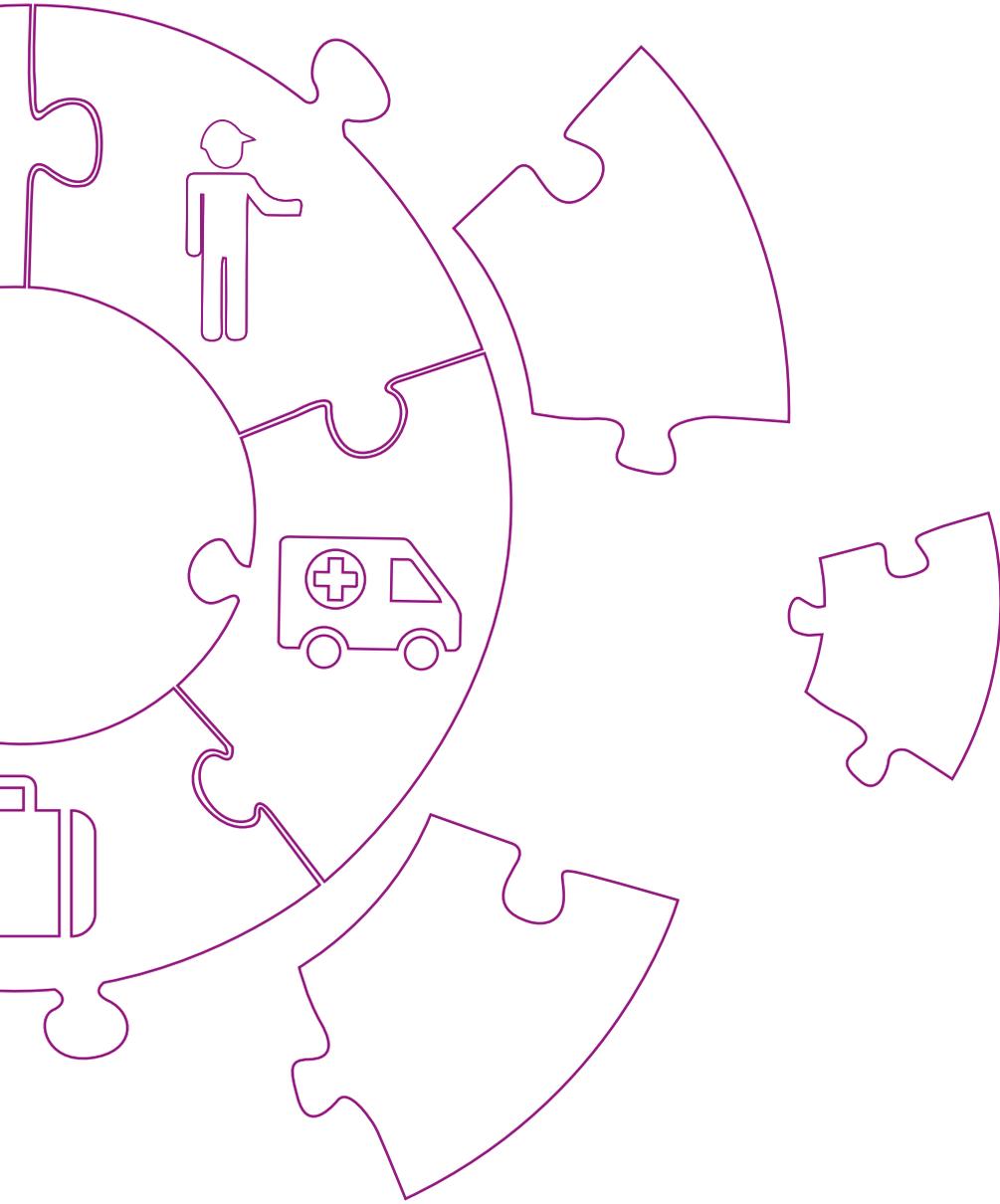


CCN

COUNTY COUNCILS NETWORK

County Devolution

Our Plan for Government
2015-20



#CountyDevo

March 2015

www.countycouncilsnetwork.org.uk

Foreword - Cllr David Hodge, Chairman, CCN



The last six months have been some of the most exciting times to be a local councillor. Councillors want to make a real difference to the lives of our residents and create opportunities for their long term wellbeing. There have been many starts by Governments over the years at devolving responsibilities but despite the Manchester break, local government remains overly dependent on central government control.

Now is the time for real devolution to local government. Now, is the opportunity for the new Government to trust counties with real devolution.

The next Parliament from May 2015 must begin the process of decentralising Whitehall. Parliament should create the framework for the future of local governance that will allow better and more democratic decisions to be made for years to come. The opportunity to do more for our residents, our businesses and our communities is unparalleled, but given the challenges we face, the risks associated with failing to empower local areas are equally profound for Parliament.

Our compelling case for County Devolution sets out that our economies are pulling the UK out of recession, but if a strong and sustainable recovery is to continue, and it must, we need a range of devolved powers to continue to support our enterprises and entrepreneurs.

Equally as important, our reports show that in county areas we need to fundamentally reform how we finance and deliver local public services, using County Devolution as the spur to achieve a vision of **One Place, One Budget** public services.

Counties need the fiscal freedoms and devolved powers to knit together strategic planning, infrastructure, skills policy, transport and investment to better support local economic priorities. We need to be empowered to shake-up local public services, driving integration across health, social care and joining up local providers. We also need the opportunity to become more financially independent, raising and retaining more of the proceeds of growth generated by our hard-working residents and thriving local businesses.

By showing our appetite to do more and demonstrating our readiness for further devolution within this document, counties are prepared for an honest conversation with Government regarding what form this devolution will take.

I would like to thank all CCN member councils and partner organisations, including Shared Intelligence and the Society of County Treasurers, for supporting the creation of this blueprint for a successful, devolved future.

We now look to the incoming Government to engage with our detailed proposals and set out an inspiring future for the county residents we represent.

A handwritten signature in blue ink, appearing to read 'David Hodge', enclosed within a large, stylized blue circular flourish.



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Introduction

The devolution debate has been raging across the Home Nations in recent months as a result of the Scottish Referendum.

Following the no vote, the recommendations put forward by the Smith Commission, and the pioneering Greater Manchester devolution package, the narrative on UK Devolution has widened to challenge the nature in which all its people are governed from Westminster, including the 23 million residents in county areas.

CCN were at the forefront of demanding this more fundamental examination of the relationship between Westminster and the County & City Regions of England.

CCN's *Our Plan for Government 2015-20*, published at the time of the referendum, called for a new **English Devolution Settlement** to underpin a wide ranging set of radical policy proposals to be implemented by the next Government.

We asked that the incoming Government undertake '*Fundamental reforms to rebalance the relationship between counties and Westminster*'. These reforms would have to include fiscal and economic devolution proposals outlined in our **Core Settlement**, alongside wider reforms to health, social care, education, children's services and local government finance, based around the principle of '**One Place, One Budget**'.

To build on these proposals, CCN has been engaging extensively with member authorities to develop our detailed devolution offer to the next Government. There is a pressing need for counties to put forward a positive case for a wide-ranging devolution settlement for local areas, identifying what specific powers, budgets and fiscal responsibilities our member councils need to drive growth, reform public services, and improve local outcomes.

Equally if not more important is for counties to demonstrate their ambition and readiness for devolution.

Our members are showing flexibility and strong partnership working. Many are drawing up plans for devolution and governance and some counties are having detailed conversations regarding devolution options with Government.

Our *Interim County Devolution* findings and continuing engagement with member councils shows that counties not only have the growth potential and strategic capabilities to deliver more for UK Plc through a devolved settlement; the case for change in county areas and our members willingness to adapt and deliver are equally as compelling.

This report sets out devolution asks specific to counties to aid an incoming Government to implement the enhanced English Devolution Settlement. It outlines the unique case for devolution across a range of policy areas, and details the specific needs and potential of CCN member councils. Crucially, it demonstrates that our *offer* will deliver for the next Government and the local residents we serve.

This report will also act as an important tool for CCN member councils. Whether councils are beginning discussions with local partners, developing detailed plans or refining proposals, this report lays out a comprehensive set of ideas and options for councils to benchmark against and test their ambitions.

There is no one-size-fits all solution for County Devolution and the types and scale of devolution demanded within this report will not happen overnight. But there is appetite, ambition and readiness to take advantage of the opportunities presented by devolution.

Call for Evidence

County Devolution

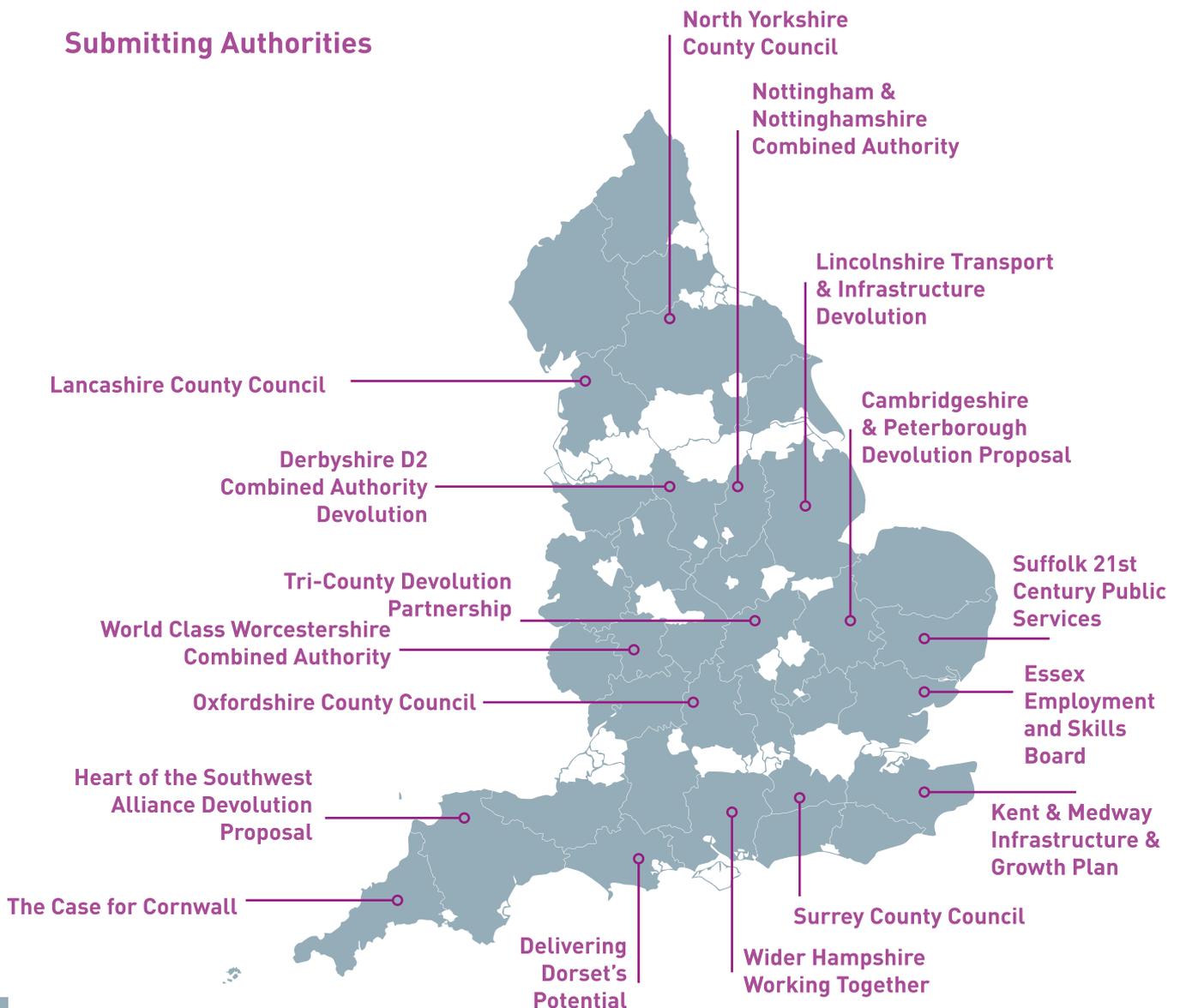
In January 2015 CCN completed a survey of the Leaders, Deputy Leaders and Chief Executives within our 37 member councils on their views on English Devolution, receiving 57 responses in total. The quantitative and qualitative research focused on a range of policy areas at the centre of the devolution discussion.

During this period CCN also issued a Call for Evidence on devolution from our county and county unitary authorities. We received 15 submissions from individual or partnerships of councils, outlining developing proposals and propositions on devolution.

The devolution proposals outlined in the following sections draw extensively on our member councils' proposals and propositions. It provides an important insight into the developing devolution demands at a local level in county areas.

The evidence and case studies presented throughout demonstrate in detail that many strategic counties, and their wide range of partners, are ready to engage with incoming Government in developing a comprehensive devolution settlement for the area.

Submitting Authorities



The Case for County Devolution

Our latest statistical analysis shows that 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.

Local public and private sector partners are doing their utmost to continue to support the recovery, but they are reaching the limit to what can be achieved within the existing local growth and decentralisation settlement between Whitehall and county areas.

Our economic case for County Devolution demonstrates three key facts for the incoming Government on why it must implement a radical Devolution Settlement for Counties.

Firstly, our analysis shows that counties continue to be the drivers of growth outside of London and are net contributors in employment and tax revenues. They contribute the largest proportion of GVA, 41% and represent 36% of GVA growth since 2007. They account for 43% of employment and more than 50% in key sectors such as manufacturing, motor trades and construction. Crucially, their businesses and residents contribute the most, including 49% of all income tax in England, 41% of stamp duty and 39% of business rates.

With this in mind, an arbitrary focus on only devolving substantial new powers and fiscal freedoms to cities to improve national economic performance will put at risk key economic objectives of the incoming Government, including securing long-term GDP growth, private sector job creation and reducing the fiscal deficit.

Secondly, with the UK economy relying disproportionately on growth in London, achieving the pledge by all major political parties

to 'rebalance' the economy fundamentally relies on county areas.

While the economies of the eight English Core Cities have a vital contribution to make, they remain relatively small in comparison to county economies. They also do not have the economic diversity that comes with the urban and rural mix of CCN member areas. The Government's own research shows that the importance of this diversity is set to grow over the coming years and will result in rural areas growing faster than urban economies.

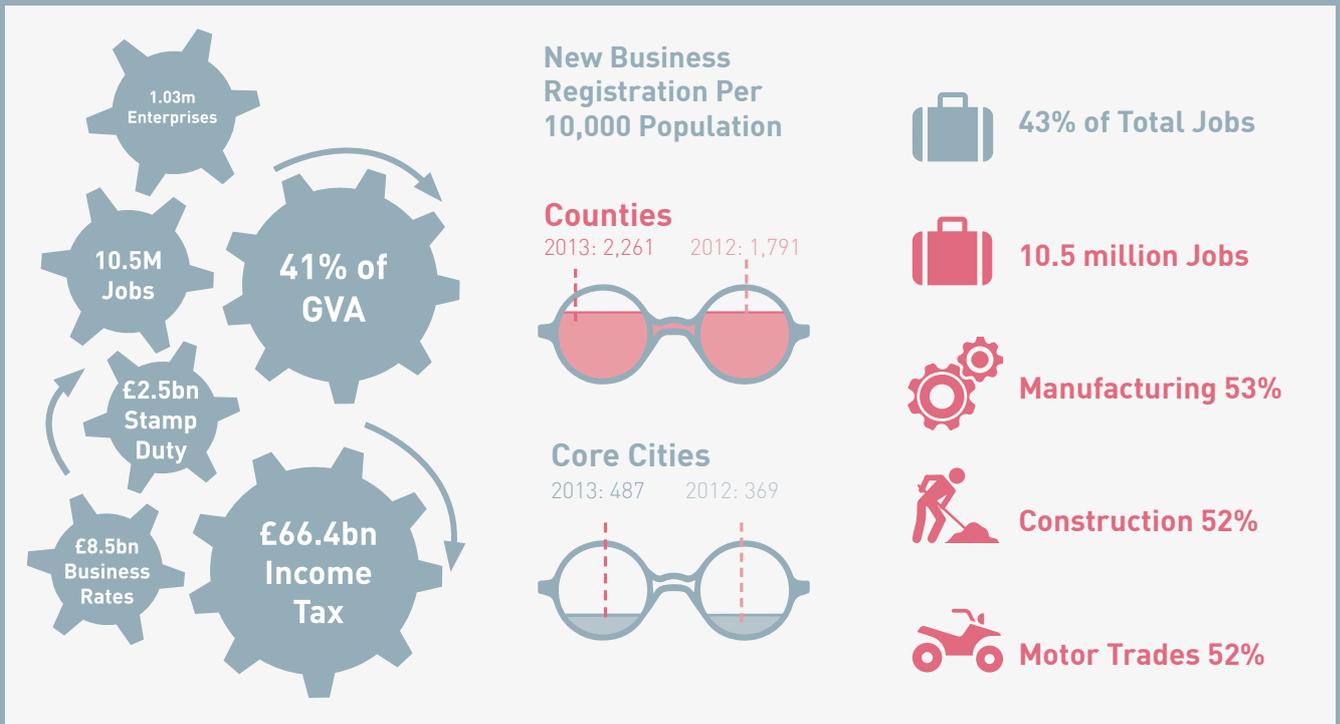
Thirdly, the UK's productivity continues to stagnate. In 2013 output per hour in the UK was 17% below the average for the rest of the major G7 industrialised economies, the widest productivity gap since 1992. Figures for counties show that their average productivity is 91, compared to the UK 100 Index. This is considerably below the average for London, at 122, and also the Core Cities average of 94.

There is a huge variance in performance between counties, some with internationally competitive productivity rates and some with the lowest rates in the UK. The five top performing counties average 113 compared to just 76 for the bottom five performing.

Enhancing national productivity is widely regarded as the key to improving living standards. Addressing the long-term structural weakness of stagnating productivity and raising living standards will only be addressed by a concerted focus on improving the productivity of county economies.

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.

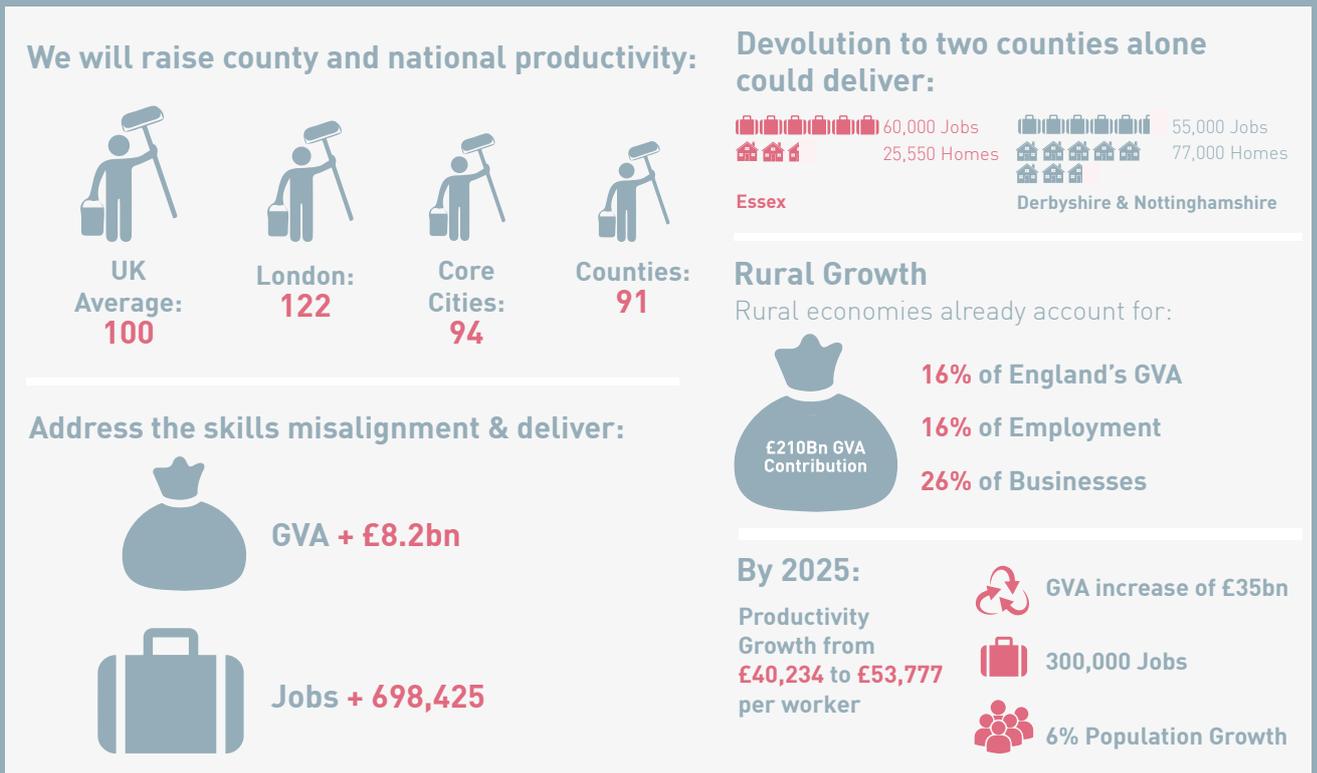
County economies already contribute:



Existing Government policy will deliver:



But we can do more.....



The Case for County Devolution

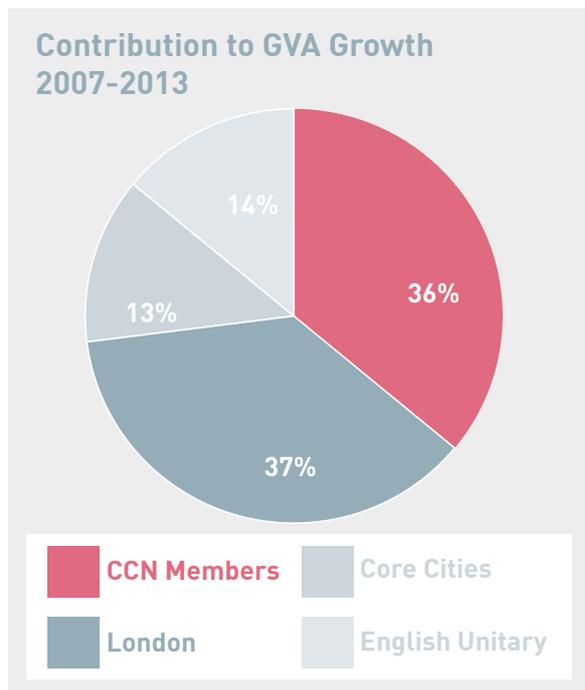
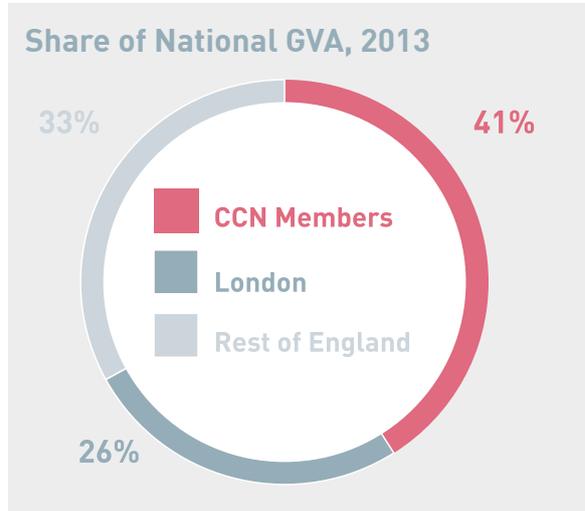
GVA Growth

Gross Value Added (GVA) in the England stands a total of £1.3 trillion. The UK's economy grew by 2.6% in 2014, the fastest pace since 2007 and up from 1.7% in 2013.¹

Latest GVA figures compiled by Shared Intelligence for CCN 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.² This is strong performance compared to other areas of England.

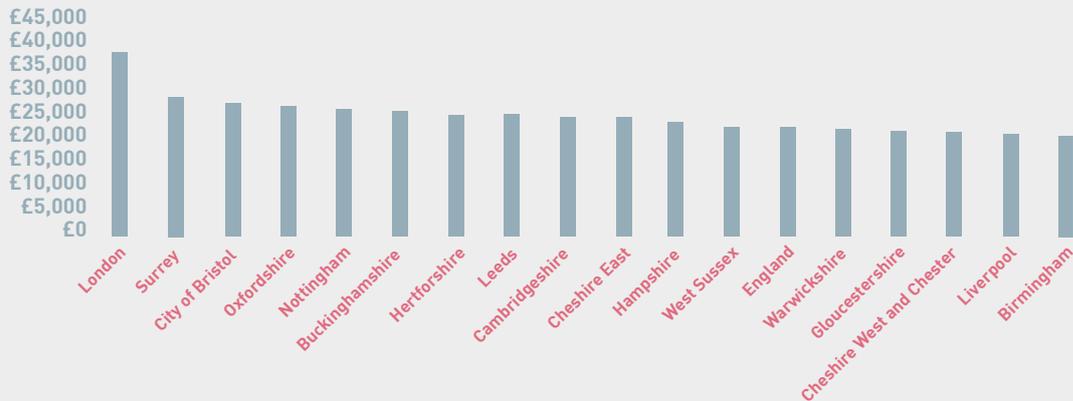
Further analysis of GVA growth since the recession shows that outside of London counties have been the biggest contributors. CCN member councils have contributed 36% of GVA growth compared to 37% in London, 14% in non-metropolitan unitary areas and just 13% in the Core Cities.³

The latest GVA figures also continue to show that many CCN areas contribute higher levels of GVA per head than some of the core cities. Eight CCN member councils are above the English average for GVA per head, including Surrey, Buckinghamshire, Cambridgeshire, Cheshire East and West Sussex.



Economic Growth

GVA per head 2013



Call for Evidence: Oxfordshire

In the last five years, the economy in Oxfordshire has grown faster than the national economy. Oxfordshire's Gross Value Added (GVA) has more than doubled since 1997, beating the United Kingdom's growth by 15% over that period. Oxfordshire produces £5000 more per head than the national average, and is one of the few areas of the country to pay more in tax than it receives in public spending. Further devolution of powers to local level would allow Oxfordshire the freedom to further its ambitions and contribute more to the UK economy.

Counties and strategic unitary authorities are able to combine a strong awareness of local need and local circumstances, a clear geographic and community identity, and the ability to engage in strategic oversight and lead through partnerships. Oxfordshire believe that a greater proportion of public sector resources spent locally should be under local democratic control and direction and that there are now strong arguments for local authorities taking direct responsibility from Whitehall departments and other agencies, both in terms of cost effectiveness and enhanced democratic accountability.

Call for Evidence: Cambridgeshire

Local Public Services across Cambridgeshire and Peterborough are joining forces to make the case for devolution to the country's fastest growing area. There is a strong track record of partnership working across the two-tiers of local government, police, fire and health – with successful collaboration on critical agendas such as growth stretching back at least 10 years.

Greater Cambridge competes on a global stage and is a gateway for high-tech investment into the UK. It is also the innovation capital of the country, with more patents per 100,000 population than the next ten cities combined. The global nature of many Cambridge businesses means that they are "footloose" and could easily move their operations elsewhere in the world. Retaining their success stories in the local area is as important as generating the home-grown, multi-billion pound international businesses of tomorrow – it also means that much of the growth they expect to drive is net growth to the UK, rather than displacing economic activity from elsewhere in the country.

Local partners know that more can be done together to effect change, and are focused on that. But crucially, there are numerous areas where greater freedom, flexibility and control will unlock changes.

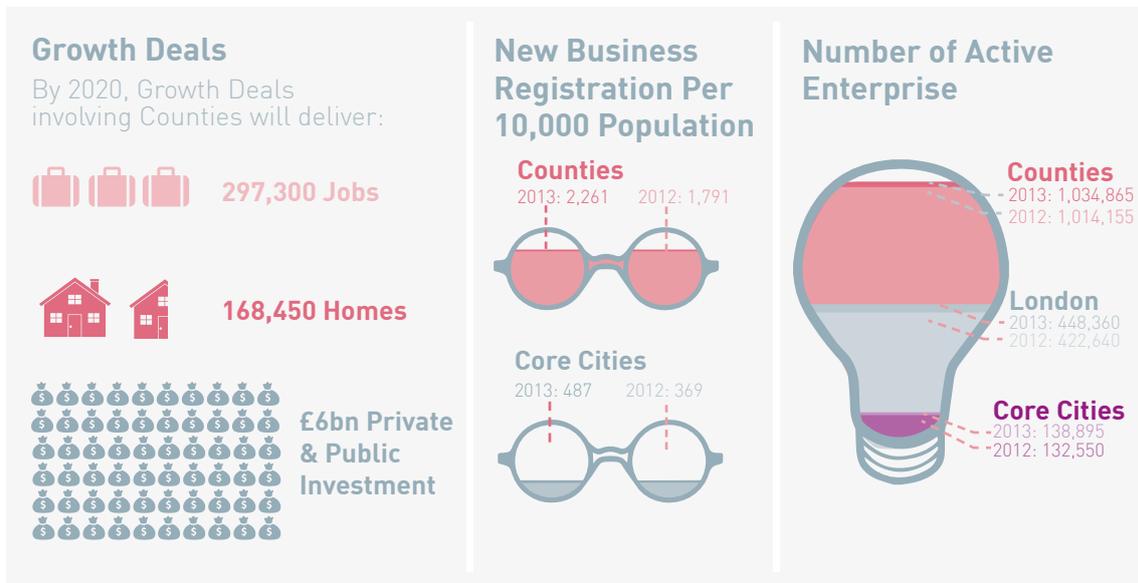
A deal has recently been agreed between Central Government and Cambridgeshire, to allow the county to retain 100% of additional business rate growth in its area, where it meets an agreed increase in business rates.

Business & Enterprise

Behind the headline GVA figures, county areas continue to be the main hives of business and enterprise outside of London.

The number of active enterprises has grown to 1.03m, higher than all other parts of England. Figures also show that new business registration has grown 26% in county areas, with counties only behind London in the number of businesses created per 10,000 of population.⁴

Building on its vibrant private sector economy, estimated output from recently agreed Growth Deals demonstrates the potential return on investment from county economies. Despite receiving significantly less funding per capita, Growth Deals in county areas will deliver an estimated 297,300 jobs and 168,450 homes by 2020, and attract additional public and private investment of £6bn.⁵



Call for Evidence: Wider Hampshire

Wider Hampshire is home to four universities, two international gateway ports and two major airports; Southampton International and Farnborough – home of UK aviation and Farnborough International Air Show. As well as a high proportion of micro firms and small – medium sized businesses, Wider Hampshire is home to major employers and leading global aerospace and defence companies.

Major employers include: Associated British Ports, Aviva, BAE Systems, IBM, Lockheed Martin, Qinetiq, Axa, Simplyhealth and Zurich, to name a few. They have potential to attract further investment nationally and internationally.

Fiscal and economic devolution is critical to unlocking Wider Hampshire’s full economic potential. Local retention of business rates and stamp duty alone would generate additional funding of just under £600m within the area. This would enable Wider Hampshire partners to make long-term investments in infrastructure to support business growth. Greater devolution of finance would also allow partners to continue to successfully address the dichotomy of reducing resources and increasing service demand. Fiscal devolution would enable them to respond more flexibly to these challenges and invest in innovative service transformation, delivering better outcomes for residents.

Jobs & Industry

Despite some preconceptions county economies represent a very healthy mix of industries. An updated analysis of employment in county areas for CCN by Shared Intelligence shows that in 2013 combined employment in the areas served by the 37 CCN member councils was estimated at 10.5m – **almost 43% of the total employment in England.**

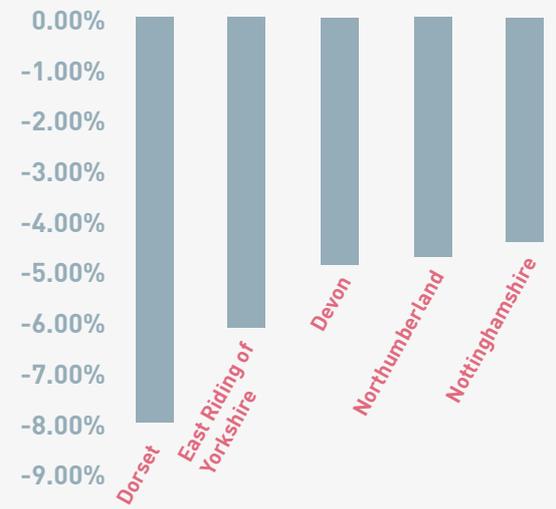
Date	CCN member areas	England	% CCN member areas
2009	10,477,000	24,068,100	43.5%
2010	10,418,600	23,982,000	43.4%
2011	10,402,200	24,062,600	43.2%
2012	10,377,300	24,208,200	42.9%
2013	10,480,300	24,552,400	42.7%
Change 2009-2013	0.0%	2.0%	---

The latest employment data also shows that county areas account for over half of the total employment nationally in manufacturing (53%), motor trades and construction (both 52%).

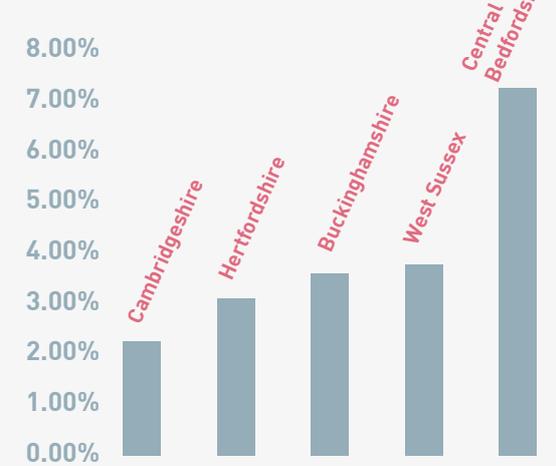
The data shows that total employment in the CCN member areas has remained relatively steady between 2009 and 2013. Counties still provide the largest amount of jobs in England; with overall employment growing by 3,300.

However, there are significant differences between individual CCN areas, with some experiencing above average growth in employment and others significant declines in employment during this period.⁶

% Employment Change - Bottom Five



% Employment Change - Top Five



Counties Contribution

-  **43% of Total Jobs**
-  **10.5 million Jobs**
-  **Manufacturing 53%**
-  **Construction 52%**
-  **Motor Trades 52%**

Employment in CCN member areas and England, by broad sector, 2013

Sector	CCN areas	England	% CCN
Manufacturing	1,061,600	2,020,200	52.5%
Motor trades	229,600	438,900	52.3%
Construction	569,400	1,098,700	51.8%
Mining, quarrying & utilities	127,000	265,600	47.8%
Wholesale	483,600	1,019,400	47.4%
Accommodation & food	787,400	1,694,400	46.5%
Retail	1,132,600	2,462,700	46.0%
Education	1,025,200	2,269,200	45.2%
Arts, entertainment & other	486,900	1,121,700	43.4%
Health	1,355,400	3,150,100	43.0%
Transport & storage (inc postal)	455,800	1,100,100	41.4%
Property	183,000	474,100	38.6%
Public admin & defence	415,800	1,080,600	38.5%
Business admin & support	787,700	2,060,500	38.2%
Professional, scientific & technical	761,600	2,044,400	37.3%
Information & communication	341,900	1,024,200	33.4%
Financial & insurance	254,400	905,700	28.1%
Agriculture, forestry & fishing	21,400*	322,100	---
Total employment	10,480,300*	24,552,400	42.7%

Source: ONS Business Register and Employment Survey, 2014.
Total employment is rounded to the nearest hundred.

*Figures exclude farm agriculture (SIC subclass 01000).

Call for Evidence: Surrey

With a population of 1.1 million, Surrey is larger than many city regions and Surrey residents contribute over £6bn in income taxation alone to the Exchequer every year, second only to the City of London. Partners in Surrey have a history of working together to strengthen the Surrey economy. Surrey GVA has increased to over £35bn, larger than most conurbations, with the Surrey economy having grown by over 17% since 2009. Surrey is home to a large number of successful multinational companies and has a strong small and medium enterprise sector at the forefront of the knowledge economy.

Call for Evidence: Devon & Somerset

Devon and Somerset believe that devolution to their county areas is vital if they are to accelerate growth and prosperity. Both Somerset and Devon have shown strong signs of recovery since the economic downturn, with headline GVA growth rates of 11.7% and 7% respectively between 2008 and 2013. They believe that placing more fiscal powers in the hands of rural county areas would allow them to capitalise on the real opportunities for Devon and Somerset and allow them to bring their level of productivity closer to the UK average.

Presumptions that urban areas drive the UK economy is challenged by a key factor behind the success story of county economies; our rurality and mixed geographies.

Recent research by the Department for Environment, Food, and Rural Affairs (Defra) showed the importance of rural economies was set to grow due to increased connectivity, growth in knowledge-based industries, transfers of knowledge and increased migration from urban to rural areas.⁷

Reflecting the vibrancy of county economies, whilst many countries which belong to the Organisation for Economic Co-Operation and Development (OECD) have witnessed a trend towards greater urbanisation, the UK has been experiencing net movement from urban to rural areas.

Continuation of such trends could be expected to lead to stronger productivity growth, job creation and higher output in rural areas compared to than urban areas. As long as the right policies are put in place to enable this growth.

The space provided by the urban and rural mix of county areas also holds the key to larger scale industrial and economic activity, promoting diverse economies.

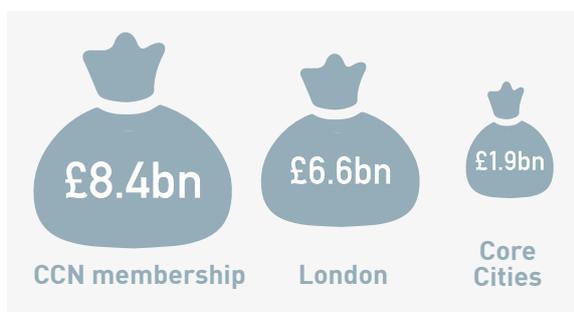
Taxation

The economic output created by county economies in GVA and employment is mirrored in the revenues it generates for the Treasury.

Our latest statistical analysis demonstrates that counties are the nation's most significant contributors to the Treasury.

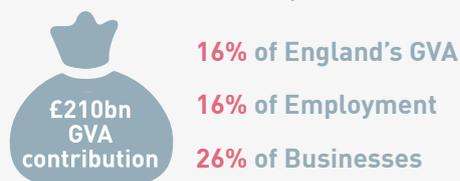
Business Rates

In 2013/14 the Government collected £21.8bn in business rates across the UK,⁸ 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.⁹



Rural Growth

Rural economies already account for:



Set to grow faster than urban economies due to

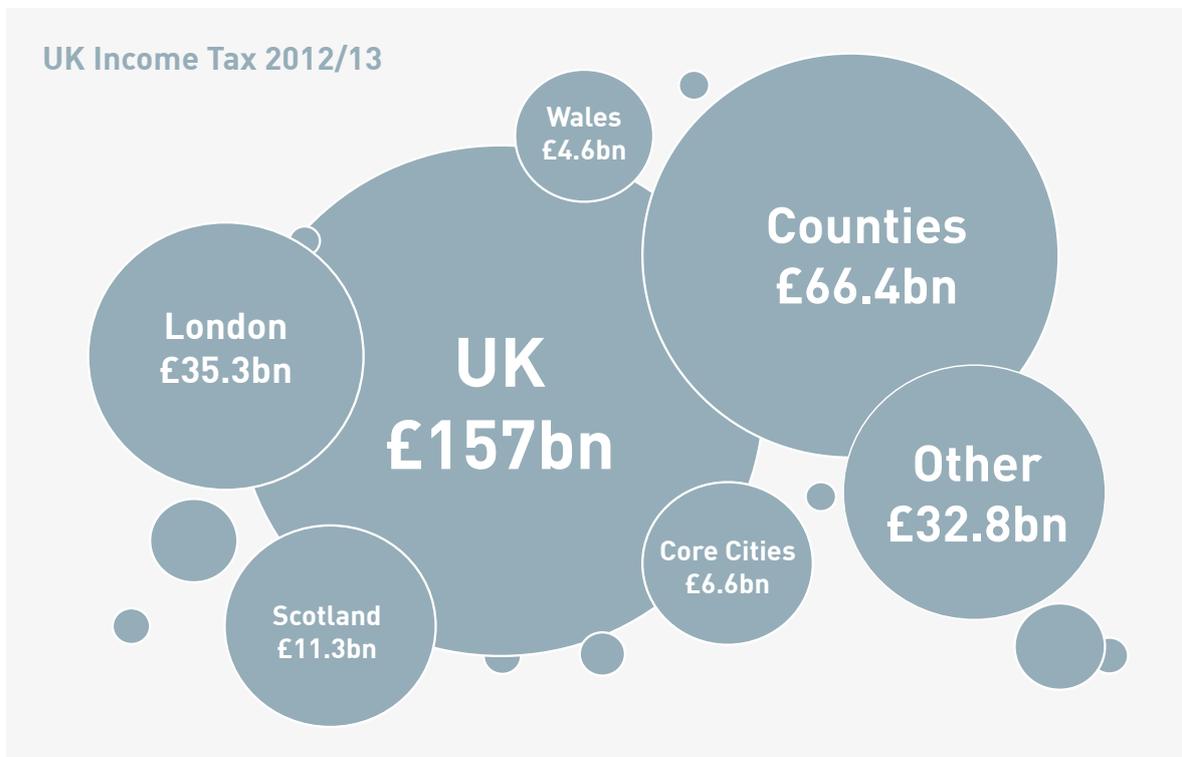
- ➔ Growth in flexible and home working
- ➔ Growth in knowledge-intensive businesses
- ➔ Increase in innovation transfer
- ➔ Migration



Income Tax

The single biggest tax revenue collected by the UK Government is income tax, constituting over a quarter of all current public sector receipts.

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 £2,648.¹⁰



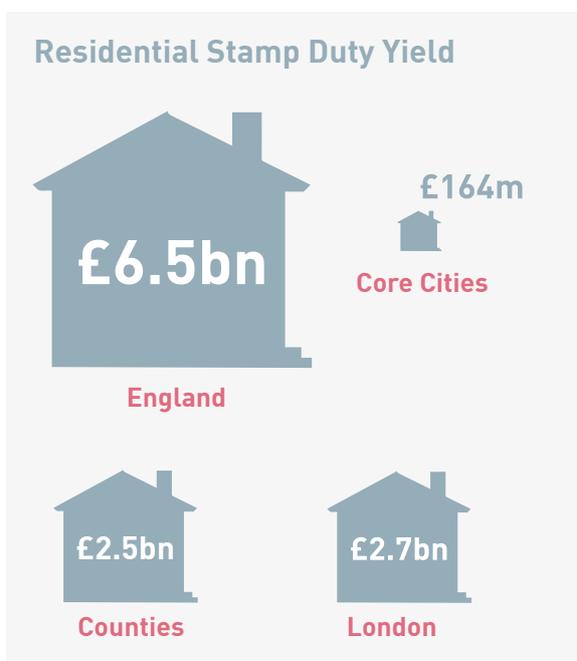
Economic Growth

Stamp Duty

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.

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.¹¹

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.



Productivity

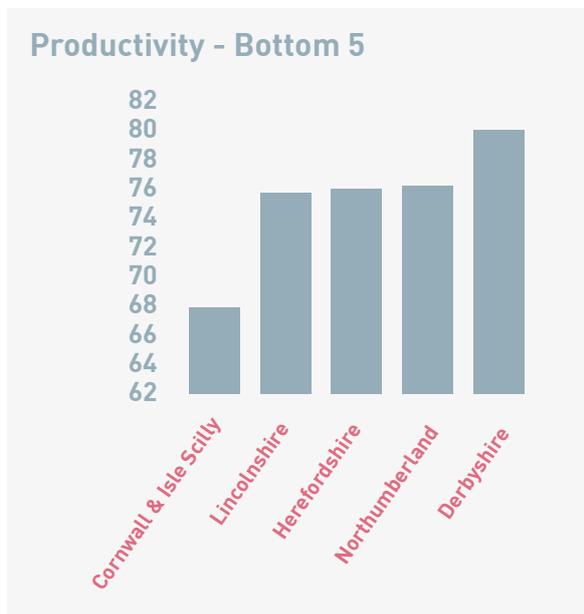
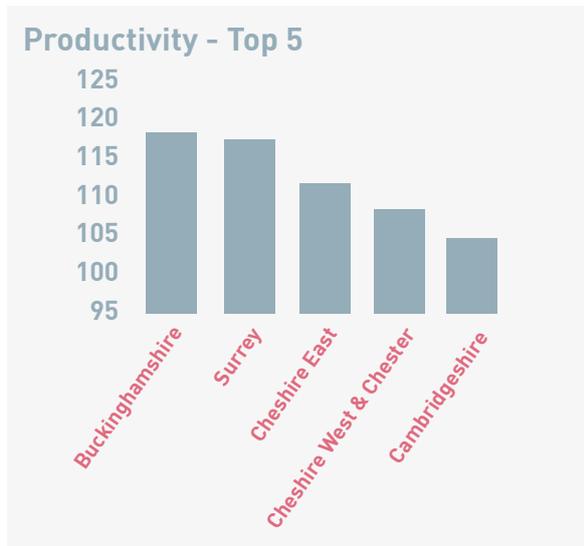
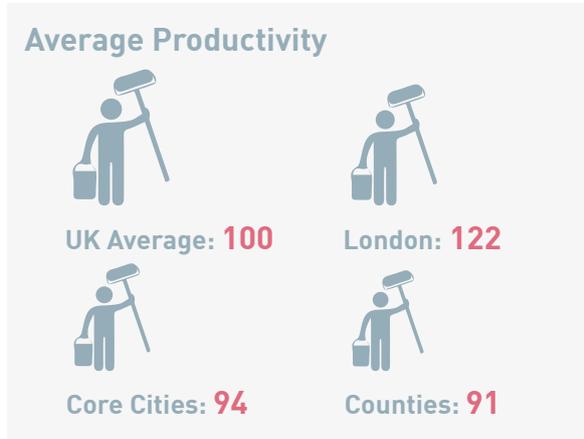
Despite our strong and vibrant economies delivering GVA, business growth, employment and taxes for UK Plc, productivity remains a long-term weakness.

The productivity gap in counties is part of a wider national productivity problem. The Institute for Fiscal Studies (IFS) recently concluded that the UK performance on productivity was ‘very disappointing’ with no growth at all since 2011.¹²

In 2013 output per hour in the UK was 17% below the average for the rest of the major G7 industrialised economies, the widest productivity gap since 1992. Our poor performance as a nation is shown by our ranking amongst the G7 nations: only Japan is ranked lower.¹³

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.

There is a huge variance in performance between counties, some with internationally competitive productivity rates and some with the lowest rates in the UK. The five top performing counties average 113 compared to just 76 for bottom five performing.





The Case for County Devolution

The UK faces a continuing need to make significant public sector savings at a time when demand and expectation for public services is rising.

Our analysis shows 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. Crucially, with county residents contributing more in taxes locally and nationally, they deserve a greater say over how *all* public resources are spent in their areas.

Our finance and public sector reform case for County Devolution demonstrates three key facts for the incoming Government on why it must implement a radical Devolution Settlement for Counties.

Firstly, the local government finance system is financially unsustainable following funding reductions and demand-led pressures. Grants per head are already lower in counties and have fallen a further 13.9% in 2015/16. Demand for services is also rising, with higher numbers of older people and demand on children services up 14.5%.

The current funding arrangements fail to reflect local needs and restrict councils from innovating, integrating and driving growth. Current funding streams such as the New Homes Bonus and Business Rates Retention 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.

Secondly, in common with the rest of local government, we want to rebalance the fiscal relationship between Whitehall and local

areas, with local government raising, retaining and spending more of its income locally. Our members want to bring decision making on public expenditure and the provision of services closer to local people.

There remains a strong redistributive and equalising role for central government in the allocation of national resources. However, our communities currently contribute the most both locally and nationally. Despite this, they have the least say over how resources are spent in their area. County residents deserve the opportunity to benefit from the proceeds of growth locally and have a much greater say over how *all* public resources are spent in their local area.

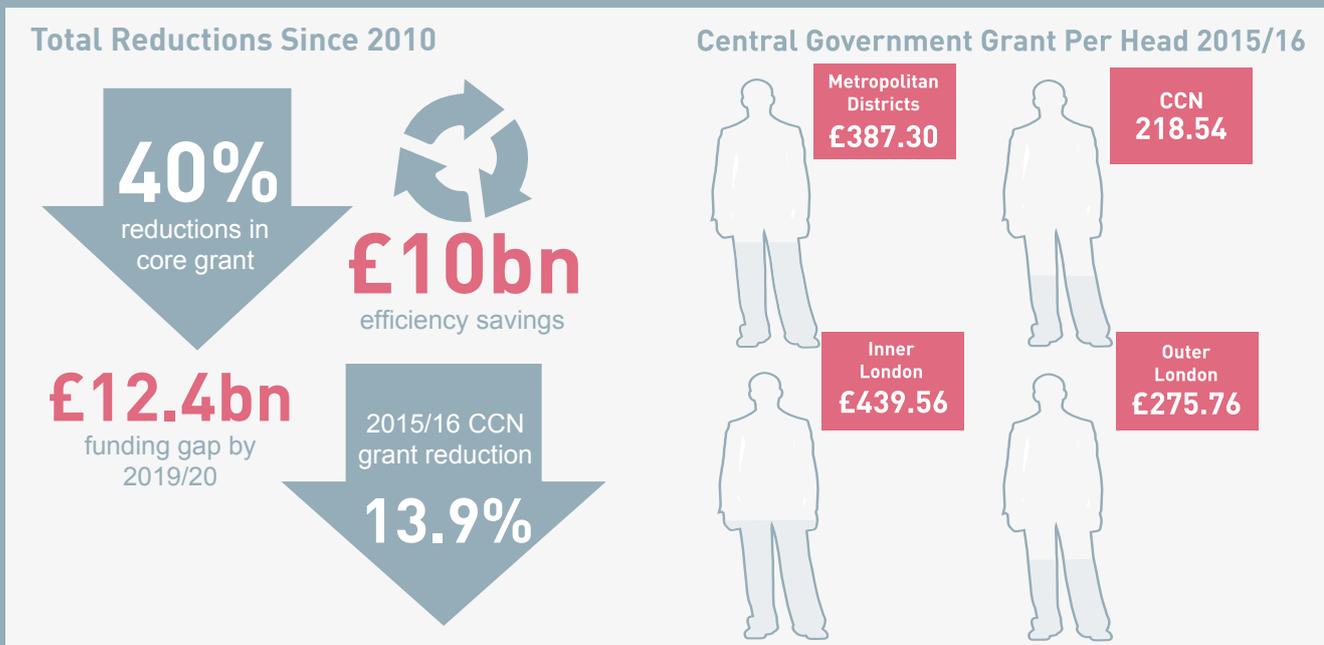
Through devolution and financial freedom, we need to provide CCN member councils with appropriate incentives, freedoms and specific fiscal measures to become more financially independent in the interests of their local residents.

Thirdly, local authorities need the scope to be able to take a holistic view of their services, tailoring economic and fiscal policies, and integrating and rationalising local services.

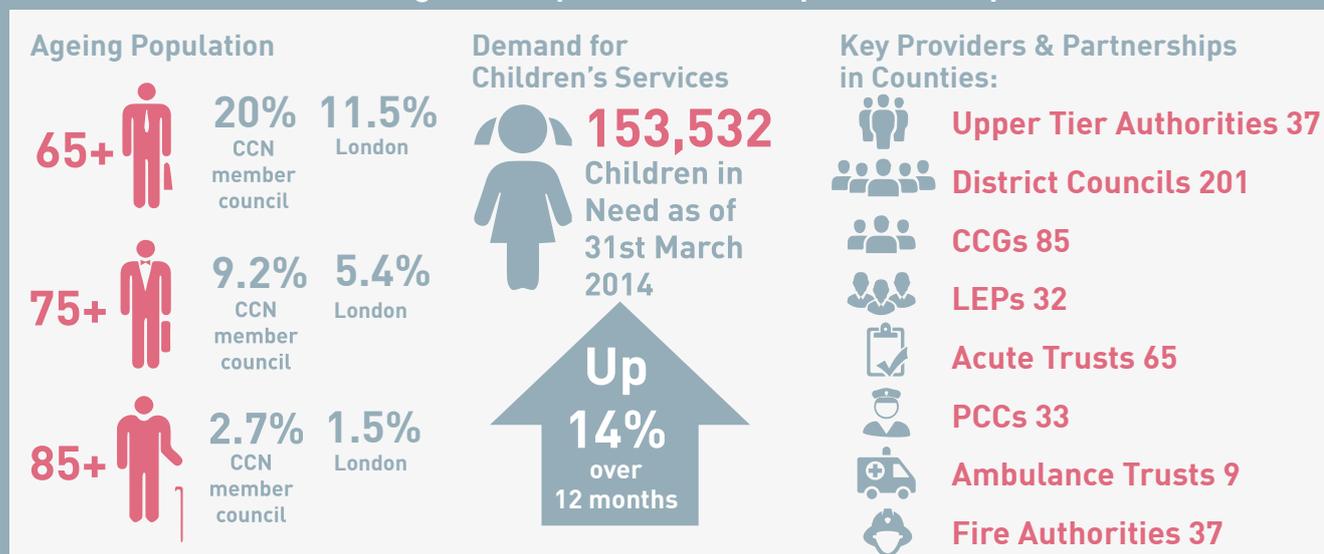
CCN believe that meeting the fiscal challenge requires a **One Place, One Budget** approach, with CCN member councils using their track record on public sector efficiency to drive cost savings in Whitehall budgets devolved to a local level. They must be empowered to reduce the complexity and cost of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

The status quo on public services and local government finance is no longer sustainable if the UK is to meet its future challenges. Devolved powers and budgets, coupled with financial reform, would be a powerful tool for public sector reform.

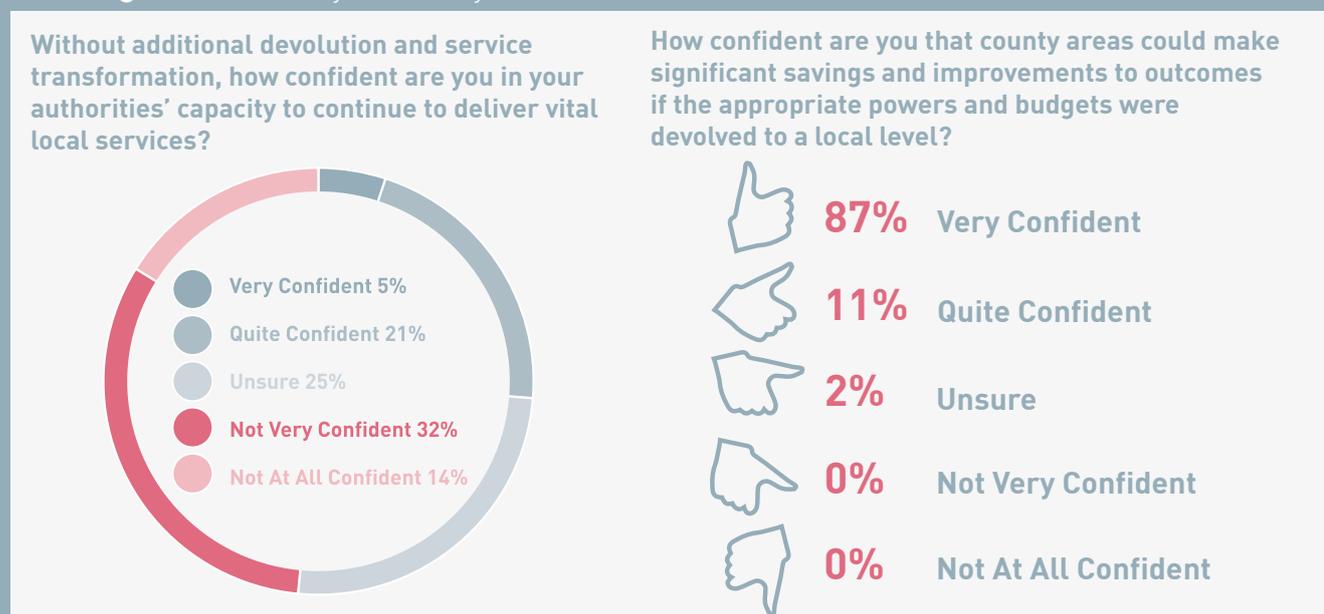
County areas facing financial pressures:



Demand for services is rising and the provider landscape is too complex:



Only devolution and public sector reform will enable counties to meet these challenges: Our survey of County Leaders and Chief Executives showed...



Finance

Whoever enters Government in May 2015 they face a bleak outlook for the public finances. The 2014 Autumn Statement plans imply real cuts to departmental spending between 2015/16 and 2019/20 of 14.1%. This would take the total cut since 2010/11 to 22.2% and return real departmental spending to around its 2002/03 level.

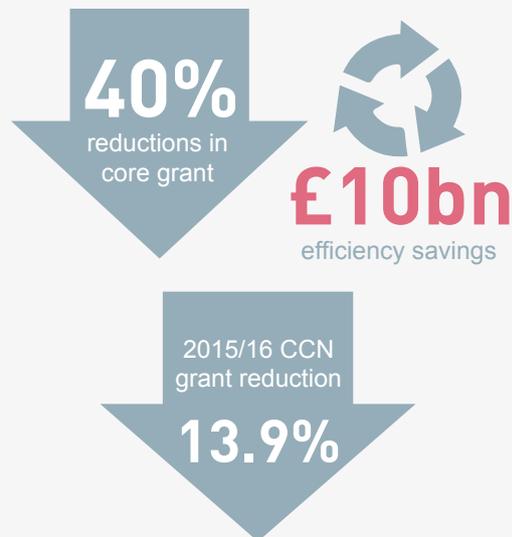
Funding Reductions

By 2015/16, core funding for local government will have already been reduced by 40% in real terms. A new 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 2015/16.¹⁴

The crunch point for the next Parliament will be the 2015 Spending Review (SR). The IFS recently suggested that consensus between the three main UK parties that spending on health and overseas aid will remain protected in the SR will result in departments, including local government, facing considerable uncertainty and further large cuts whoever is in power from May 2015.

The IFS analysis concluded the latest plans published in the 2014 Autumn Statement suggest that there are still large cuts to come and that there may even be an acceleration of the cuts seen over this Parliament. Under coalition plans for total spending, continuing protections for health, schools and international aid would mean unprotected areas would face a further cut of 27% by 2019/20, taking the cumulative total between 2010/11 and 2019/20 to 42%.¹⁵

Total reductions since 2010...



Predicted reductions 2015-2020...



LGA predicts local authorities face...



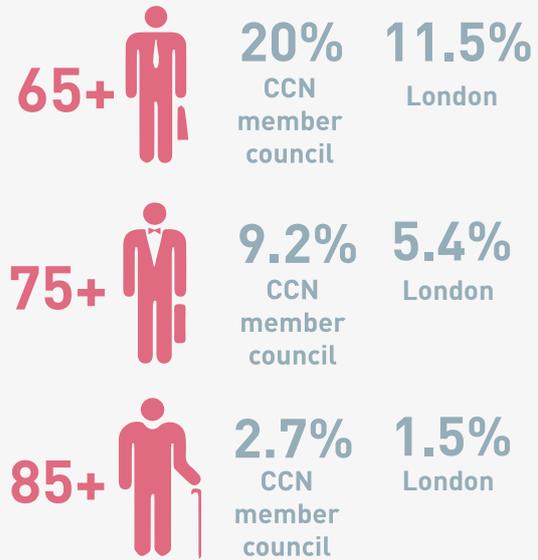
Demand-Led Pressures

The LGA has estimated that the funding gap for local government resulting from spending cuts and growing demand to be at an average of £2.1bn a year, totalling £12.4bn by the end of the decade.¹⁶

Funding reductions for CCN member councils during the next Parliament combined with demand-led pressures across adult social care, children’s services and school places, are contributing significantly to this growing funding gap.

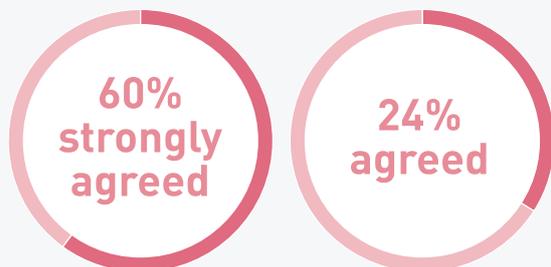
The County APPG report The State of Care in Counties outlined in detail the intense demand-led pressures facing county areas across adult social care. For instance, counties have significantly higher proportions of over 65s compared to the national average and face new pressures resulting from the Care Act. These pressures are already taking their toll on local services, with 60% of county adult social care budgets described as ‘severe’ and delayed discharges in county areas up 29%.

Ageing Population



Counties have seen a dramatic rise in demand for children’s services. The latest figures show for 2013/14 the number of Children in Need in CCN member councils has risen 14.5% compared to 4.8% across all local authorities.¹⁷ Some 43% of Cabinet Members for children’s services described their budgetary pressures in a recent CCN survey on children’s services as ‘severe’, with a further 19% ‘critical’.¹⁸

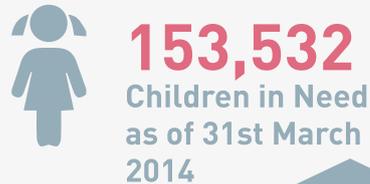
County Adult Social Care Pressures



that adult social care was the **biggest financial pressure** facing their council.



County Children’s Services Pressures



Demand is also rising for school places. The number of primary pupils in local authority maintained places is set rise by 84,261 by 2018/19, with a further 89,868 secondary places needed in counties by 2019/20. The latest figures already show that 20% of primary schools in counties are over capacity, whilst 15% of secondary schools are over capacity.

Counties existing school pressures...



1,832 schools
20%
over capacity



282 schools
15%
over capacity

And demand is rising...



Primary school places
+84,261
by 2018/19

Secondary school places
+89,868
by 2018/19

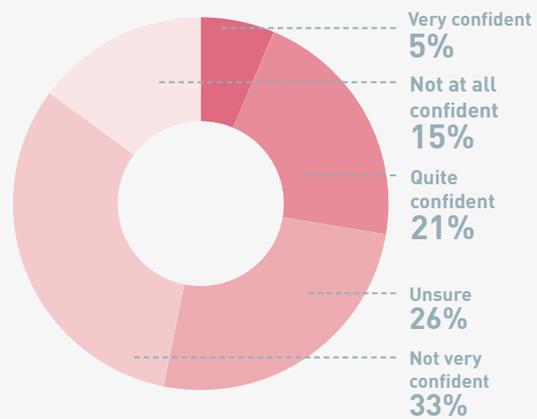


Faced with a combination of funding reductions and demand-led pressures, it is just not sustainable for local authorities to continue delivering services in the same way without devolved budgets and freedoms.

Some **48%** of respondents to CCN's Devolution Survey were **not confident** that they have the capacity to continue to deliver vital local services **without additional devolution**, and **26%** are **unsure**.

County Devolution Survey

Without additional devolution and service transformation, how confident are you in your authority's capacity to continue to deliver vital local services?



Local Government Finance

A central source of this growing pessimism amongst county leaders stems from the current structure of local government finance.

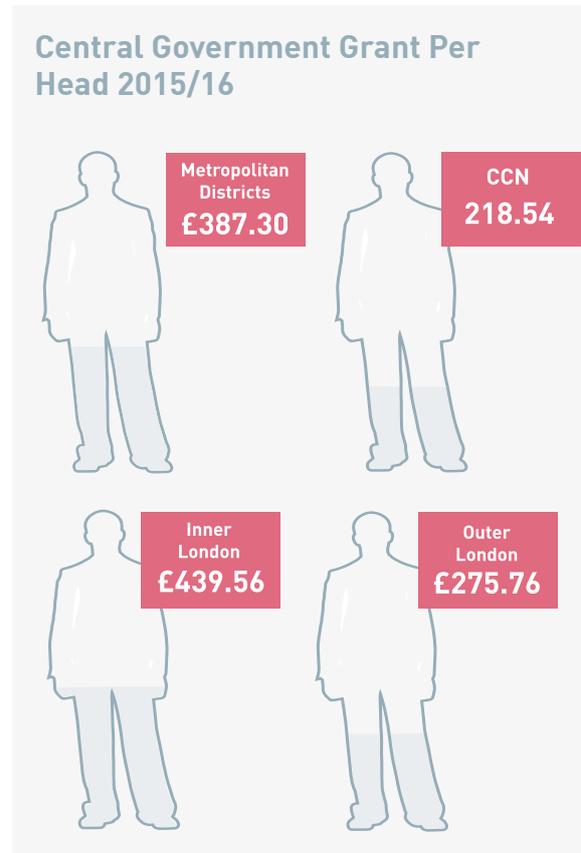
The UK remains one of the most highly centralised systems of government in the developed world. Central government’s share of public spending is 19% in Germany; 35% in France and **72%** in the UK.²⁰ In addition, the share of tax attributable to central government grew between 1975 and 2012 to 75.5%, whilst the share for local government has declined to just 4.9%. This is in contrast to all other G7 nations, where not only is the central government share already lower, it has reduced over the same period.²¹

Analysis of the key components of funding arrangements for CCN member councils demonstrates that the current system is unfair, promotes dependency, disincentivises growth and places a disproportionate burden on county residents.

Government Grants

A new analysis by the Society of County Treasurers (SCT) for CCN on Central Government Grants per head of population

shows that counties continue to receive considerably less funding from central government. Per head of population adjusted funding for 2015/16 is £218.54 in CCN member councils, compared to £439.56 in Inner London and £387.54 in Metropolitan Districts.



Attribution of tax revenues to sub-sectors of general government as % of total tax revenue

	Central Government			Local Government		
	1975	1995	2012	1975	1995	2012
Canada	47.6	39.1	41.2	9.9	9.8	9.5
Germany	33.5	31.4	31.5	9.0	7.4	8.2
United States	45.4	42.0	41.9	14.7	13.2	15.2
Italy	53.2	62.7	53.0	0.9	5.4	16.4
France	51.2	42.3	33.0	7.6	11.0	13.2
Japan	45.4	41.2	33.7	25.6	25.3	24.7
United Kingdom	70.5	77.5	75.5	11.1	3.7	4.9

Council Tax

With Counties receiving considerably less grant per head of population, our member councils are disproportionately reliant on their council tax base as a source of income to meet the escalating costs of providing services. This is despite our member councils making huge efficiencies, sharing services and increasing commercialism.

The Audit Commission calculate the 'council tax requirement' of local authorities by looking at their income and expenditure. For the average CCN member the council tax requirement as a percentage of total expenditure is 27.6%. This compares to the national average of 22.1%, 16.1% in London and 15.9% in the Core Cities.²²

Our members must be given fiscal freedoms and retain a greater proportion of growth, to place them on a financially sustainable footing and to enable them to be responsive to local priorities.

Funding Incentives

Government reforms to the local government finance system, including business rates, New Homes Bonus (NHB) and EU Structural Funds, have done little to ease the burden on local authorities.

Business Rates

Since 2013 local authorities now receive part of their income directly from their local business rate payers. The Government's business rate retention system was introduced to allow councils to keep 50% of all business rates growth.

Business rate retention is intended to create an enabling and incentivising effect where councils take steps to improve business growth in their

area. The incentive on offer varies across the country, with current allocations not incentivising the majority of CCN member councils and not enabling them to reinvest in growth.

Despite key county services supporting local businesses to generate £8.5bn in business rates during 2013/14, CCN's 27 county councils only receive 9-10% of locally retained allocations, with districts retaining 40% and unitary councils retaining the entire 50%.

Given this we welcome the recent announcement by the Coalition Government to undertake a wide-ranging review of business rates. Of particular importance are the questions posed regarding better incentivising and enabling local authorities to drive growth, greater local retention of business rates and supporting small to medium sized enterprises. CCN will be engaging with this review in detail.

New Homes Bonus

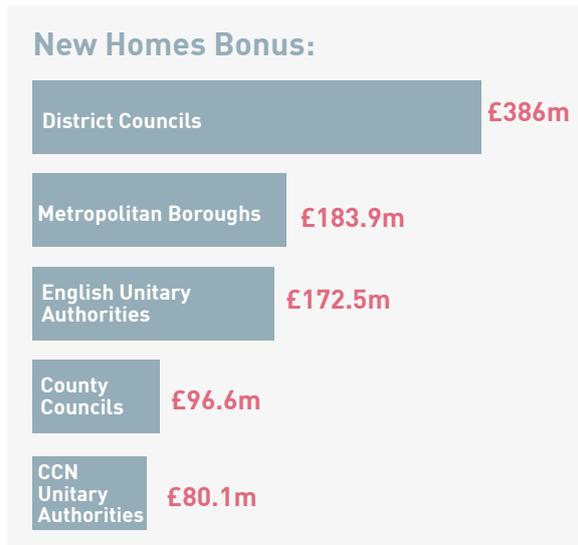
Like business rates retention, the New Homes Bonus (NHB) was introduced as a new funding mechanism to incentivise councils to go for growth and build more homes.

However, as with business rates retention, the system is again weighted in favour of other parts of the local government sector and provides little incentive for CCN member councils, with two-tier counties receiving only 20% of payments.

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.²³

The top-slicing of NHB from Revenue Support Grant (RSG) compounds the impact on two-

tier counties, further reducing its incentivising potential. The perverse impact of NHB is explored in further detail in the Strategic Planning section of this report.



EU Funding

Following the establishment of the Local Growth Fund, Ministers committed to devolve spending decisions for England’s £5.3 billion EU Structural and Investment Funds (ESIF) from Whitehall to local areas. Local Enterprise Partnerships (LEPs) were designated as responsible for designing the EU investment strategies for the delivery of EU funding in England for 2014-2020.

Allocations to LEPs containing counties vary widely, with Cornwall and the Isle of Scilly receiving an exceptionally high allocation of £590.4m, with Buckinghamshire Thames Valley receiving the smallest allocation amongst all LEPs of £13.8m.

In total, LEPs containing counties receive £4.1bn, with LEPs containing Core Cities receiving £2.3bn.²⁴ On a per head basis, county LEPs receive £75 per head, compared to £132 in the Core Cities and £91 in London.

Regrettably Ministers have recently backtracked on the decentralisation of ESIF, with local partners written out of any decision making process. The ‘strategic’ role for LEPs in determining how, when, and on what projects EU funding was deployed has been scrapped, with local partners role now ‘advisory’. The LGA, who are part of the negotiations, called the latest developments ‘unnecessarily bureaucratic and centralised’ that demonstrate the limited role of local areas to influence EU funding.²⁵



Call for Evidence: Cornwall

Cornwall Council is one of the largest unitary councils in the country they want to secure additional powers and freedoms for Cornwall to enable them to take more control over their own affairs and create a sustainable Cornwall, which is prosperous, resilient and resourceful with strong communities where the most vulnerable are protected.

Cornwall is facing unprecedented financial challenges with the need to save £196m over the next four years and receive £49.5m less a year than the average urban council. The Council know they are unlikely to receive more money from the Government and need to find new ways of closing the gap. Their economic peripherality and distance from London also means they need to be more self-sufficient with new modes of delivery, funding and administration. This means they need to do things in a different way if the Council wants to provide high quality services to the people of Cornwall. Currently many key decisions which affect Cornwall are made in London by people who have little knowledge and understanding of the area.

Call for Evidence: Devon & Somerset

Devon & Somerset believe that the current system of local government finance is too centralised, complicated and does a very poor job of matching funding with need and opportunity. It also does not recognise the additional funding pressures on rural areas. County areas have seen a 40% reduction in grant in the lifetime of this parliament and, as recently stated by the Society of County Treasurers, we are rapidly reaching a point of unsustainability.

For county areas there are many inequities in the control of some income streams for example we have no say over the development of Council Tax Support Schemes and yet we bare the financial risk for decisions made by billing authorities. The policy approach of successive Governments has favoured single large investments in “flagship” projects eg: through the Regional Growth Fund. Such solutions are biased against rural areas, where the opportunities for single large impact investments are fewer and interventions instead need to more widely distributed local economies.

The Councils are calling for a new funding regime that increases their independence from central government by giving them direct control over the total funding pot and allowing them to retain a greater proportion of income raised locally. In this new model, however, they do see the role of Government as providing stabilisation and equalisation but in a fairer, more transparent way and with the opportunity for local authorities to co-design this new model.

Public Sector Reform

The current public sector landscape, particularly in county areas, is overly complex and fragmented, leading to inefficiency and a lack of joined-up services. At the same time Whitehall remains siloed and distant from local areas.

Public Sector Landscape

Covering 86% of England's landmass, counties cover a vast array of complex provider landscapes that span the public sector. CCN estimates that, discounting central government bodies, there are approximately over 500 core public sector organisations and partnerships operating in county areas. This contrasts with London, with an estimated 87.

Our Plan for Government outlined our view that the only sustainable way forward for public services in the UK was for counties to be empowered to drive efficiencies and rationalise other parts of the public sector, lead integration across all local services and remove barriers and blockers within Whitehall and Parliament. Radical transformation within, and crucially beyond, local government is the only way forward.

Whitehall

Research carried out for this project shows the extent to which CCN member councils feel Whitehall is unresponsive to local needs, remote and inaccessible. Only 4% of respondents to the CCN Devolution Survey felt central government was 'quite assessable' to them and their local residents, with 58% stating it was either not 'very accessible' or 'not accessible at all'.

These conclusions are supported by recent polling on attitudes towards central and local government. Some 82% of people in England support giving more powers on issues such as

tax, education, and policing to local areas.²⁶

The independent Service Transformation Challenge Panel commissioned by the Coalition found that fundamental change, both local and nationally, is needed to deal with demographic changes, increasing expectations and the need to reduce the cost of public services.²⁷

They have called for a holistic roll out of the Whole Place Community Budgets approach, allowing 'places with strong governance and partnership working to agree public service 'deals' with government allowing them greater local flexibility over how services are delivered and funded'.

The Coalition Government have responded to this and said that 'the government agrees with the Panel that different places should receive different levels of responsibility for developed public services based on local leadership, accountability and capability to deliver better public service outcomes.'²⁸

Key Providers & Partnerships in Counties:

-  **Upper Tier Authorities 37**
-  **District Councils 201**
-  **CCGs 85**
-  **LEPs 32**
-  **Acute Trusts 65**
-  **PCCs 33**
-  **Ambulance Trusts 9**
-  **Fire Authorities 37**

500+ in County Areas

Compared to **87** in London

County Devolution Survey

How remote or accessible do you feel central government is to you and your residents?



Call for Evidence: Suffolk

Suffolk has highlighted a number of barriers and efficiencies they believe a devolution deal could overcome.

1. Fragmented delivery within places and for local people
2. Lack of coherent approaches across organisations when dealing with developers which risks reducing opportunities for housing and growth
3. There is not a system-wide understanding of what drives demand and therefore, approaches to demand management can be fragmented
4. The acknowledgement that hand offs between organisations provide a poorer service and are more costly to Suffolk's public sector

Consequently, they believe that greater control over local resources and decision making will mean that local providers can achieve this transformation more quickly and effectively. The content and structure of what could be devolved to Suffolk needs to be sufficiently flexible to reflect whole public sector nature of their approach. How they achieve this long term and radical change is reliant on a number of enablers to integrate public sector leadership, service local delivery and approaches to economic growth. Shared principles driving Suffolk's '21st Century Public Services' approach are:

- Their residents are at the heart of everything they do;
- Focus on how it will be better not structures;
- Approaches must be locally appropriate – not a single imposed solution;
- Reduce organisational boundaries but respect their individual sovereignty.

Efficiency Opportunity

The fiscal environment of the next Parliament in the absence of greater devolution presents real threats to the continuing provision of core statutory services. Devolution could present an opportunity to enhance wider efficiency across the public sector and Whitehall.

Our research carried out for this project shows confidence in the ability of member councils to drive efficiency in devolved Whitehall budgets, 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.

There is an ever growing body of evidence that locally delivered schemes provide better value

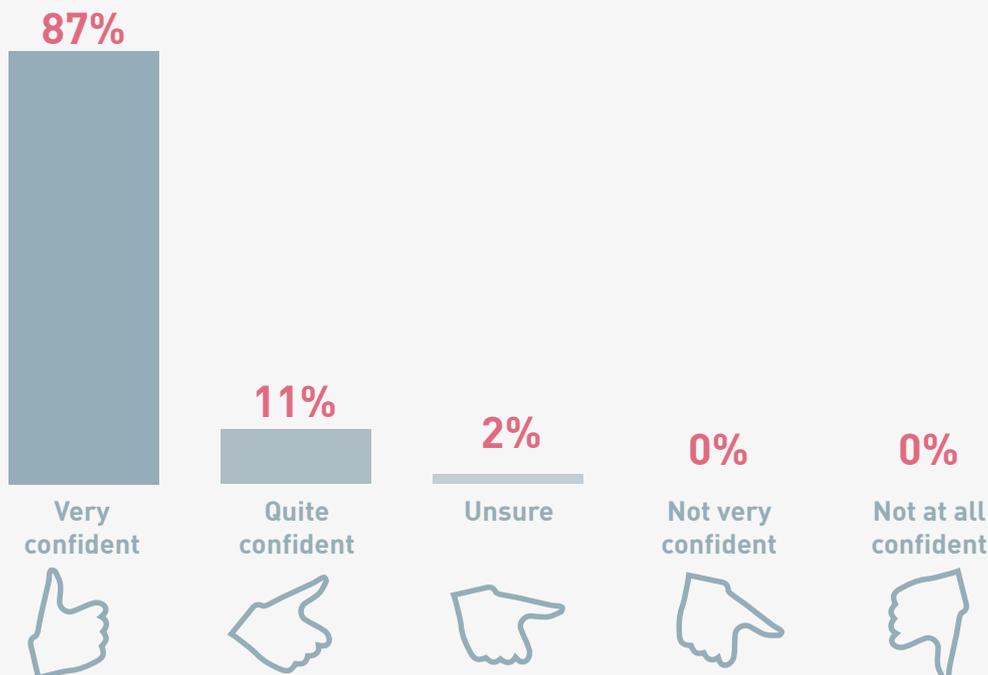
for money than central government equivalents.

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.²⁹ Central Government has accepted these findings.

Given the potential efficiency savings, as well as improved outcomes, there are incentives to devolve for both local partners and the Treasury. Currently local councils do not realise enough of the savings they make to national expenditure. 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.³⁰ This imbalance should be addressed alongside devolved powers and budgets, but benefits for central government would and should still remain.

County Devolution Survey

How confident are you that county areas could make significant savings and improvements to outcomes if the appropriate powers and budgets were devolved to a local level?



Governance

Summary

The evidence presented in our County Devolution project demonstrates that the level of centralisation in England is increasingly unsustainable. We need a fundamental review of the relationship between central and local government, underpinned by strong local leadership, governance and accountability.

Many areas are already demonstrating this, putting in place or discussing enhanced arrangements. Given the variety of economic areas, geographies and administrative conditions across the country, it is understandable that varying governance models will need to develop. Combined Authorities (CAs) may be an effective solution in many areas, but alternatives are needed elsewhere. The incoming Government will need to amend existing legislation and work with counties to develop alternative governance arrangements that enable a wide-ranging devolution settlement in county areas. We do not believe in a single governance solution; however there are a number of principles which we do believe should underpin decisions about governance and devolution.

Governance Principles

1. Legislation and central government policy should be **permissive and flexible** to allow local governance solutions to achieve the best results.
2. **Enfranchisement, improving outcomes** and **sustainable growth** should be built in to all governance legislation and policy.
3. Legislation and policy should be based on the principle of **subsidiarity** and bringing decision making closer to those it affects.
4. Legislation and policy should build in **strong political accountability** to all decision making affecting the public and use of public money.
5. Policy and arrangements should be built around locally valid and recognised **functional social and economic areas**.

Enshrining Localism

Alongside an English Devolution Settlement there needs to be a fundamental re-balancing of the relationship between central and local government. An enhanced role for local government should be enshrined in legislation, promoting independence and sustainability.

We agree with the Political and Constitutional Reform Committee (PCRC) that a formalised role for local government should 'supersede the 1,293 [statutory] duties currently imposed on local government' and that it should 'build on, and go further than, the general power of competence'.³¹ The development of such legislation should not distract from the implementation of devolution, but must include the rights of local government to take on comprehensive devolved powers, budgets and fiscal freedoms.

- **The next Government to begin a process of codification of the roles and responsibilities of local government, enshrining devolved powers and budgets and fiscal and administrative independence.**

Partnership Working

Research undertaken by CCN to support this report shows that our members are taking a flexible and practical approach to governance arrangements, to achieve the best results. Many county areas are putting enhanced governance in place to take on devolved powers and others are discussing and developing options locally with partners.

Many of our members have already devolved powers below the county level and would wish to devolve more under a County Devolution Settlement. Relationships between two-tier local government are building and are very strong in

some areas, however we recognise that there is more work to do in some areas.

Any uncertainty from the new Government regarding local government reorganisation may hinder local progression on strengthening two-tier working. Partners need clarity from the incoming Government around this issue, as early as possible.

- **In the early stages of their administration, the next Government should make clear their policy regarding local government reorganisation for their entire Parliament.**

Combined Authorities

CAs, partnered with LEPs, appear to be the preferred governance route for economic devolution for the major parties. Many CCN members now believe CAs are a viable option, with some 76% of respondents to the CCN Devolution Survey believed they would be suitable to hold devolved powers in their area.

The formation of CAs has been relatively accessible in city areas, this may be due to the logistics of horizontal integration and incentives put in place by City, Growth and now Devolution Deals. Vertical integration between two-tier areas is relatively complex, and all partners need to be assured that their investment will be worthwhile.

County and district partners are currently working on this locally and making good progress. But to incentivise participation in county CAs Government must **offer real, comprehensive devolution packages for areas which have good governance in place**. In addition, an insistence that a Mayoral Model is the only option for enhanced accountability will further disenfranchise counties and their residents.

Developing Governance Proposals

Derbyshire

The current D2 Joint Committee is providing the strategic partnership arena for local government, working alongside the wider D2N2 LEP. The proposed D2 Combined Authority will facilitate the stronger governance environment needed to drive through Derbyshire's proposals. A local board is proposed to help drive delivery of the proposal, supported by a strong framework for securing employer, provider and labour market input/ challenge.

Dorset

As part of a Transformation Challenge Award Dorset is undertaking a Governance Review to explore the benefits of new 'governance for growth' arrangements, including a CA or EPB. The majority of this review has now been completed and local public consultation is under way. Their ambition is to go live in April 2016.

Alongside this Dorset intend to establish a Growth Unit, bringing together economic disciplines from across the nine councils and create a shared officer team. The role and scope of this officer team may differ slightly from any EPB or CA that is established, but the main aim of the Unit would be to support and implement the policies of the EPB or CA.

The expectation is that more robust governance will result in enhanced funding for Dorset, faster implementation of projects, improved transport infrastructure, improved skills, greater cooperation over planning, greater appeal to investors and large businesses, greater influence and recognition nationally and internationally and the chance to demonstrate to Whitehall that Dorset is capable of bold and effective cooperation. This could lead to great gains for Dorset in future devolution and give further benefits to both the economic prosperity of the county and to residents across the area.

Lancashire

Leaders are meeting regularly and have commissioned officer report on the functions of a potential Combined Authority, best practice in other areas, the architecture of a governance review and the likely benefits to Lancashire. Research has been commissioned to address this issue but as yet we are not prepared to identify specific barriers, if any.

Worcestershire

The collective local Authority's and LEP are currently considering the options for establishing an Economic Prosperity Board, Combined Authority or similar. Clear and deliverable governance and accountability will be central to the case, but the detail will reflect the choice of preferred option and demonstrate that public sector has delivered at a County scale. The combined authority proposals would need to be established and include LEP's representation. Consideration will also be given to adjacent authorities having participation role.

Devon and Somerset

The Heart of the South West Alliance is between the two County Councils within the Heart of the South West Local Enterprise Partnership. The alliance recognises the need for a flexible framework that will work at a geography that is appropriate for the outcome and within the County areas context with parish, town, district, unitary councils. It will require further work with their partner local authorities within the LEP – namely the two unitary authorities Plymouth and Torbay and our town and District Councils in both Devon and Somerset. Whilst focusing on the Heart of the South West geography this would allow them to connect with Cornwall on areas of mutual benefit across the wider peninsula.

Nottinghamshire

Proposals for a Nottingham and Nottinghamshire Combined Authority are being finalised and is due to be submitted shortly. The membership of the CA will bring together Nottinghamshire County Council, the City of Nottingham and seven District and Borough Councils. It has been agreed that a collective vision for the area will be developed, building on existing Growth Plans.

There is a long history of informal collaboration on matters which impact on the economic success of the area and this collaboration was formalised through the development of the City of Nottingham and Nottinghamshire Joint Economic Prosperity Board in January 2014.

There are various complexities and opportunities presented by the Nottinghamshire geography and administrative arrangements. These include Unitary and Core City Status of Nottingham, two-tier government, overlap in functioning economic area with Sheffield and two overlapping LEPs.

Dealing with this existing complex landscape as well as recognition that stronger governance will support the delivery of the Nottinghamshire area's medium and long term ambitions have been determining factors for the Leaders of the nine authorities in pursuing a CA. Critically, relationships and they building of trust and understanding between the Leaders and local authorities has played a key part in the development of the CA.

Wider Hampshire

At any one time, Hampshire County Council may be involved in several overlapping, complementary arrangements with different partners operating at different levels but all working to deliver shared ambitions.

At one level, coming together as one united Hampshire to form a Wider Hampshire Combined Authority would provide robust governance, reflect Wider Hampshire's economic coherence and build on existing, successful, informal partnership working across the Wider Hampshire area. Wider Hampshire also has strong links with neighbouring county areas and on another level, it makes good sense to form cross-county arrangements, such as joint committees, to deliver strategic infrastructure, economic growth and a step change in public services, particularly health and social care. Beyond this, there is need for cross-council, cross sector, multi-agency partnerships to drive nationally significant improvements that span beyond the South East

Tri-County – Oxfordshire, Buckinghamshire & Northamptonshire

If appropriate/necessary the Tri-County Partnership will establish a statutory Joint Committee as a stepping stone to establishing a new Combined Authority governance model. The new Combined Authority will be established following discussions with Government and in liaison with the LEPs and other key stakeholders. The County Councils will continue to be corporate entities in their own right in order to continue to delivery services that fall outside of the remit of the new 'Combined Authority'.



Local Enterprise Partnerships

It is vital that all decision making affecting the public and use of public money have strong political accountability. LEPs currently have minimalistic reporting and transparency arrangements.

Research CCN have carried out for this report has found that our members are broadly supportive of LEPs. However, the CCN LEP Survey carried out in April 2014, found that 76% of respondents believe that their LEP was democratically unaccountable.

LEPs are not required to attend local scrutiny committees to account for their strategic and spending decisions. Government guidance on Growth Deals stated that LEPs are *'required to spend their money on growth [to support their plans] and to comply with basic reporting and independent audit requirements to support transparency and effective accountability.'*³² This approach to transparency and accountability is inconsistent with other areas of the public sector in receipt of public funds.

Equally, LEP boundaries are complicated and confusing in some county areas, detracting from clear and strategic planning.

- **A review of LEPs to ensure rigorous political accountability and scrutiny mechanisms are built in and a review of boundaries where locally requested.**

Public Sector Reform

Effective public sector reform will be crucial to ensuring vital services can continue and that efficiency and effectiveness continue to increase under a County Devolution Settlement. Given this we must ensure that enabling public sector reform is a key consideration in all policy

and decisions about devolution governance. Partners must be supported to come together to find radical new ways of integrating and commissioning services.

We welcome the recent statement made by the Coalition that it 'intends to make primary legislation which will enable combined authorities to be delegated powers which go beyond their current remit of economic development, regeneration and transport.'³³ The Coalition has said that this will be needed to give effect to the Greater Manchester Deal. Such legislation must be permissive and enabling for all local authorities, to utilise. It should allow for the incorporation of a broad range of functions and partners as full members, as locally appropriate.

Some county areas may wish to pursue options other than CAs, for example some areas have ambitious plans bring all local public services together under Public Service Boards or others may wish to utilise Joint Committees. These areas must not be penalised due to this, but should be empowered to take on devolved powers where there is rigorous governance in place and achieve the best results for their communities and economies.

We welcome the recent health devolution deal in Greater Manchester. To allow health devolution to happen across county areas we would like to see the provision for Strategic Health and Social Care Partnerships and/or a revision of Health and Wellbeing Boards (HWBs) governance to allow the establishment of Boards as independent commissioning bodies, where both health and local government partners are full executive members.

- **The new administration to make clear plans for devolution of health and social care to local areas either through enhanced HWBs, Strategic Health and**

Social Care Partnerships, or similar - whilst retaining local political accountability.

- **Provision to allow the creation of Public Service Boards and extension of the remit of CAs to allow a broader range of members, services and fiscal powers.**

Multiple Functional Areas

Devolved powers and governance should be aligned to functional areas which the public identify with. Given the complexity of counties' geography and demography, there may be several overlapping functional areas within one place. For example health, economy and transport functions may naturally sit along different boundaries at different scales.

Government policy should support an approach to using Combined Authorities, Joint Authorities, or any other appropriate means, to develop such functional governance. Governance provision must be flexible enough to ensure that form follows function and that natural areas and economies are reflected.

Public Accounts Committees

The establishment of Local Public Accounts Committees (PACs), as proposed by the Centre for Public Scrutiny (CfPS), is one option to strengthen accountability around devolved budgets and powers, particularly in areas with place-based budgets. Under the CfPS proposals Local PACs would focus on *'value for money and impact of the new devolved arrangements'*.

The establishment of a local PACs would not replace local scrutiny committees. Local scrutiny committees would maintain their vital role in scrutinising services provided directly by their parent local authority. The establishment of local

PACs should help provide Government with the confidence that public money is being spent in a cost-effective, publicly accountable manner that is in line with local needs.

It is vital that the role of MPs is considered when power is devolved to local areas. As the CfPS have proposed, where Local PACs are established, each MP could have the right to present evidence on behalf of their constituents and link back to Parliament.

- **Adoption of rigorous public accounts functions for local areas who take on substantial devolved budgets, whole place budgets or fiscal freedoms.**

Case Study: Centre for Public Scrutiny

How to develop the right governance and accountability for a county-based Combined Authority.

When there are discussions about devolution the debate often moves very quickly into a focus on structures. Centre for Public Scrutiny (CfPS) believes that it is more important to begin with some clear design principles and then move into thinking about structures. The governance for any new Combined Authority (CA), whether at county-level or across several counties, needs to be capable of:

- Clear and effective decision-making to give citizens confidence in the Combined Authority's leaders' ability to deliver on their commitments;
- Clarity about lines of responsibility and accountability for different levels of decision-making i.e. what is determined at Combined Authority level, what remains with the constituent councils and what remains with other public services;
- A unified and streamlined system of governance to avoid duplication of resources and /or the potential for responsibility or accountability to be confused or denied;
- Robust internal challenge to give central government confidence in this new model of delivery and decision-making.

The government has made clear in devolution agreements such as the one with Greater Manchester that "strengthened governance is an essential pre-requisite to any further devolution of powers". However, the agreements do not spell out in detail what this should involve. CfPS believes that all authorities considering developing a CA would benefit from spending time reflecting on the aims for their governance system, as spelt out in the principles above.

To help deliver these principles, CfPS is promoting the concept of place-based local Public Accounts Committees to create a single, transparent and high-profile point of public accountability for the CA. It could focus on value for money and impact of the new devolved arrangements, and would need to be supported by robust financial analysis and research as provided to the national PAC by the National Audit Office. It could gather evidence from citizens and service users to supplement quantitative data and by being member-led could ensure such analysis was open and inclusive.

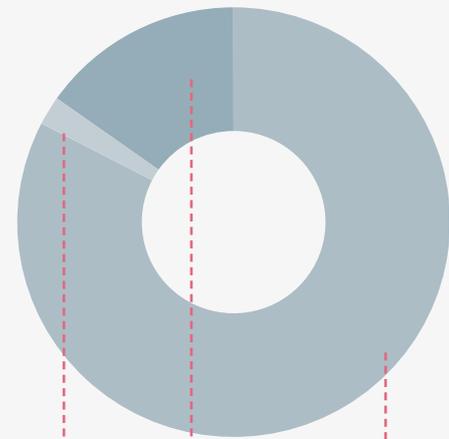
The Chair of the local PAC would need to be a respected individual and thought could be given to how that person was elected. There could also be benefits from considering how to involve the area's local MPs – we have suggested a right to present evidence for every MP, but perhaps there is also a role for MPs in linking back to Parliament to report on progress with outcomes for the area.

We think this model has benefits of simplicity and clarity but every county or locality will need to choose an approach that will work for them. The crucial thing is to base it on an open and honest debate about how the CA might relate to the area's citizens. For example:

- Transparency – will there be an open and evidence-based approach to decision making and arrangements to provide clarity about performance and outcomes;
- Involvement – how can a commitment to public participation across the county help the Combined Authority capture a range of data and information to build insight about local aspirations;
- Accountability – is there shared understanding amongst leaders that this helps demonstrate credibility, build support for tough decisions and manage risk through having effective scrutiny of the new arrangements.

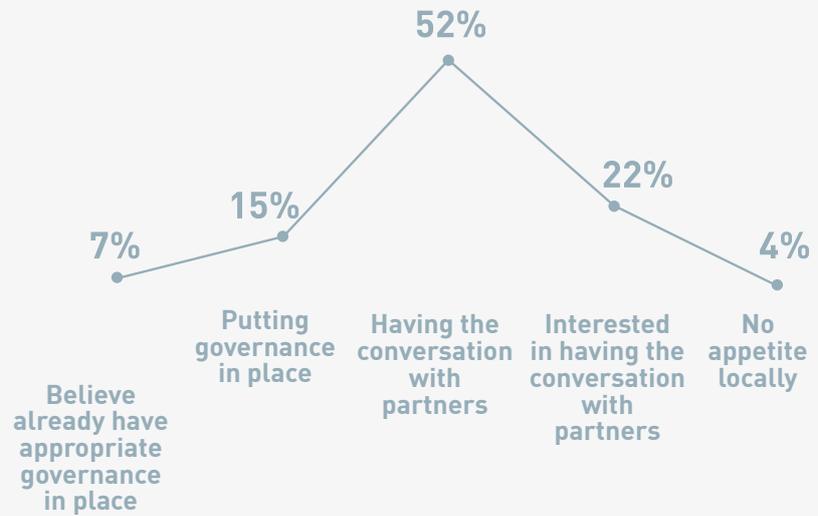
County Devolution Survey:

Would you be willing to change your governance arrangements to receive devolved budgets/powers?

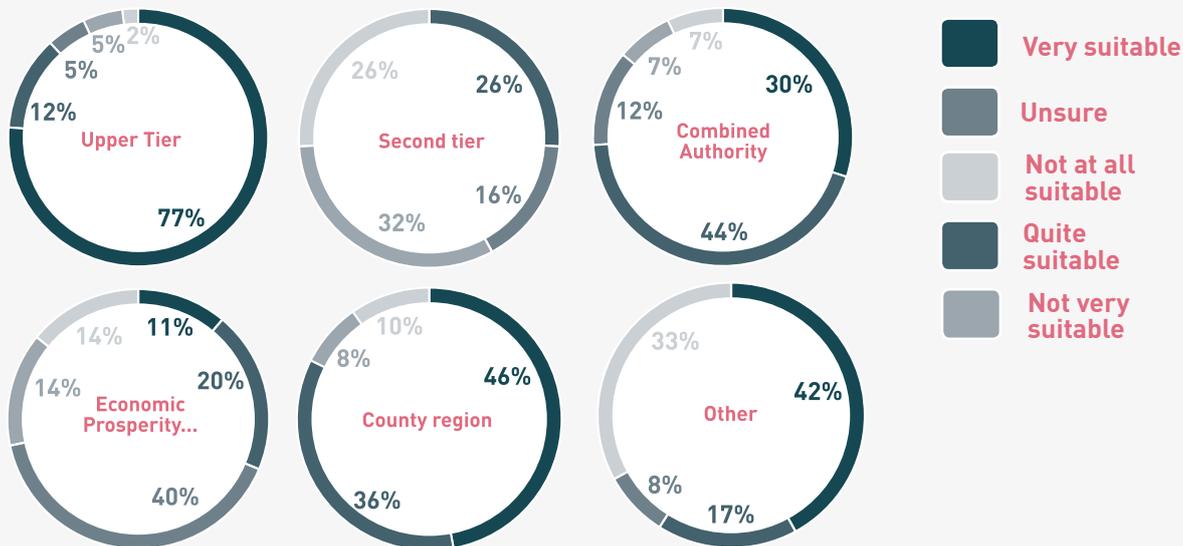


No **2%** Undecided **15%** Yes **83%**

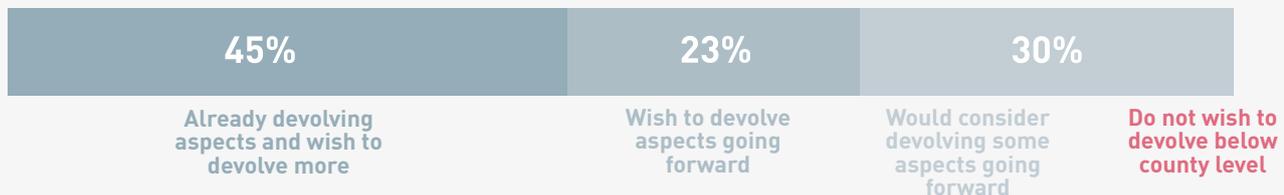
What is the appetite among your local partners to put in place measures to take on devolved powers & fiscal freedoms?



Please indicate whether you believe the following governance models would be suitable.



What is your appetite for devolving some aspects of funding/powers below the county level?



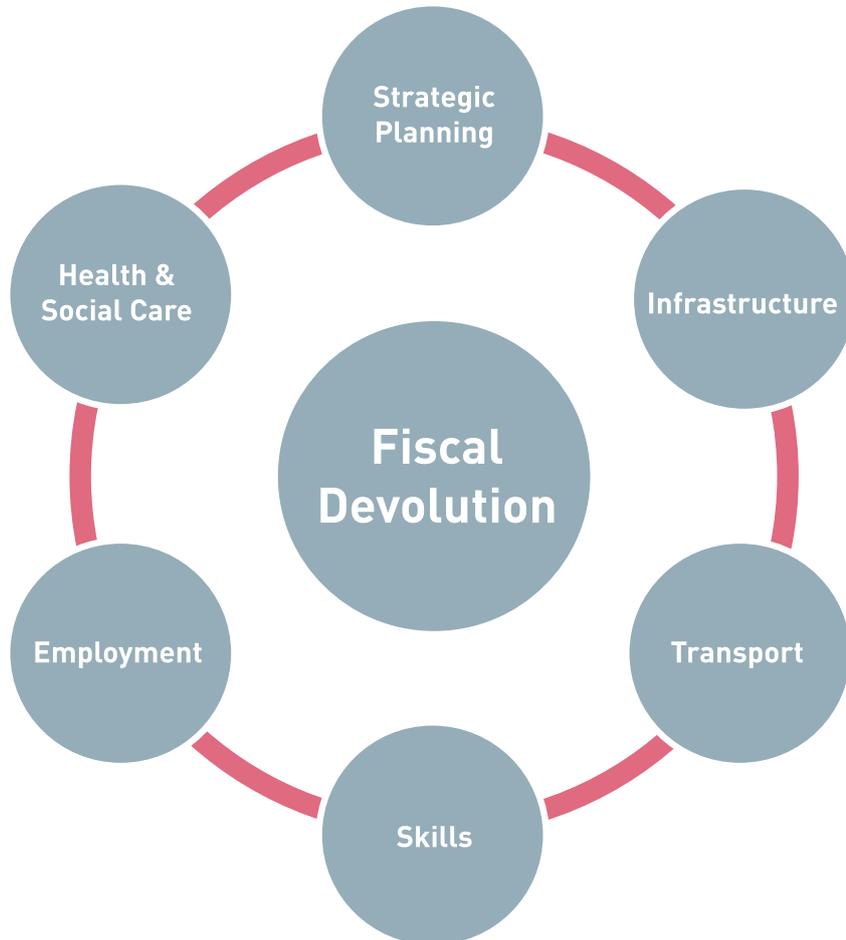
A Devolution Settlement for Counties

Building on the strong consensus for English Devolution since the Scottish Referendum, CCN are setting out a detailed menu of County Devolution options to be implemented as part of a wider settlement on English Devolution during the next Parliament.

All political parties appear to support an asymmetrical approach to Devolution in England – some places proceeding more quickly than others, and some places drawing down more powers than others. Counties broadly support this approach; the types and scale of devolution demanded within our Devolution Settlement for Counties will not happen overnight and will take different forms.

Whilst local authorities are at varying stages of readiness for devolution, we believe that a Devolution Settlement for Counties must continue to have a number of core elements devolved by default. This report outlines a set of core powers, flexibilities and fiscal freedoms, the majority of which should be available to all county areas. Areas could draw down these powers, budgets and fiscal freedoms, shaped to local needs, over time.

Additionally, ambitious partnerships should be able to bid for a more radical comprehensive devolution settlement for their area, encompassing a much wider range of powers and fiscal freedoms outlined in the following sections.



Fiscal Devolution & Timetable

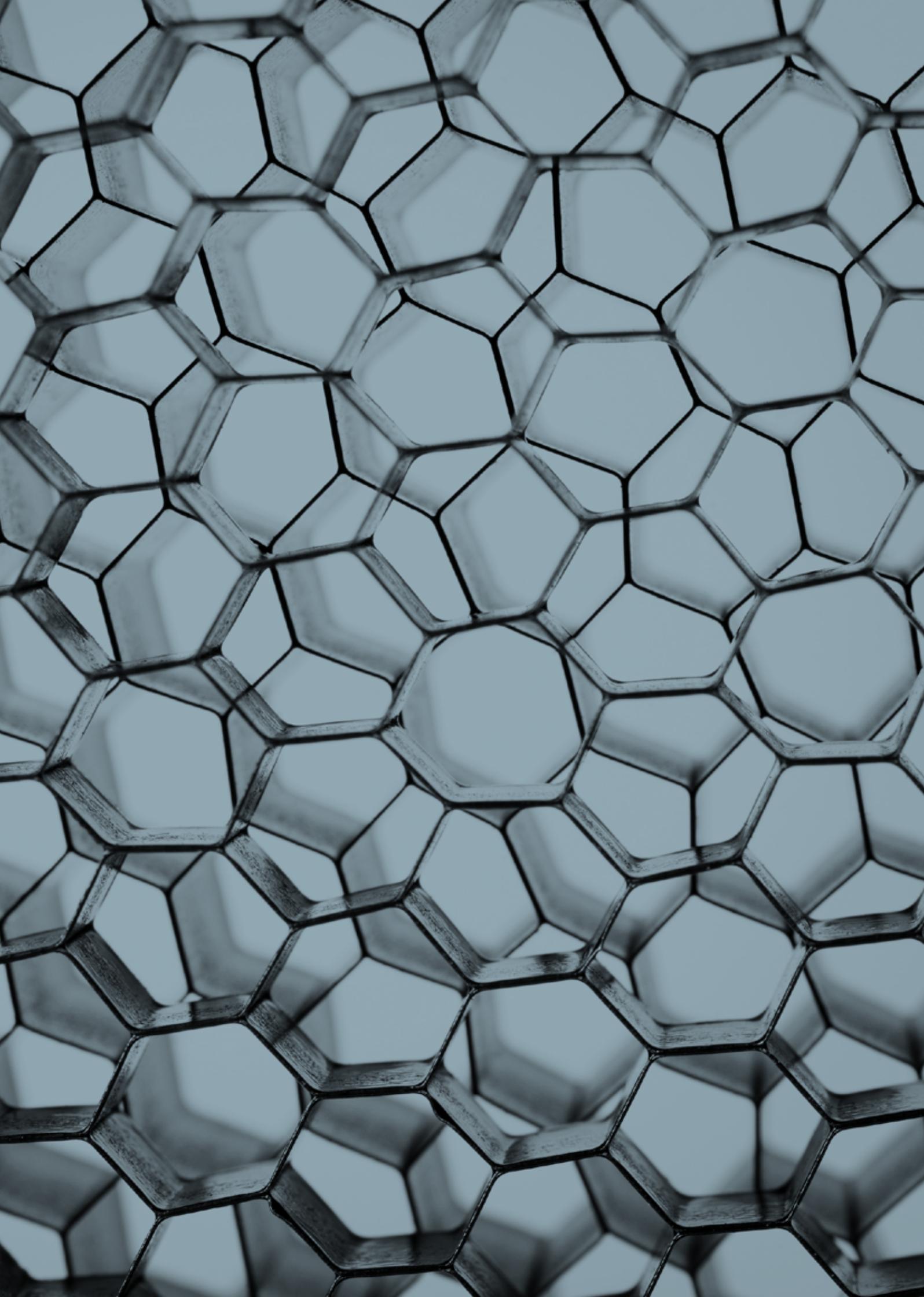
Alongside a range of specific fiscal devolution measures explored in the following sections, counties wish to see comprehensive fiscal freedoms available over the course of the next Parliament.

- **Long-term Financial Settlement** – Long-term indicative budgets of at least five years for local government and potentially wider public services.
- **EU Structural Funds** – Fully complete the devolution of strategic control over EU funds.
- **Council Tax** - End the Council Tax referendum policy and grant the power to hold revaluations, review the number of bands and ratios from band to band, and set the tax rate.
- **Business Rate Retention** - 100% Business Rate growth should be retained locally in all areas. The Business Rate Review should establish whether the current system truly incentivises growth for counties through additional funding, and put in place a fair distribution between counties and districts in two-tier areas.
- **Stamp Duty** - 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.
- **Fuel Duty** - Government explore the local retention of a share of Fuel Duty, negotiated on bespoke basis, to address specific local infrastructure and transport issues.
- **Comprehensive Earn-Back** – In addition to smaller specific earn-back deals for counties earlier in the Parliament. 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. The 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.

2015/16	<p>Government set out plans for devolving certain core powers, budgets and fiscal freedoms by <i>default</i> to local areas</p> <p>Government to announce the first wave of <i>comprehensive</i> County Devolution Deals – with further deals proceeding over following years</p> <p>Legislation prepared to implement Grater Manchester Deal should be broad enough to enable all areas to utilise this provision</p> <p>First Wave of <i>comprehensive</i> County Devolution Deals set up in shadow form, to prepare for implementation</p>
2016/17	<p>First Wave <i>comprehensive</i> County Devolution Deals go live</p>
2017/18	<p>Government to announce second wave of <i>comprehensive</i> County Devolution Deals – with further deals proceeding over following years</p>
2018/19	<p>Second Wave <i>comprehensive</i> County Devolution Deals go live</p>
2019/20	<p>Government to begin process for codification of the role of local government</p>

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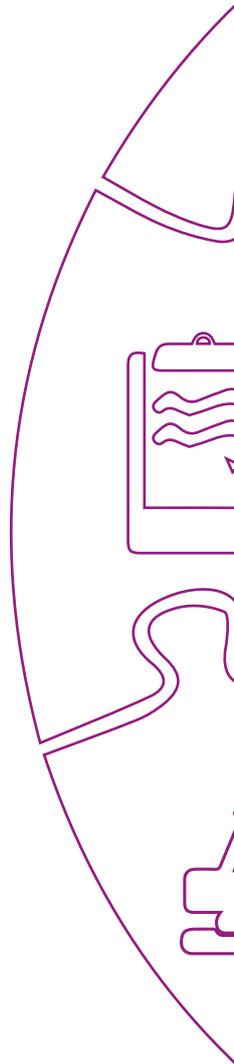
Summary

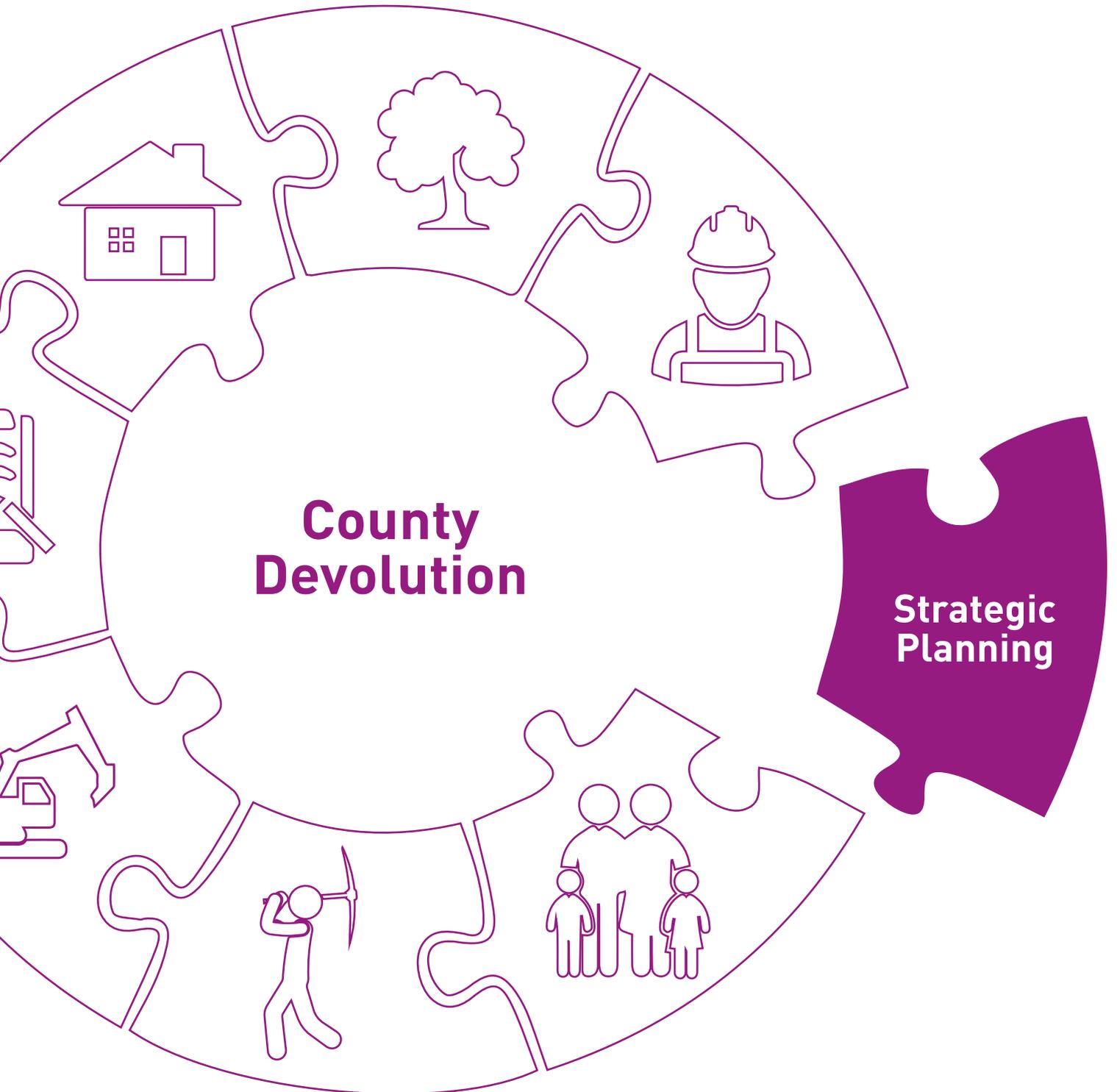
A new approach to strategic planning is required to ensure that decisions relating to housing, infrastructure and growth are taken in an efficient and integrated manner. Recent government policy, such as the introduction of Local Plans, has sought to drive strategic decision making on planning decisions. There is little evidence to-date that the introduction of Local Plans, or the Duty to Co-Operate has improved strategic planning, particularly in two-tier areas. Financial incentives, such as the New Homes Bonus, have yet to provide a carrot for councils in two-tier areas to work more collaboratively.

The availability of land for development is also vital to accelerating the rate of housing construction in county areas. The public sector - including Government and local authorities - own approximately £370bn, a large quantity of which is situated in county areas. The next Government must consider how best to free-up local areas to deliver more homes for local people. Strengthening decision making at a strategic level on planning and on the development of public land are a starting point for devolution.

The advent of Combined Authorities, such as in Greater Manchester, has seen Government devolve powers and budgets to local authorities who have committed to working in an integrated manner with formal governance arrangements.

A number of CCN member authorities already have formal arrangements or agreements in place for strategic planning, such as Devon who have a co-operation agreement in place that includes all local authorities, the LEP and other partners in that area. There is no reason why government could not devolve the same powers and budgets to county areas for strategic planning as have been devolved to Combined Authorities.





Strategic Planning

Background

House prices in the UK have increased by an average of 56% since 2004. The lack of available affordable housing is highlighted by the fact that home ownership has fallen to its lowest level in England for 29 years.¹

In 2014 118,410 dwellings were completed, despite Government stating that 240,000 new homes a year are required to meet demand in England. Only 200,000+ homes have been delivered in four of the last fourteen.

The issue of accelerating housing construction has been debated by Governments past and present, leading to five revisions to the planning system since the Second World War. These reforms have had little to no measurable impact on increasing the rate of house building to meet the level of demand.

Regional Spatial Strategies (RSS) provided the spatial vision and strategy for each of the Government defined regions in England from 2004-2010. RSS's were viewed by many, including the Coalition Government, as being too distant from communities and imposing centralised decision making on local areas relating to housing numbers.

There is currently a lack of clear strategic planning responsibility, particularly in two-tier areas. Recent legislation such as the Localism Act 2011 and National Planning Policy Framework (NPPF) sought to address this issue and localise decision making on housing and planning through the introduction of Local Plans.

The Localism Act placed a duty on local authorities and other public bodies to co-operate on planning matters. The NPPF reiterates that local planning authorities *“should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans”*.²

There is limited evidence that the duty has been a success. Local Plans can be a source tension between local planning authorities, public sector partners and key providers such as utilities. This is in part because the duty is not a duty to agree.

One of the main incentives available to local authorities to promote house building is the New Homes Bonus (NHB). NHB aims to encourage councils to grant planning permissions for new dwellings in return for additional revenue. In two-tier areas district councils receive 80% of NHB, whilst county councils receive 20%. It is important to note that whilst the policy driver behind the NHB is to facilitate housing growth. NHB payments are nonringfenced meaning they can be spent by authorities as they see fit, although receipts should be spent “in line with the wishes of the community”.

The ability of the construction sector to deliver 200,000 new dwellings per year is also an area of concern. A London Chambers of Commerce and Industry and KPMG report stated that action is required to address the skills shortage in the sector or housing targets will not be met.³

This is a view supported by the Confederation of British Industry (CBI) who stated that housing:

“is not just a social priority – it is a key business issue; [the] high cost of moving home, and lack of decent and affordable housing, are barriers to attracting and retaining employees”.⁴

Action is required to increase the availability of quality affordable housing or households in England will have less to spend and save. Not only will this have a detrimental effect on the local, regional and national economies, it also means that businesses will find it difficult to attract the skilled employees that they need to grow and thrive.

The County All Party Parliamentary Group (APPG) found that *'The lack of an integrated approach to planning, investment and infrastructure means decisions take too long and processes for making decisions are complicated.'*⁵

Building on this CCN's *Our Plan for Government* stated 'Investment in new homes must be matched with new strategic planning powers, infrastructure, and transport links tied to the needs of local enterprises'.

In addition, 82% of respondents to CCN's County Devolution Survey showed that members were keen to see strategic planning powers devolved as part of any package of powers and budgets devolved down to counties.⁶

Strategic planning is most complex in two-tier areas where district councils are the designated local planning authorities. County councils have responsibility for planning in relation to waste disposal sites, minerals working and sites for gypsies and travellers.

These complexities are highlighted by the Planning Advisory Service:

'The planning system places great stress on councils working together to address difficult issues in the absence of statutory strategic plans. To be successful joint arrangements need appropriate support and involvement from elected members'

There are a number of factors impacting on the ability of counties to influence the placement and speed of housing development in their local areas. County councils are a statutory consultee in two-tier areas in the Local Plan development process. As stated previously the Duty to Cooperate is not a duty to agree and therefore district councils can submit plans to central government without agreement from key

public sector partners. This view is supported by the Communities and Local Government Committee's recent inquiry that found a number of local authorities were finding co-operation on the development of Local Plans hard to achieve in practice.⁷

To counter this some areas have developed formal arrangements to deliver joined-up strategic planning. Examples include the establishment of joint planning committees/boards in areas such as Lincolnshire, Cornwall and West Sussex and memoranda of understanding in areas such as Kent and Cambridgeshire. In Derbyshire the ten local authorities are in discussions to develop a strategic approach to the Duty to Cooperate

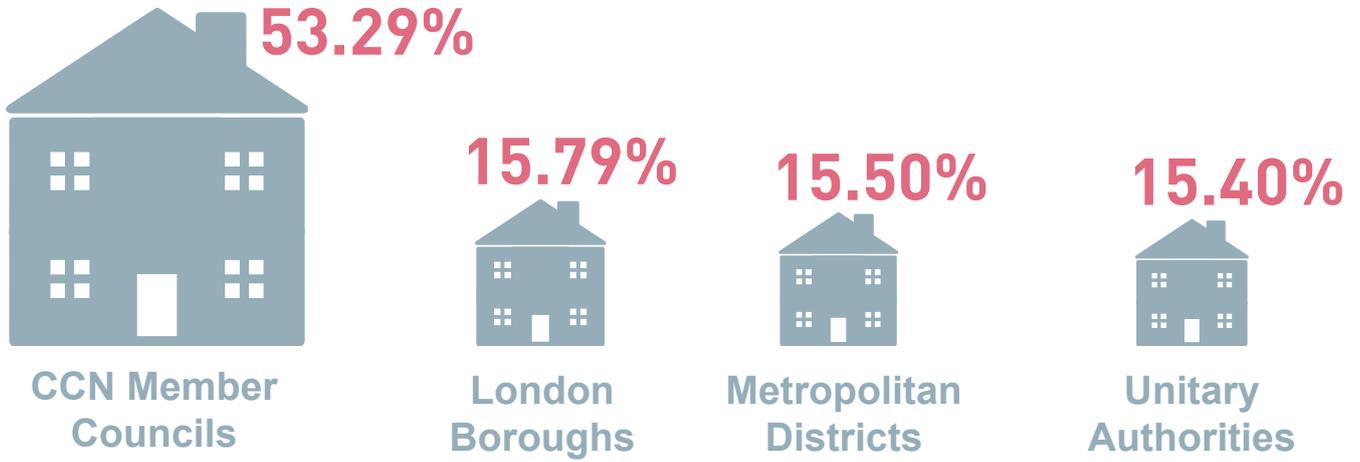
In county unitary areas these issues do not have such an impact as all local government services are delivered under the umbrella of a single local authority.

The County APPG report also found that there is an appetite to lead work to ensure an effective use of public sector assets through the establishment of single property boards that would bring together all holders of public assets and land locally.

This appetite is further highlighted by the fact that a number of CCN member authorities are currently involved in the Government Property Unit's One Public Estate initiative, supported by the Local Government Association.⁸ These include Cheshire West and Chester, Surrey, Worcestershire, Cornwall and Kent.

The next Government must consider how best to free-up local areas to deliver more homes for local people. Strengthening decision making at a strategic level on planning and on the development of public land are a starting point for devolution.

Housebuilding: Permanent Dwellings Completed 2014ⁱ



Per Head Stamp Duty Yield on Residential Property:ⁱⁱ



There has been a

46%

reduction in budgetary spend on planning and development services in single tiers and county areas from 2010-15.ⁱⁱⁱ

Call for Evidence: Derbyshire

In Derbyshire, the current D2 Joint Committee authorities have recently agreed a strategic approach to the Duty to Cooperate, and this will form an initial cornerstone of their shared approach to joined-up, strategic planning. This will:

- Assure Local Enterprise Partnership and other growth initiatives are not constrained or frustrated by insufficient infrastructure, employment land or housing capacity in priority locations by reflecting spatial implications of Strategic Economic Plans
- Maximise effectiveness of planning and infrastructure decisions on strategic and cross boundary matters. In doing so provide strategic support for strengthening, not undermining, local decision making on major housing proposals; and
- Utilise opportunities for shared resources and savings on evidence base, monitoring and other strategic studies. Transparently enable the adoption of the joint technical studies – such as on Gypsy and Traveller Site Assessments.
- Offer a strategic vehicle for cooperation with bodies such as Local Nature Partnerships to enable Local Plans to reflect their activities and aims.

Experience from Local Plan examinations is that the Duty to Cooperate should have high-level political buy in. The D2 Combined Authority could provide the strategic vehicle for agreeing work, eventually leading to coordinating a 'strategic issues' (only) Joint Core Strategy.

This would leave democratic space for free-standing Local Plans focussed on delivery.

Please note this is also currently being considered and is still in the early stages of discussion with partners.

Case Study: West Midlands

Worcestershire, Worcester City Council, Redditch Borough Council, Warwickshire Police, West Mercia Police, and Hereford and Worcester Fire and Rescue Service have agreed to establish a Joint Property Vehicle (JPV).

The concept of a JPV was developed under the Cabinet Office's "One Public Estate" Programme, led on their behalf by the Local Government Association, and has attracted funding from the Department for Communities and Local Government, the Local Government Association, the Cabinet Office and the Home Office in order to develop the concept further. Further funding has also been provided

The services that will be delivered by the JPV include strategic asset management, asset data management and hard and soft facilities management.

The partners involved in establishing the company expect to save approximately £58m by 2025.

Case Study: Royal Town and Planning Institute

Despite the emphasis being put on cooperation between local authorities and business in city regions and counties, our current research into strategic planning around England suggests strikingly few places where agreement has been reached on housing, despite the link between jobs and homes being critical. It is all too easy for a wider area to make energetic plans for economic growth and thereby to benefit strongly from government investment without agreeing to the supporting housing growth, and without paying due attention to environmental and transport considerations.

The RTPI recommends

- Local authorities should form voluntary groupings in geographic areas of city-region or county scale (normally aligned with Local Enterprise Partnerships)
- Local authorities in these groupings should agree housing numbers and other strategic matters in alignment with Strategic Economic Plans & City Deals

There will need to be continued and deepening cooperation between county and district councils in two-tier areas where counties have already been exercising strategic functions such as transport and taking a key role in LEPs. It however needs to be recognised that even within the framework of LEPs and other administrative arrangements there is a need to overcome the current weaknesses in the level of cooperation. Our diagnosis of this is that there is not enough reason for planning authorities (in particular) to cooperate, and often strong reasons not to. Therefore we propose that

- Central government should drive cooperation forward with strong but conditional incentives in transport, health and skills/ education spending

This would be a much more substantial incentive to collaboration on housing planning than has ever been employed before and would have the additional advantage that it would be focussed on issues related to housing growth. We recognise that currently there is a mismatch with the scale of growth proposed by some LEPs and the housing proposed by their constituent planning authorities. So in return:

- Local Enterprise Partnerships should align economic growth plans with strategic housing provision plans

Whilst our proposals are ones for immediate implementation, a future government with responsibility for England would do well to consider some further steps. These could include:

- Complete coverage of Combined Authorities across England
- Combined Authorities to be coterminous with LEPs and vice versa
- Single deals to replace City Deals and Growth Deals
- Strategic Economic Plans to be signed off by Combined Authorities
- Combined Authorities to have responsibility for various budgets, starting with housing and transport and moving on to education and health
- Combined Authorities to have tax raising (or lowering) powers, probably based on property tax

Devolution Proposals

Our proposals build upon the policy changes brought about by the Localism Act 2011 and the National Planning Policy Framework. Planning in essence has become more localised as a result of the introduction of Local Plans. However, greater cooperation and more streamlined decision making is required at a sub-regional level. This will ensure that planning decisions on housing development are informed by business needs, infrastructure requirements and the impact on the local environment across a broad geographic area.

Primary legislation is not required in order to necessitate improved strategic planning in the short-term. Local authorities and their partners have a number of tools at their disposal to facilitate improved strategic planning at a local and sub-regional level. For example, some local authorities may wish to develop and sign-up to memoranda of understanding that may include commitments from other local authorities, public sector bodies and government agencies to work in a certain way.

Government for its part has already put in place legislation and funding streams that could be used and strengthened to incentivise councils to work in a more collaborative manner than at present. Through Combined Authorities (CAs) Government has devolved funding streams and additional powers to those councils that have made a firm commitment to working together in a formalised governance structure.

In addition to this central government and local authorities are the owners of approximately £370bn of land and property assets. A key barrier to development identified by construction firms is the availability of land for large scale housing developments. 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 delegate

decision making on the disposal of assets situated in counties to those local areas.

1. Multi-Year Housing Investment Funds

The starting point for the devolution of strategic planning powers will be to provide the conditions for more efficient decision making, greater collaboration and certainty over budgets to stimulate an increased rate of housing construction to provide high quality affordable homes.

The Greater Manchester Combined Authority has received devolved powers and budgets as a result of putting in place a democratically accountable formalised governance structure. As part of this agreement HM Treasury (HMT) has committed to devolve strategic planning powers and control over a Housing Investment Fund.

The Housing Investment Funds will be in place for a period of 10 years and will be provided by a public sector body to the private sector in the form of recoverable loans and longer-term equity. The funding may be recycled within the private sector before returning it to HMT, with local authorities guaranteeing an 80% recovery rate on principal, plus interest earned.

It is vital for the national economy that those areas that do not choose to pursue a CAs as their governance model are not inadvertently penalised to the detriment of their communities and local businesses. There is no reason that in county areas where formal strategic planning arrangements are in place, underpinned by strong accountability structures, that strengthened strategic planning powers could not be devolved along with funding for Housing Investment Funds.

The Royal Town and Planning Institute (RTPI) in their contribution to this report stated that

Government should consider the provision of strong incentives to drive cooperation particularly between county and district councils in two-tier areas. This is something a Housing Investment Fund at a strategic level would provide.

A number of CCN member authorities already have either formal or informal arrangements in place to facilitate close working with key partners to deliver coordinated planning activity. For example, partners in Devon have agreed a co-operation protocol between all local authorities, the Local Nature Partnership, Local Enterprise Partnership, Natural England, Highways Agency and Environment Agency.

CCN believe that Government should devolve the same powers, freedoms and funding for strategic planning that have been given to CAs to county areas that have in place formal structures and strong accountability arrangements. These include:

- **Strengthened strategic planning powers at a county level.**
- **Establishing Housing Investment Funds for a period of 10 years.**

2. Sub-Regional Strategic Plans

The devolution of strategic planning powers and increased certainty over funding for county areas should be supported by a strategic level spatial plan to provide clarity over housing numbers and infrastructure within county areas.

In the past Regional Spatial Strategies were developed at a regional level that was considered to be too high level and remote from local circumstances.

Our proposal to develop Sub-Regional Strategic Spatial Plans at a county level for housing and infrastructure would go some way to ensuring

that Local Plans look beyond very local planning decisions and take fully into account larger than local planning decisions. For example, issues such as waste disposal sites, minerals working and sites for gypsies and travellers.⁹

The Royal Town and Planning Institute highlighted in their contribution to CCN that Strategic Economic Plans and the subsequent Growth Deals do not take a holistic view to planning.

'It is all too easy for a wider area to make energetic plans for economic growth and thereby to benefit strongly from government investment without agreeing to the supporting housing growth, and without paying due attention to environmental and transport considerations.'

Building on this it is essential that the processes for signing off housing plans is closely aligned to Strategic Economic Plans and Local Nature Partnership Plans (LNPs) are on the whole independent of each other. This current approach is cause for concern.

The majority of counties are of a geographic scale that is similar to that of other key strategic partnerships such as Local Enterprise Partnerships and LNPs. Counties brokering strategic level conversations would provide a conduit by which to meet the requirement set out in the National Planning Policy Framework for local planning authorities to work across administrative local authority boundaries.

The development of a Strategic Spatial Plan would provide a forum for strategic discussions that take into account Local Enterprise Partnership Strategic Economic Plans, Local Nature Partnership Plans and other key issues of importance to communities such as the provision of school places and infrastructure.

The inclusion of key utility providers and other bodies at an early stage of strategic planning would also provide a forum for more efficient decision making and discussions. At present utility providers, such as electricity providers, may be consulted on numerous district led Local Plans. Under our proposals, strategic discussions about capacity and need relating to infrastructure would happen during the development phase of the Strategic Spatial Plan process. The efficiency and effectiveness of this process would be aided by the introduction of Integrated Infrastructure Strategies as proposed in this report. It is hoped that such an approach would reduce delays relating to planning decisions for housing and business developments at a more local level and act as a catalyst for accelerating housing construction nationally.

This Strategic Plan would be similar to the statutory spatial framework agreed as part of the Greater Manchester Devolution Deal.¹⁰ As well as providing a framework for planning decisions across the county area, the proposed Strategic Plans would also guide investment and development decisions. In areas where other governance arrangements, such as CAs, are in place or are developed, partners may decide to develop a strategic plan to cover a wider geographic area.

Some areas may wish to combine strategic level spatial plans for housing with strategic infrastructure plans. Derbyshire County Council has proposed that if a CA is agreed locally that this may be a conduit for developing a strategic issues only, *Joint Core Strategy*.

Importantly the development and implementation of Local Plans and the delivery of the planning function would remain with districts in two-tier areas, with Strategic Plans providing the framework for implementation.

- **Strategic Spatial Plans should be introduced at a county level to agree the housing numbers for the area and supporting infrastructure that will be required to facilitate them. These should be democratically facilitated by top-tier local authorities.**

3. Incentivising partnership working

There is an urgent need to evaluate the effectiveness of incentives available to counties and their partners to stimulate an increased rate of housing construction in their local areas. It is vital that incentives for stimulating housing construction are examined collectively with those that incentivise economic growth and supporting infrastructure.

One of the key incentives available to local authorities to grant planning permissions for the building of new houses in return for additional revenue is the New Homes Bonus (NHB). The effectiveness of this Bonus has been contentious issue; particularly in two-tier areas where district councils receive an 80% of NHB, whilst county councils receive 20%.

One of the core aims of the NHB policy is to facilitate housing growth. However, the funding is unringfenced and as such councils do not have to reinvest it in housing or infrastructure. 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. With no commitment from any political party to the continuation of NHB beyond 2015-16, it seems unlikely that county councils in particular would be incentivised by NHB to invest in supporting infrastructure to stimulate housing growth.

The 80:20 split 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. 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. 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.

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.¹¹

Clearly stronger incentives, such as devolved powers and budgets to a strategic level as recommended in this report, are required to improve collaborative working in two-tier areas.

- **Government review and revision of key housing related incentive mechanisms, such as New Homes Bonus, to ensure they promote collaborative working and accelerate housing construction.**

4. Rewarding faster rates of construction

To accelerate the rate of housing construction in county areas it is vital that areas are provided with additional finance to reinvest in infrastructure to promote further construction by developers locally.

One such funding stream that could be retained at a local level is stamp duty land tax (SDLT). At present this is retained by Government, despite being collected as a direct result of homes and land being sold at a local level.

This is a view supported by the majority of CCN member authorities. 54% of respondents to the CCN survey on County Devolution wanted to see SDLT devolved as a package of funding of fiscal powers from Government.

Cornwall Council has proposed within their document *'Devolution and Decentralisation- the Case for Cornwall'* that they should be able to retain a share of stamp duty to reinvest in affordable homes. The retention of SDLT over a ten year period would allow Cornwall to fund, in part, the establishment of an ambitious affordable and social housing programme. This is an approach that could be rolled out across all counties who are working strategically to boost housing construction locally.

Outside of county areas, the London Borough of Croydon is in discussions with HM Treasury about their proposed 'growth zone' that includes a proposal to retain stamp duty on new homes within a defined area.¹²

The retention of additional capital funding would allow local authorities and their partners to make strategic level decisions on infrastructure and affordable housing provision. Local areas would rightly be able to retain a proportion of SDLT in high cost areas where affordable housing will be at a premium.

- **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.**

5. Local control of the public estate

The availability of land for development is vital to accelerating the rate of housing construction in county areas.

The Confederation for British Industry (CBI) found that less than 10% of England is developed yet house builders of all sizes often struggle to find permissible land for development. In addition to this the CBI found that the public sector owns around 40% of larger sites suitable for housing development.

The public estate (land and property assets) owned by government and local authorities in England is valued at approximately £370 bn, of which it is estimated that £170 bn is owned by local authorities.

A large proportion of central government owned land is situated in counties. However, at present decisions about its future usage sits with Whitehall. If local authorities and their partners are given the necessary freedoms to utilise public assets then this can act as a catalyst for economic growth. For example, by freeing up publicly owned land for housing and industrial development more quickly is likely to increase employment opportunities locally. Increasing the rate of house building and associated commercial construction would also increase the council tax and business rate receipts of local authorities at all levels of local government.

The establishment of the One Public Estate initiative led by the Local Government Association on behalf of the Government Property Unit, highlights that there is willingness

at a national level to release assets and share land and property information across the public sector. The aims of the initiative are to generate economic growth, deliver integrated customer-focused services, reduce running costs and generate capital receipts.

Given the success of the initial pilot and the progress of the second phase pilots in delivering innovative approaches, and in turn savings for the public purse it is vital that such an approach is rolled out nationally. Local areas should be allowed to establish cross-public sector property and delivery boards, supported to undertake cross public sector asset mapping and collaborative working. These should be incentivised through the sharing of capital receipts amongst cross-public sector partners. Such an approach in two-tier areas must be modelled on the geography of the upper-tier local authority to minimise duplication and to facilitate decision making at a strategic level.

Recent analysis by Savills real estate advisers supports the view that releasing Government owned land could provide much needed land for residential development. Savills estimates that 13,000 hectares of central government land is most suitable for residential development and could potentially deliver up to 600,000 homes.¹³

The establishment of a Joint Property Vehicle in the West Midlands shows that there is an appetite amongst local partners to innovate in order to deliver significant savings to the public purse. In addition to this the shared management of assets has the potential to free up land and property for housing and industrial development at a time when accelerating economic growth is both a national and a local priority.

Cornwall Council, in its Case for Cornwall, is seeking devolved powers to pool and invest capital receipts from the public sector estate.¹⁴ In order to remodel the public estate they want to

pool and reinvest all capital receipts, including those from relinquishing unsuitable health, police and government owned properties.

It is vital that any such initiative is subject to democratic scrutiny. Wherever responsibility and budgets have been devolved from government to a local level there should be a role for frontline Councillors to challenge the strategy and decisions being made by local leaders on behalf on their communities.

- **Decision making powers and budgets relating to government owned public land and property devolved to strategic county areas.**

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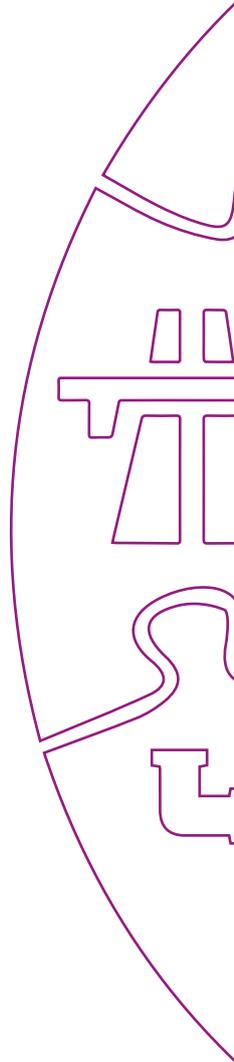


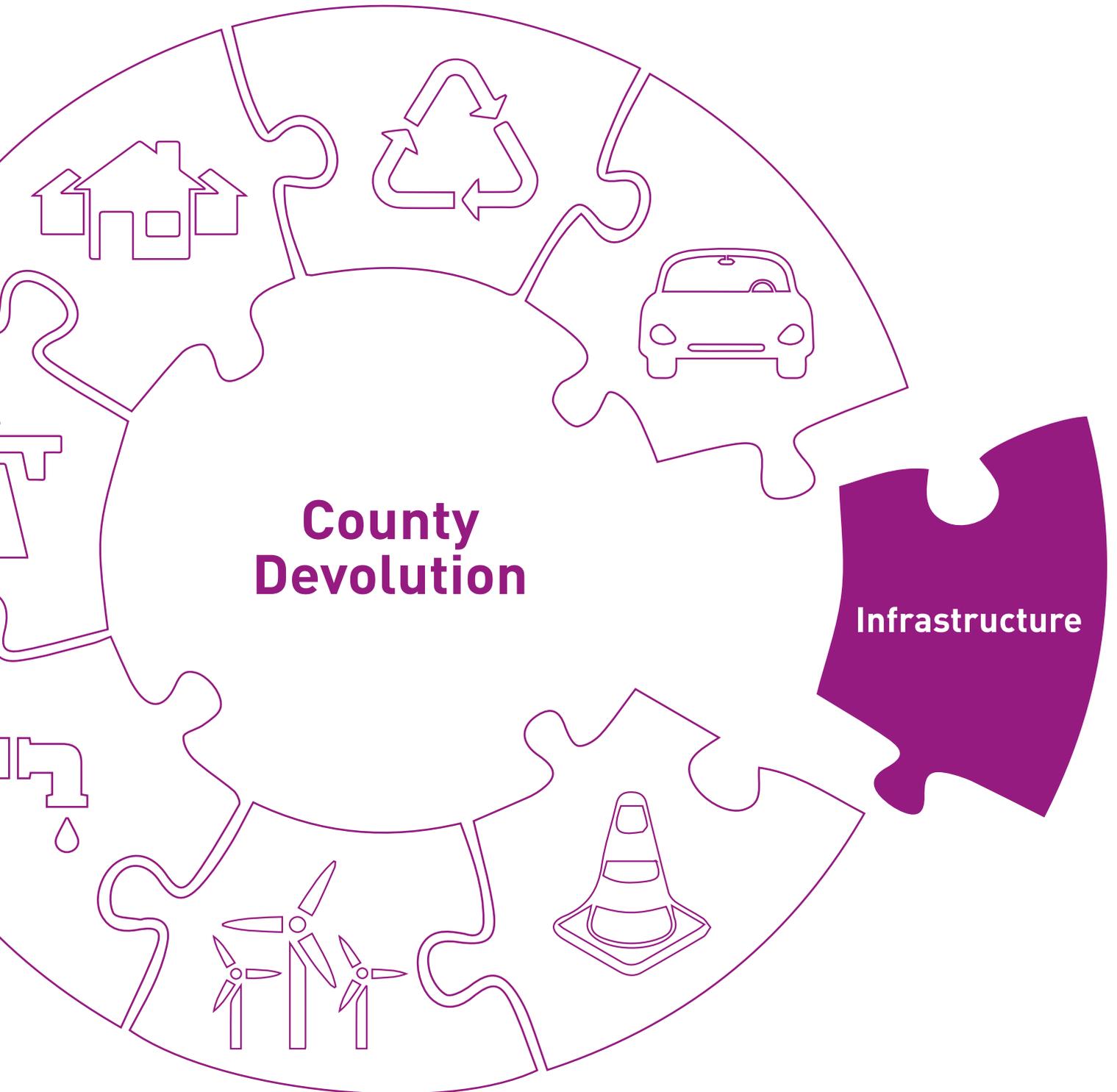
Summary

Counties have traditionally held a major role in shaping and delivering strategic infrastructure that supports local growth and connectivity. However, current arrangements have reduced counties capacity to deliver a common agenda on infrastructure across a range of local partners. This is despite the Government's stated focus on involving local decision-makers and a strong desire from the counties themselves to do more.

There are a range of the specific types of infrastructure, such as roads, broadband and energy that counties could improve through devolved budgets, powers and flexibilities. Given the UK's strategic infrastructure challenges, including the need to build greater resilience into strategic infrastructure and manage the ongoing transitions within our energy grid, counties need the powers to anticipate and respond to the challenges affecting their communities.

More strategically, counties should have the capacity to form a common agenda with a full range of partners to deliver their infrastructure goals at both a county and sub-national level. This would be achieved with the creation of integrated infrastructure strategies, shaped by the priorities defined by Local Economic Plans and funded by devolved budgets and fiscal freedoms.





Infrastructure

Background

The UK faces a range of well documented challenges to its infrastructure network that require strategic responses. These range from the need for building greater resilience into rural road networks, to ensuring sufficient connectivity for new communities. Additional challenges are emerging due to the pressures of competing in a tough global economy.

Over the coming decades these challenges need to be met with extensive investment and potentially new delivery models. Government plans to use £375bn of investment in economic infrastructure across the UK to replace old assets, ensure compliance with regulations and meet policy commitments.¹

The current Government has sought to meet these challenges and enable growth by creating a 'pipe-line' of infrastructure investment directed by a National Infrastructure Plan. Most of this planned investment is directed towards the energy and transport sectors, with over £340bn of combined investment.² The importance of this investment strategy was reflected by the creation of the Infrastructure UK Unit within the Treasury.

The National Infrastructure Plan (NIP) 2014 featured £2.3bn of investment in flood defences and £15bn investment in road improvements. The investments have the potential to address longstanding challenges for county regions. The NIP 14 was keen to emphasise a pragmatic and effective approach to delivery that is compatible with further devolution to counties, stating it will adopt a *"coherent and credible approach to infrastructure investment and delivery... governance structures that allow every region in the UK to maximise its economic potential."*³ The UK will rely on the private sector to provide around two thirds of the funding in this pipe line.

Alongside investment in major physical infrastructure there is a need to invest in the infrastructure that supports the connectivity

required by the modern digital economy. There is also a huge economic opportunity for the UK in getting this sort of connected county infrastructure right; Defra recently concluded "over the next decade rural areas could grow faster than in urban areas" with 300,000 new jobs generated, but this would require well targeted investment in connectivity – particularly superfast broadband and roads.⁴

Ensuring the successful roll out of 'superfast' broadband to rural communities in the UK is crucial to our international competitiveness. This will allow all regions to reach their economic potential, unhindered by geographic barriers.

Despite statements of principle, the push for devolution is a slow and uneven process. Currently, the Infrastructure Bill and associated legislation risks actually removing mechanisms by which local authorities can shape their local infrastructure by transferring complex or controversial decisions to government agencies.

The situation facing counties is potentially more complex as they may require new working relationships and new types of arrangements, to take full advantage of the opportunities devolution can bring.

Given the nature of county geographies and their sheer size, the national pressures on physical and connective infrastructure are particularly felt in county areas. With the removal of Regional Spatial Strategies, counties currently might not have the strategic powers to respond effectively to these long-term pressures.

The Communities & Local Government Committee concluded in 2011 that the abolition of RSSs would hamper the UK's economic recovery, stating that their abolition would make it *"much harder to deliver necessary but controversial or emotive 'larger than local' facilities"*⁵ CCN agree that compared to recent decades, counties currently lack mechanisms for influencing major infrastructure decisions. Our Devolution Survey showed that the majority (81%) of County Leaders and Chief Executives, want to see major infrastructure devolved.

There is the concern that major infrastructure schemes are centred on Whitehall's aims and priority is given to high profile national schemes, particularly strategic infrastructure, as opposed to lower profile schemes useful at the county level. This lack of capacity to address local priorities extends to energy infrastructure and broadband connectivity. The desire for greater devolved control is matched by frustrations that a lack input into local economic priorities is leading to missed opportunities to maximise local economic performance.

Insufficient powers are currently matched by under investment in some types of infrastructure. Maintaining the rural roads network, for instance, is becoming increasingly difficult after a prolonged period of underinvestment. New investment under the Local Government Finance Settlement continues to prioritise non-county regions, with funding per capita significantly lower in counties compared to some areas.⁶

Though every county has its own distinct challenges, cross-cutting strategic priorities do exist. It is a longstanding priority of counties to establish the principle that all strategic authorities – urban and rural – must have access to the devolved powers suited to their needs. The situation extends to connectivity, with cities having access to greater powers and resources to direct infrastructure and public transport provision towards the goals defined in their regional growth strategies.

Ambiguities around the status of current mechanisms and the scope of the General Power of Competence further complicate this picture. In theory permissive legislation already enables the creation of new infrastructure arrangements. Analysts suggest the lack of experimentation with new arrangements is due to insufficient incentives to align local partners and *"a fear ...that these new bodies will take powers and funding from them."*⁷

Counties' strategic leadership role for spatial infrastructure needs clarity. They exercise this role within a highly centralised system of standards and regulations, with an onus on voluntary collaboration. Some elements of local infrastructure, such as trunk roads, are directly controlled by central agencies. Economic Plans can outline a broad vision for infrastructure, but lack the status of comparable urban documents.

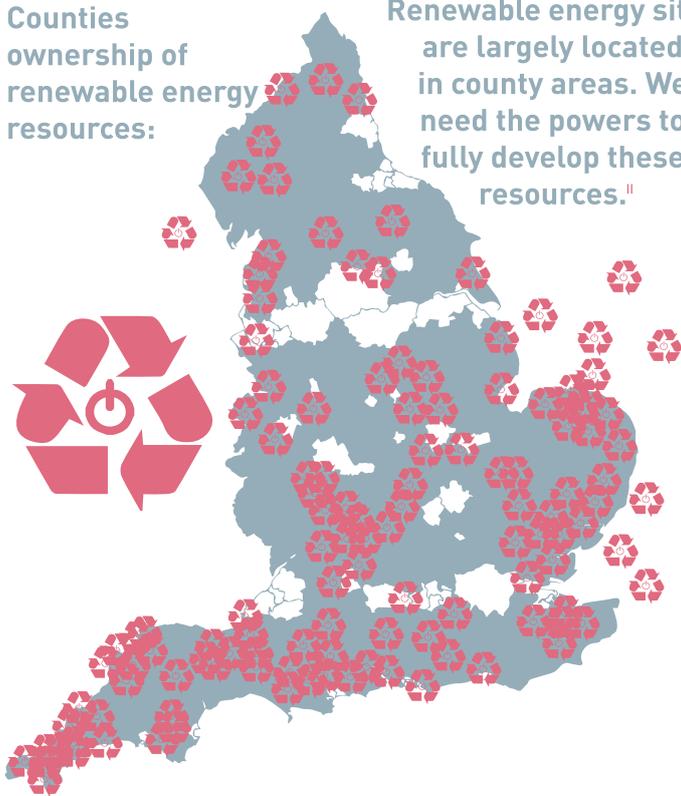
The London Infrastructure Plan 2050 has the power to coordinate infrastructure development with planning, economic development and transport policy at a regional level. This has created a clear asymmetry in potential capacity of counties and cities to drive growth. To fully unleash the growth potential of county areas and deliver better targeted infrastructure, counties must be provided with similar powers and freedoms to knit together utilities, transport, housing and connective infrastructure development.

National UK Energy Usage – Changing Patternsⁱ



Counties ownership of renewable energy resources:

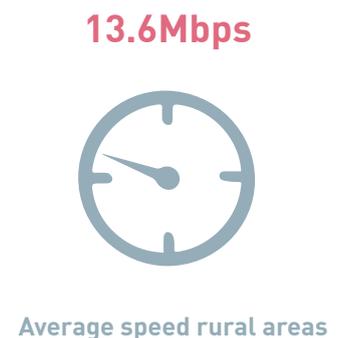
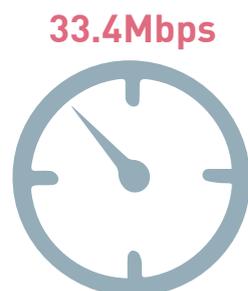
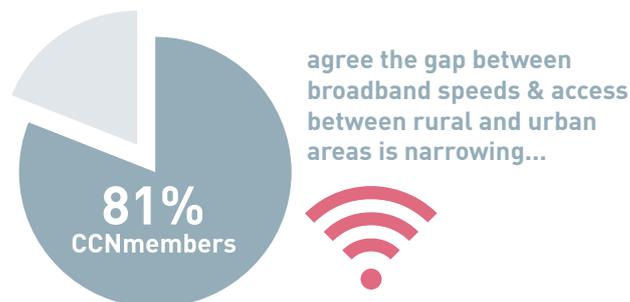
Renewable energy sites are largely located in county areas. We need the powers to fully develop these resources.ⁱⁱ



County Connectivity

There has been strong progress in county areas:^{vi}

...but a digital divide remains.^{vii}



Average speed urban areas

Call for Evidence: Kent

As a large county, Kent's focus has been on ensuring that devolution will allow it to more effectively exercise its traditional leadership role. Kent is proactive in its planning for its infrastructure needs. It has already created the Infrastructure Investment Funding Model (IIFM) to plan for the county's future community infrastructure needs. Its forecasts make clear that growing pressure on its infrastructure need a solution only possible with devolution of long-term infrastructure planning flexibility. Unfortunately the current deal for Kent falls short of that available for urban areas.

Kent wants the devolved freedom to;

- Build a county-wide spatial framework for growth that is based on a clearer statutory status for Strategic Economic Plans
- Cross-subsidise infrastructure costs across the county via the strategic use of the Community Infrastructure Levy
- Manage a multi-year infrastructure investment programme that allow them to confidently plan and anticipate needs
- Provide a stronger regional voice when engaging with London on planning the infrastructure serving the county
- Reform the boundaries of Local Enterprise Partnerships and regional planning institutions to enable better coordination on infrastructure.

Call for Evidence: Tri-county arrangements

Oxfordshire County Council, Buckinghamshire County Council and Northamptonshire County Council are working with their Local Enterprise Partnerships to develop a new style of governance model that will harness the untapped economic potential that exists in an area that is already an economic powerhouse. The commitment to combined working is partly centred on driving growth via the strategic opportunity coordinated investment in infrastructure generates. It allows the three authorities to align their priorities to realise economies of scale and tackle 'larger than local' challenges through strategic infrastructure investment. But their ambition must be met by freedoms devolved from Whitehall.

The Tri-Counties want the freedom to;

- Prepare a strategic investment framework that has material status in planning and which national agencies and independent economic regulators are required to take into account
- Improve the alignment of local rail and bus services as part of a truly end-user focused transport system
- Allocate skills funding in accordance with local identified business requirements
- Ensure surplus public sector land is regenerated, working with the private sector where possible to act as a catalyst for change
- Retain a greater proportion of the benefits of growth being retained locally for reinvestment in infrastructure, together with consolidation/simplification of existing financial schemes to incentivise growth
- Improve value for money by investing in infrastructure on a larger scale and coordinating with other policy areas
- Prioritise flexible and adaptable infrastructure to meet changing local needs

Call for Evidence: Lincolnshire

Lincolnshire is proposing new methods for driving the development of their local transport network and strategic infrastructure. Rather than navigate the costly and overly complex requirements placed on Local Transport Boards by the Department of Transport when devolving funds, they propose acting as the accountable body for funding by developing an appropriate local governance framework and issuing regular progress reports. Working with their partners in the Greater Lincolnshire LEP, Lincolnshire are proposing an approach that would take wider economic priorities into account and ensure transport investment plays a central role in regional regeneration initiatives. The GLLEP already has a private sector led Investment Broad and their insights would be vital to ensure funding best supports local businesses

With further devolution Lincolnshire could achieve:

- More effective decision-making for funding, with greater clarity and local accountability
- Resource released in a more timely manner thus enabling projects to be completed on a faster time scale
- Significant savings for both local and central government by removing the need for costly assessments
- The delivery of important local schemes that are integral to regeneration, like a new bus interchange for Lincoln, but that don't meet Whitehall's artificial perception of local need

Devolution Proposals

Infrastructure

We want to see the devolution expressed in the NIF Plan put into action. The only way UK infrastructure can generate the maximum benefit for local areas is by being guided by local-decision makers.

Building on the proposals in *Our Plan for Government*, counties have shown a huge appetite for ensuring local infrastructure is better directed and aligned with local plans for growth.

As part of the wider County Devolution Settlement we would want to see the voice of counties strengthened in the national infrastructure debate that is occurring between counties, cities and Whitehall.

1. Greater consultative and directional powers over the strategy and focus of infrastructure development

Whitehall must acknowledge the need for a stronger role for counties in defining and meeting the infrastructure needs of our communities.

Major infrastructure schemes are vital for the UK's economic competitiveness, but should not be prioritised at expense of maintaining lower profile, but economically vital, local infrastructure.

Counties need additional devolved powers to influence the planning and delivery of infrastructure schemes to ensure they achieve the maximum economic and social impact. Counties need the capacity to sit on equal terms with other strategic bodies to enable more effective decision-making, whether these are bodies in Whitehall, within regulatory agencies or within large urban areas.

To facilitate these goals, Whitehall should aim to provide where possible clarity on the 10 year horizon of funding for major projects; devolve stronger consultation rights to ensure

infrastructure fits with existing growth plans and potential Strategic Spatial Plans; and institute a national infrastructure review, identifying gaps and weaknesses in the resilience of our national transport network.

CCN believes that counties' role as leaders in strategic planning should receive stronger acknowledgement. Though the inclusion of 'route strategies' process in the Infrastructure Bill is a welcome development, it must be matched by the freedom to link with all relevant partners within the framework of their local infrastructure provision to ensure it serves the needs of local people and enterprises. Central government stakeholders, like the Highways Agency, should have a full duty to cooperate with counties on the priorities identified.

There is also the opportunity to invest in a future proofed and resilient energy network that takes advantage of local renewables, but there are concerns regarding the limitation of existing powers. In particular, economic regulators should not ignore local priorities when setting investment levels and allow utility providers to invest in capacity that anticipates planned growth. To ensure that infrastructure meets local needs and priorities, counties require the capacity to:

- **Induce independent economic regulators to work with counties as strategic planning authorities, removing the duplication of planning processes and speeding up the delivery of infrastructure that meets local needs. For energy infrastructure in particular, regulators must be obliged to remove barriers to investment in energy schemes that enables growth by anticipating rather than responding to demands.**

- **Strengthen the voice of local stakeholders in infrastructure planning decisions to ensure investment is aligned with Strategic Spatial Plans. This would include making counties' role as a strategic planning authority a material consideration in the identification and delivery of investment priorities by central government agencies and the creation of a duty to cooperate for utility companies providing strategic services.**
- **Ensure the national investment plans for rail operations, line construction and strategic travel infrastructure, including regional airports, reflect locally identified needs.**

2. The flexibility to deliver infrastructure solutions suited to local needs

Counties are best suited to anticipate and adapt to gaps and challenges to our connective and physical infrastructure, but we need further powers to act on these challenges.

These powers should not be one-size-fits-all due to the diverse challenges and geographies seen in County areas, ranging from large and comparatively sparsely populated rural areas to densely populated areas close to major cities.

As a starting point, CCN recommends that Government devolves the same powers, freedoms and funding for the delivery of infrastructure to counties that have been given to urban authorities, with the option for further powers to Combined Authorities, large counties or groups of counties working together within appropriate arrangements.

In particular, counties require;

- Greater financial and fiscal powers to direct revenues toward infrastructure;
- A greater say in provision of the utilities serving their communities;
- Stronger consultative power on connectivity infrastructure built within county regions, and;
- A powerful executive group or individual who can engage on equal terms with Whitehall during the discussion of infrastructure development.

Fiscal opportunities for counties exist around the devolved control of the revenues associated with the hydraulic fracture extraction of shale gas and renewal energy site; counties should have greater freedom to develop these sites where there is local will to do so.

Directing resources within and across county boundaries can be difficult even when there is a strong business case to do so, due to local sensitivities regarding boundaries. Powers should be devolved to ensure there are sufficient incentives to align all partners.

The responsibility for delivering connectivity infrastructure, particularly superfast broadband, is marked by the need for greater flexibility to ensure isolated or rural communities are not ignored and equal funding settlement. In particular, there needs to be the rollout of the broadband incentive schemes from urban areas to support county enterprises and the capacity to explore a wider range of delivery options for completing the final stages of the superfast delivery process. Counties want additional capacity to create:

- **Flexible arrangements to proactively identify critical infrastructure gaps and instances of market failure before directing resources to address them.**

This would include the reform of the Community Infrastructure Levy to incentivise the cross-subsidisation of infrastructure within and across county boundaries via the transfer of resources.

- **Bespoke connectivity solutions, including financial arrangements, suited to local needs, particularly the introduction of greater flexibility into the roll out of broadband infrastructure.**
- **Flexibilities to create fiscal arrangements to direct tax revenues, including business rates, stamp duty, charges and revenue from energy sites, at clearly defined local infrastructure priorities.**

3. The option to create county level Integrated Infrastructure Strategies

Large urban areas have been devolved the power to create binding and strategic infrastructure development plans for their locality.

To ensure infrastructure planning is empowered, forward focused and effective, it should be tied into wider strategic goals. Counties should have the capacity to work with a full range of partners to define these goals then work to deliver them through the creation of Integrated Infrastructure Strategies. Where there is the need and local desire to do so, these infrastructure strategies could be invested with statutory status.

For infrastructure delivery this would mean binding together the development of infrastructure with housing, transport, regeneration and economic priorities, in line with the Strategic Spatial Plan process discussed elsewhere in this document. The Integrated

Infrastructure Strategies (IIS) would be agreed locally, with components and visions consulted on and agreed by local stakeholders.

These Integrated Infrastructure Strategies would then receive advice from core government departments and potentially be invested with sufficient powers and budgets to incentivise the involvement of partner organisations. There is clear precedent for that sort of document, both in applying the historic lesson of the Regional Spatial Strategies, and the current logic sustaining the London Infrastructure Plan 2050. These strategies could be negotiated at a multi-county level where appropriate.

If these plans were invested with statutory status, following a local desire to empower them, it would have the benefit of enabling the strategies to prioritise the allocation of available funds, as opposed to the risk that funding would be directed primarily to statutory duties like free bus travel.

The Integrated Infrastructure Strategies would also potentially enhance co-terminosity of strategic planning for infrastructure between partners.

The infrastructure priorities identified by the Integrated Strategies should be funded by a basket of devolved budgets, alongside the freedom to raise investment for infrastructure through a wider range of channels including investment funds and tax increment financing.

Cornwall's proposals to use a share of fuel duty to address the critical pothole backlog within the Cornish road network demonstrates the appetite to creatively deploy targeted funding in a way that meets critical needs. Counties need the devolved power to:

- **Create Integrated Infrastructure Strategies and Strategic Spatial**

Plans with the capacity to integrate infrastructure within county boundaries or across a number of county areas as required. The plans would have a status similar to those of urban areas. A process should be in place to ensure these arrangements can gain statutory status if required.

- Improve the alignment of transport infrastructure and services to ensure local road, rail and other strategic infrastructure mesh with county growth priorities
- Mechanisms, in addition to the IIS, for defining strategic investment

priorities across boundaries, particularly regarding investment in transport, digital and energy infrastructure, alongside the location of new developments. There should be flexibility for counties to create their own effective funding arrangements for infrastructure matched to these priorities, including bond issuance and the pooling of devolved funding.

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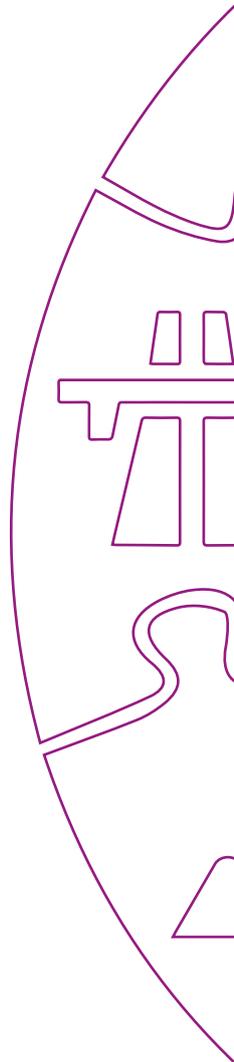
Summary

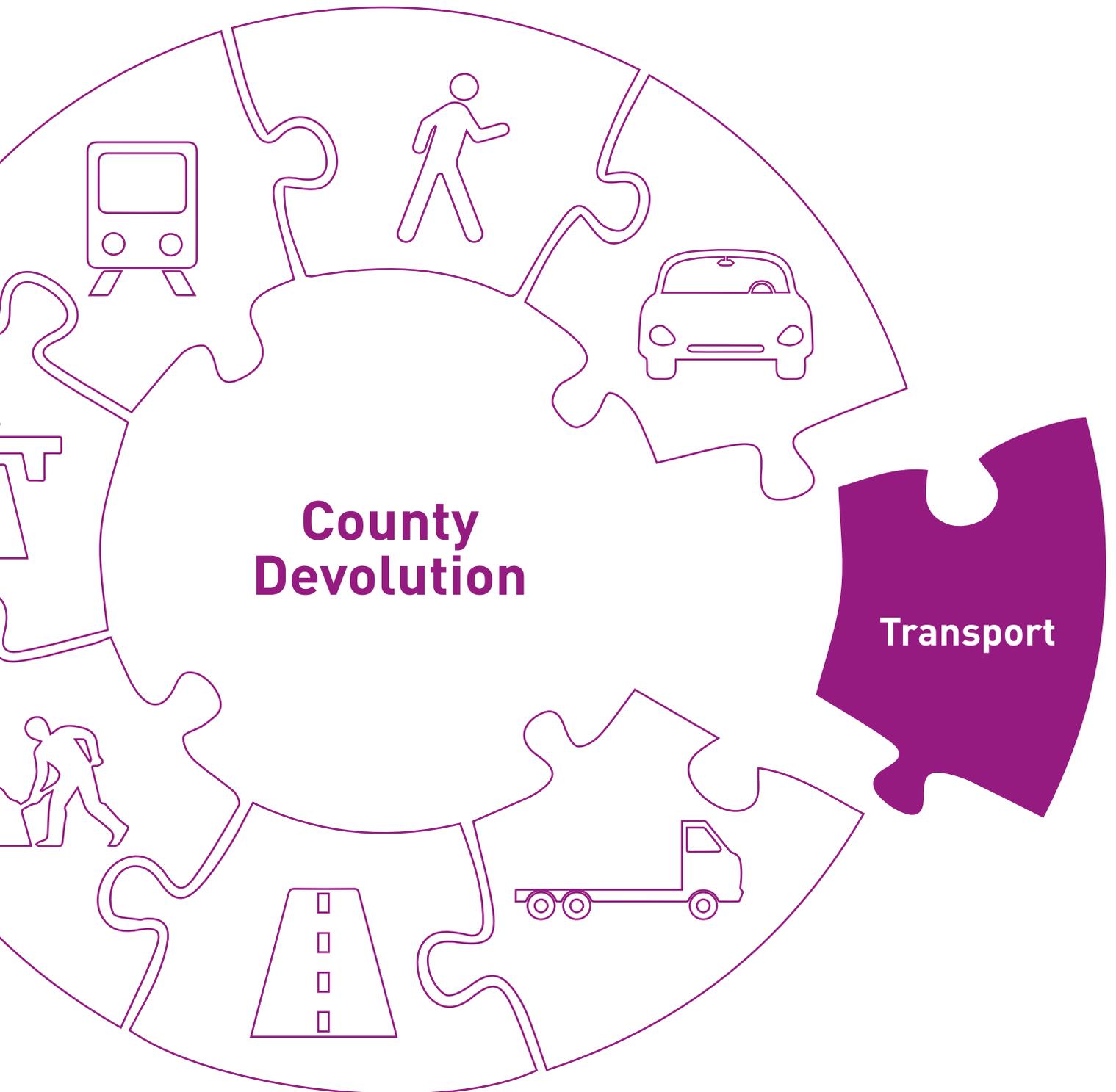
The pressure on the UK's transport network is growing year-on-year, particularly in county areas with their exposure to the impact of severe weather, large geographies and challenging demographics. The transport network in county areas must allow for an increasing number of journeys at a time when spending on highway maintenance and other transport infrastructure is under sustained strain. To meet these pressure counties must be freed to work differently.

Transport policy in county areas is a vital component of local economic planning, though it is an area where the mechanisms counties have to influence local outcomes are sharply contrasted with those available to other strategic local authorities. London in particular exercises far greater control over its public transportation than other areas and has by far the most successful public transport in England.

There is a clear need to devolve powers that would free counties to innovate. This would include the capacity to create integrated smart transport networks shaped to functional economic areas, work across county boundaries and to explore new transport franchise arrangements to ensure local transport networks are best suited to local needs.

Freedom to adapt to local transport provision to suit local circumstances is also paramount, including the opportunity to use local transport partnership arrangements to source financing for investment and potentially create travel consortiums to facilitate strategic linkages across county boundaries.





Transport

Background

Transport policy has been a prominent choice for devolution. Reserved powers have been gained by Scotland, Northern Ireland & Wales within the UK, while the operation of London's longstanding Transport for London Statutory Corporation showcases what is possible within England.

Strategic functions like managing and developing road networks, shaping public transport provision and influencing national transport planning to achieve the best outcomes are fundamental components of many strategic councils' economic growth strategies.

There is growing pressure on the UK's transport networks, particularly from large geographies, population growth, demographic change and impact of severe weather. Combined with historical pressures on local authority transport budgets and the complex web of bodies responsible for transport activity, there is widespread recognition that a new approach is desperately needed.

There is a growing consensus that transport must be directed to local needs via the involvement of local decision-makers. The Campaign for Better Transport has noted that;

*"Devolving transport powers and funding works because local decision-makers know they will be made accountable by voters...they recognise more clearly the key importance of better transport to their wider economic, social and environmental aims."*¹

The Government made encouraging initial moves towards the devolution of transport policy and funding. After announcing its 'firm intention' to devolve funding to Local Transport Boards (LTBs) from 2015,² consisting of local authorities and LEPs, the momentum slowed.

Subsequently, Lord Heseltine's report 'No stone unturned'³ recommended major local transport

project funding be devolved to LEPs. Following the evolution of the Local Growth Fund, the Government concluded 'there is probably no perfect model' for devolving transport expenditure in 2014 though LTBs are still anticipating funds by 2015. Most recently there have been ongoing discussions around Combined Authorities (CAs) and Integrated Transport Strategies.

There is also the issue of fairness in funding allocations for transport. In 2012, public transport investment in London stood at £644 per capita compared with £243 per capita for the West Midlands and the North of England combined.⁴ The net total spend on highways and transport services per mile of road stood at £36,500 in London compared to £12,050 in county areas. This discrepancy should be corrected.

Beyond funding, the control of many elements of the transport network remains highly centralised, including the Strategic Road Network and the National Rail Network. This is despite the success of devolved schemes, like the devolution of rail arrangements to Scotland, Wales, London and Merseyside⁵ and the strong consensus amongst parties and stakeholder groups that transport policy should have stronger linkages with regional economic and social priorities.

Some ambitious local authorities are looking at the type of arrangements popular in Europe, such as the German Verkehrsverbunds, which incorporate groups of local authorities and stakeholder groups into independent Travel Consortia, coordination groups designed to meet transport needs at a regional or sub-national level. Within competition guidelines, there is potentially a role for transport operators within these Consortia.

Counties have a particular pressure on their transport networks given their size, geographies and diversity combined with their relative lack of powers to direct the integrated development of their networks. There is strong and consistent desire for the devolution of powers associated transport policy from counties; CCN's Devolution Survey results showed that the majority of County Leaders and Chief Executive respondents (92%) want to see transport devolved.

However, the diversity of bodies counties must engage with on infrastructure means a one-size-fits-all approach to devolved decision-making is inappropriate. There is also huge variety in geographic transport challenges in county areas, for example small counties prioritising the creation of cross boundary linkages or rural counties focusing on connecting isolated communities. Despite this diversity, several common elements are apparent.

As with other components of devolution, the potential for counties to shape and direct the development of transport servicing their communities is noticeably lacking when compared to the powers and freedoms available to cities, most starkly London and the Greater Manchester Combined Authority (GMCA).

The creation of the Integrated Transport Authorities (ITAs) by the Local Transport Act 2008, working in partnership with Passenger Transport Executives, equipped some urban areas with considerably greater opportunities to direct local transport policy than counties. In particular, the power to create integrated smart ticketing across public transport networks and strong consultative powers regarding rail operation and line construction allows these areas to drive strategic coordination of transport networks. In particular, strategic goals were married to devolved and consolidated funding arrangements, allowing for smoother delivery of the projects designed around those goals.

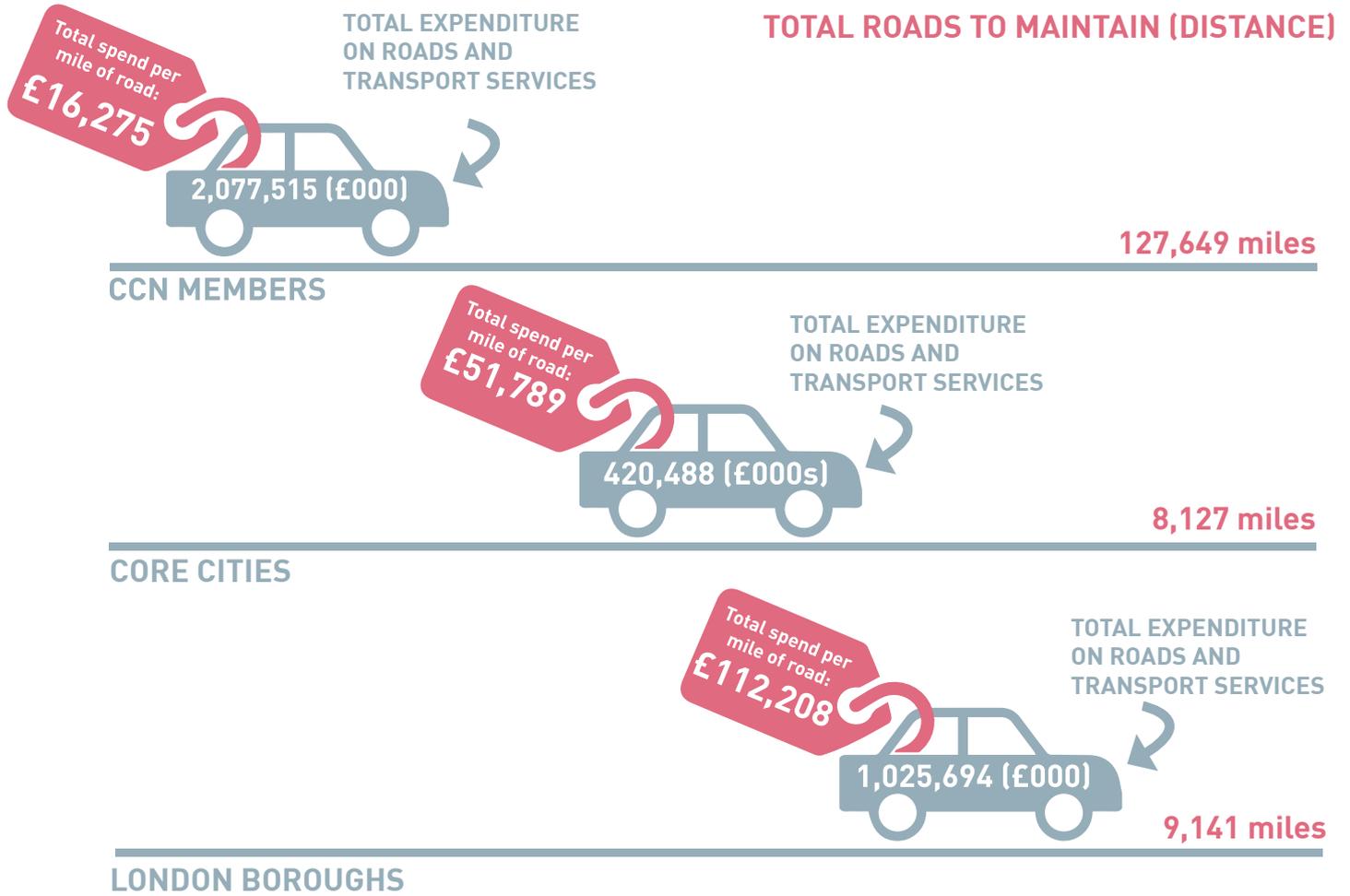
In some cities, devolved consolidated transport budgets, tailored to particular objectives and with long-term certainty, are matched by the capacity to raise investment for infrastructure through a wider range of channels allowing the them to create more effective strategic investment programmes.

Counties have long called for similar powers and the capacity to align local partners behind plans which coordinate transport with housing, regeneration, and economic priorities. Counties are actively building new arrangements, including Local Transport Bodies (LTB) and CAs, with their partners in the expectation of devolved funding and formulating ambitious integrated transport strategies but there remain significant barriers that a County Devolution Settlement could remove.

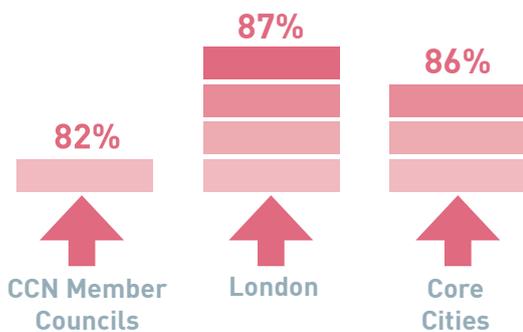
The running or regulation of local rail services, major roads and bus services are performed by a collection of Whitehall bodies, including Traffic Commissioners and the Competition Authority. This acts to inhibit effective local integration. Removing the silos Whitehall has created would free counties to create the sort of smart, simple and integrated transport arrangements that truly unlock regional growth and benefit residents.

To reflect the diversity across counties, devolved arrangements should be led by local needs. Some areas could establish County ITAs or CAs that should be invested with the same type of devolved powers and budgets as urban areas, though tailored to the context of individual county areas; but this should not be the only option. Counties with complex geographies should not be excluded from the benefits of transport devolution. Devolution arrangements should be flexible and centred on providing strong and accountable leadership on transport, both within and across county boundaries. Counties have shown a consistent and compelling ambition for this to occur.

Total Expenditure on Roads and Spend Per Mile ⁱⁱⁱ



Access to Employment via Public Transport ⁱⁱⁱ



Future Spending for Highways Maintenance ^{iv}



but CCN member councils represent is over 45 thousand square miles or 86% of England's landmass.

Call for Evidence: Wider Hampshire

Hampshire experiences a high volume of daily journeys and has the largest number of cars of any county area (800,000 in 2011). There is the aspiration to incentivise greater use of public transport and improve services for residents already choosing to travel by bus and rail.

As a component of a Wider Hampshire Combined Authority (which is being consulted on with partners as part of a model framework discussion document), Hampshire has called for devolved powers to enable more effective use of local infrastructure, supporting the delivery of better, more integrated and cost effective transport system across the county.

The potential for the pan-county Hampshire plan to place a compulsion on transport operators to participate in a countywide Smartcard ticket and require future rail franchises to utilise bus and rail smartcards, is a typical example of an ambitious scheme with huge gains for local communities and businesses. Larger bus operators would also be obliged to participate in integrated ticketing schemes in the same way as rail operators, while the greater aim would be for bus operators to accept contactless payment for ordinary fares. The smart ticketing system would feed in to the Council's ICT and intelligence led transformation processes.

Hampshire want the devolved freedom to;

- Create a fully integrated and contactless pan-county payment system would deliver tangible gains in terms of travel cost and user experience for local residents.
- Address capacity issues to sustain Hampshire's position as a nationally important, global economic gateway.

In order to realise their full economic potential, Hampshire recognises the need to form cross-county / multiple Combined Authority partnerships encompassing both public and private sector partners. With greater devolved powers, these wider partnerships will drive delivery of ambitious strategic infrastructure improvements. New powers could include, for example, devolved functions of the Highways Agency to enable more efficient local maintenance and management of the strategic road network.

Call for evidence: Cornwall

Local authorities outside of London are currently unable to plan the level of bus services or determine fare levels until bus operators have determined their own commercial network. For rural counties in particular, the provision of regular bus services to all communities can be challenging.

Cornwall, as part of a proactive plan for growth, is keen to employ a devolved integrated transport strategy to optimise their bus services while working in partnership with the Department of Transport within existing regulatory frameworks. This long term approach would deliver a high quality, stable and sustainable bus network ensuring a more stable operating base for operators, more certainty over revenue funding for contracts and a more cost-effective network. Cornwall's communities would see the benefit of reduced fare levels and increased service provision and network coverage. A wider impact would be that Cornwall could coordinate the transfer of risk from Whitehall to local partners for the delivery of a successful transport network while also delivering greater economic returns to UK as whole.

Cornwall wants the devolved freedom to;

- Secure improved value for public money and greater customer benefits.
- Improved economic outcomes for the local economy by increasing the benefits associated with greater access to employment, education and health.
- Deliver significantly improved interurban connectivity.

Devolution Proposals

Transport

Counties should be equipped with powers that will enable them to shape their local transport networks to meet local needs without asking Whitehall's permission to do so. With these powers counties would be able to improve their transport systems and offer value for money.

CCN's *Our Plan for Government* noted that counties have less powers to shape their local transport networks than urban areas, needlessly limiting economic growth and preventing access to similar opportunities for transport network improvement.

This is not a situation where a one-size-fits all devolution of particular functions to a uniform set of arrangements is effective.

Instead devolution needs to be guided by a broad set of common principles that can then be shaped and tailored to local needs. If counties require the capacity to work across county boundaries to best address strategic transport challenges, they should be free to do so.

To tie transport planning into broader spatial priorities, these arrangements should feed into the creation of the Sub-Regional Strategic Spatial Plans detailed elsewhere.

Any government aiming to support counties in meeting the transport needs of their residents should consider the adopting the following proposals;

1. Devolved powers and budget necessary to integrate and transform public transport and transport networks

The long standing Transport for London Corporation and more recent Greater Manchester Agreement provides a potential blueprint for how many aspects of transport devolution could work. There is the common

aspiration from counties to exercise similar powers at the level of their functional economic area and emulate their success.

The Agreement described a consolidated devolved transport budget that the Greater Manchester Combined Authority can use to address strategic spatial priorities. This budget would be linked to new strategic planning powers that combined would allow Manchester to deliver a statutory spatial strategies. A county or group of counties should have the option of accessing a similar budgetary arrangement to meet integrated transport goals.

The devolved budgets would not consist of additional resources. Instead they would be a mix of existing funds spent in the area combined with proceeds of earn back deals or other mechanisms for capturing the proceeds of growth locally to secure future transport investment.

Greater budgetary control would be matched by the devolved control of public transport franchising to ensure routes best serve local economic and social needs.

Alongside the gains for economic growth and local residents, the devolution of transport powers would be a powerful tool for improving sustainability outcomes. The devolution of powers would allow for a more joined up approach that prioritised public health and environmental impacts when considering public transport, economic growth and transport investment. This approach would be compatible with a greater emphasis on incentivising and facilitating positive outcomes, including increasing commuting via cycling and encouraging children to walk to school.

To exercise a stronger coordination role in driving the improvement of transport, counties require;

- **Greater devolved control of public transport, including the capacity to instruct operators to work towards integrated ticketing across their functional economic area in line with smart transport card technology. All rail station and route planning proposals would also have to take material consideration of local transport priorities.**
- **Devolved control of local transport budgets including decision-making on funding for concessionary travel, control of public transport fuel subsidy and the Bus Service Operation Grants.**

2. The control of local transport policy should be devolved to the strategic level local communities feel best fits their needs.

Freedom to ensure the effective coordination of public transport across county boundaries is vital. It can support non-metropolitan growth and increasing the provision of transport to rural communities.

Mechanisms already exist for integration, but must be backed by devolved powers and funding to incentivise local partners to fully engage with the process. There should be a recognition that the diversity in county geographies and transport priorities needs to be matched by the freedom to combine in a range of arrangements to address them.

There are a variety of potential arrangements for transport devolution. The key criteria for selecting the appropriate arrangements should be the ability to provide robust accountability combined with the capacity to reflect the needs of the relevant local functional economic

area(s). The arrangements should also have an empowered executive function, to effectively champion transport improvement and identify strategic transitions within UK transport, like the shifting patterns in access to transport.

Local Transport Bodies (LTBs) have been set up in 38 areas to facilitate the devolution of transport infrastructure funding from the Department for Transport and provide coherent cross-boundary leadership. They will receive funding in 2015.

The funding, operation and powers of the Bodies need to be fully clarified. There should be an effort devolve powers wherever feasible, including allowing counties or LTBs to take on the local functions of the Highways Agency where there is a strong argument to do so.

In addition LTBs need greater autonomy from Whitehall and assurance processes are potentially problematic. The Department for Transport (DfT) stipulates that devolved major scheme funding is only to create or improve a physical asset, rather than maintain it. The DfT also defines the criteria by which schemes are assessed. LTBs need more certainty over the scope of their devolved budgets and powers in order to plan successfully. There is also the potential for partner organisations to hold an effective veto over the actions of the actions of the LTBs. As democratically accountable bodies with strategic oversight, counties should potentially have a clear leadership role within any empowered LTB arrangements.

Counties should have flexibility to develop local governance which meets local needs and can draw down devolved powers. If geographic challenges require arrangements that cut across county boundaries, Joint Committees or similar arrangements should be available. Other types of arrangements, including Travel Consortium, which could operate on a larger regional basis

and include a wider range of partners, should be considered where there is the local desire and need for their creation. All arrangements should be designed to fit with the requirements of the Sub-Regional Strategic Spatial Plans.

The devolution of strategic transport policy could, depending on local economic and physical geography, be best served by a CA arrangement, but authorities that choose not to form a CA should not be disadvantaged.

To ensure transport policy can effectively work across county boundaries, counties require:

- **Stronger consultative powers regarding UK travel infrastructure funding to ensure that it accurately targets local transport needs and addresses strategic challenges like traffic congestion.**
- **The flexibility to fully empower County ITAs, CAs, Local Transport Bodies or other local arrangements at a county or cross-county level to address strategic transport priorities. These local arrangements, should be empowered with appropriate devolved transport powers.**

3. Funding flexibility and fairness

Underpinning the devolution of powers, there needs to be long term certainty around devolved transport funding. Crucially, the Government needs to redress the imbalance in revenue and capital funding between rural and urban areas. There is also an urgent need for the type of consolidated transport budgets that have been seen as a component of ITA arrangements and support in accessing different sources of transport investment funding, including EU funding. The recent notice from the European Commission that current local engagement in

delivery arrangements is non-compliant with EU funding regulation means forming new devolved arrangements for counties to direct EU transport funding is particularly urgent.

Ideally all public spending on the transport in a locality should be integrated into a single fund and devolved, improving efficiency by breaking down silos. Additionally counties should have stronger consultative and instructive powers over the spending in their areas through engagement with the Highways Agency, National Rail and other stakeholder groups.

A new fairer funding formula for non-metropolitan travel infrastructure, which would be in line with the CCN *Our Plan for Government* proposals, should be matched with flexibilities for counties to source other funding streams. To ensure Whitehall fairly acknowledges the specific economic and social contributions public transport makes to the success of rural communities these contributions should be a material funding consideration whilst allocating funding.

Counties should have greater freedom to plough funding generated by transport assets back into improving transport infrastructure. Devolution should also provide access to alternative routes to investment, including bond issuance, and the opportunity to establish new arrangements, including strengthening LEPs as a channel for investment via revised assurance frameworks and investment boards.

To ensure counties can invest in transport networks effectively, counties require:

- **The removal of artificial incentives or barriers surrounding transport funding combined with a 10 year funding horizon to ensure long-term plans deliver value for money.**

- **Freedom to seek market solutions for transport investment and direct revenues from traffic management and parking schemes towards transport priorities.**
- **Freedom to lead on the strategic development of devolved ‘Operational Programmes’ to access EU regional development funding and direct it to county transport priorities.**

REFERENCES

¹Campaign for Better Transport, *Making Transport Local: Devolution of Transport in England outside of London*, 2014

²Department for Transport, *Local Frameworks for Funding Major Transport Schemes*, 2011

³Department for Business Innovation and Skills, *No Stone Left Unturned: in pursuit of growth – Lord Heseltine Review*, 2012

⁴Core Cities, *Prospectus for Growth*, 2013

⁵Department for Transport, *Rail Decentralisation Consultation Responses*, 2012

INFOGRAPHICS

ⁱAll stats via LG Inform, sourced from Communities and Local Government unless otherwise stated

ⁱⁱ Miles of road maintained by administrative area, LG Inform, Department of Transport

ⁱⁱⁱ Access to employment via Public Transport, LG Inform, Department of Transport

^{iv} Future spending for highways maintenance, Highway maintenance funding allocations: 2015/16 to 20/21, Department of Transport, <https://www.gov.uk/government/publications/highways-maintenance-funding-allocations-201516-to-202021>

Summary

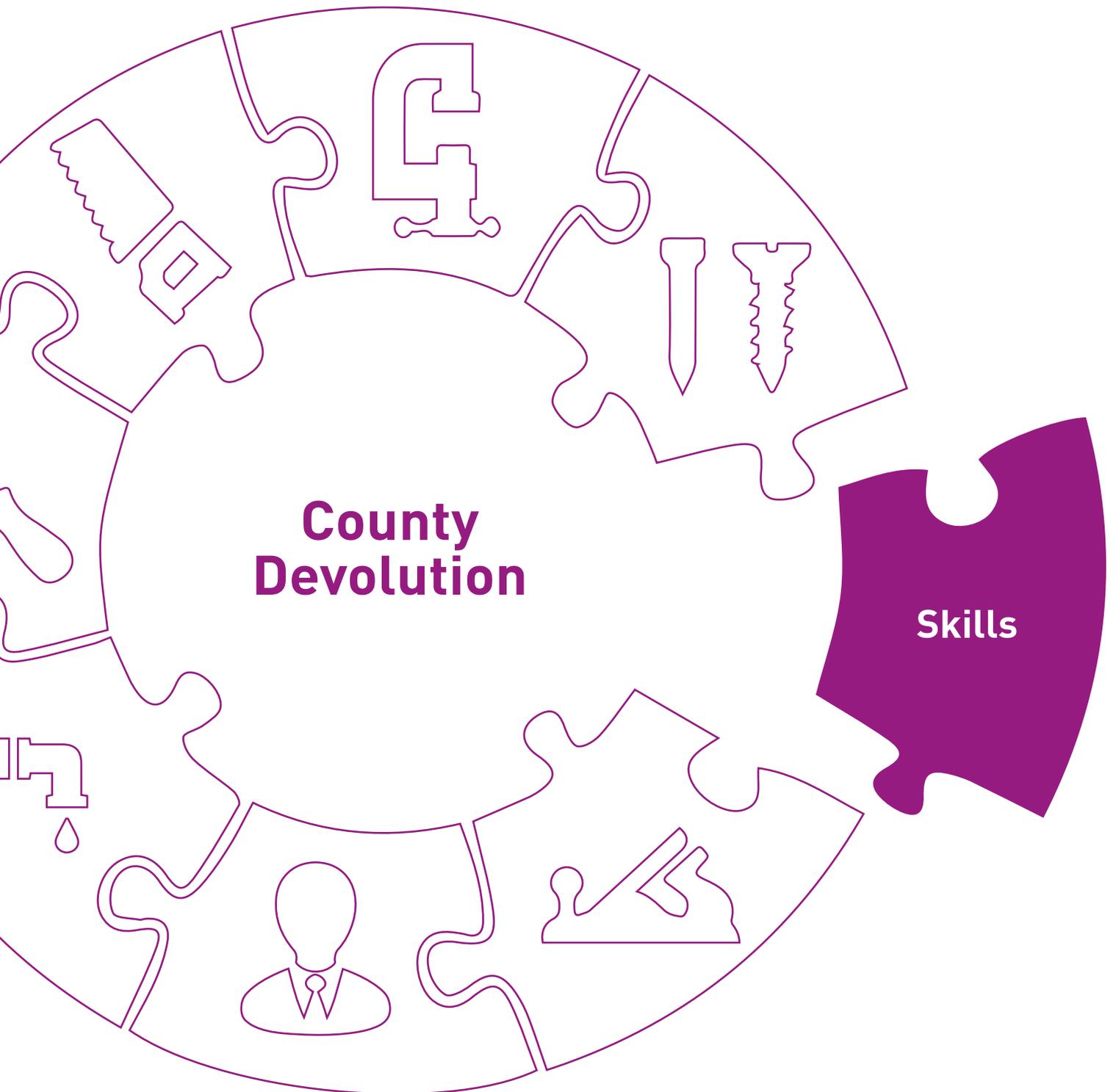
The skills system is driven by learner demand, but too often learners' decisions have not been informed by rigorous advice and guidance. Often learners are guided by current provision, which continues to be offered due to historic demand. As a result training is not preparing people to fulfil their potential within current and future labour market realities.

The distribution of government funding follows this cycle and perpetuates this inertia. Additionally skills and economic needs are different in different localities. Centrally designed and administered policy and programmes are not adequately addressing these varying needs.

Addressing the UK's systemic skills mismatch could have a big impact on some persistent challenges for the country's economy. Equipping people with appropriate skills will be central to increasing productivity, reducing youth and long term unemployment, ensuring sustainable economic growth and reducing demand on public services across the country.

Although counties generally perform well in terms of skills there is still huge potential which could be unleashed through empowering local areas. A comprehensive skills devolution and decentralisation deal should be made available to all areas of the country.





Skills

Background

The skills system is driven by learner demand, but too often learners' decisions have not been informed by rigorous advice and guidance. Often learners are guided by current provision, which continues to be offered due to historic demand. As a result training is not preparing people to fulfil their potential within current and future labour market realities. The distribution of government funding follows this cycle and perpetuates this inertia.

Additionally skills and economic needs are different in different localities. Centrally designed and administered policy and programmes are not adequately addressing these varying needs.

We know that skills and work readiness is perceived as a priority challenge by business. The 2014 British Chambers of Commerce Workforce Survey found that;

“businesses overwhelmingly feel that many young people are not adequately prepared for the workplace upon leaving the education system.”¹

They suggest that stronger links must be formed between educators and business to better prepare young people for work.

Addressing the UK's systemic skills mismatch could have a big impact on some persistent challenges for the country's economy. Equipping people with appropriate skills will be central to increasing productivity, reducing youth and long term unemployment, ensuring sustainable economic growth and reducing demand on public services across the country.

We welcome the Government's initiative to reform the skills system,² along with some moves to empower businesses and local partners to help shape skills provision. However we do not think this has gone as far as it could in achieving better outcomes. We share Government's vision

to secure a high quality, rigorous and diverse range of provision that responds to the needs of every individual.³ We believe that this can be best achieved through empowering local areas to join up key services and stakeholders; incentivise local partners; and reallocate centrally retained budgets to reshape local skills systems.

Lord Heseltine recommended that the majority of central government skills funding should be devolved to local areas. Unfortunately, so far, this ambition has not been matched by Government. Skills and employment support initiatives have been agreed through City and Growth Deals; however these have been limited in their scope and ambition. Some skills budgets have been made available through Local Enterprise Partnerships; however complicated and restrictive processes have meant that their potential has not been fulfilled.

Since the Scottish Referendum we have witnessed greater progress in City areas. For instance, the devolution of the Apprenticeship Grants for Employers and power to re-shape further education provision as part of the devolution package agreed with Greater Manchester. Sheffield City Region Combined Authority are also set to receive devolution of the majority of the Adult Skills Budget, an approach that could also be extended to West Yorkshire Combined Authority.

Although counties generally perform well in terms of skills there is still huge potential which could be unleashed through empowering local areas. A comprehensive skills devolution and decentralisation deal should be made available to all areas of the country.

Overall counties perform well on education and skills. However, as with other areas across the country, the skills system is leading to serious skills misalignments and gaps. The pattern and scale of misalignment is similar in counties to city and metropolitan areas.⁴ CCN have calculated that the value of addressing this skills misalignment within counties would add approximately **£8.2 billion GVA** to the country's economy and help **698,425 more people into jobs**.⁵

Fostering high skilled and growth sectors through appropriate training and qualifications will be fundamental to raising the productivity and sustainable growth of the country.

Some counties, particularly those in the south and south east, have extremely high productivity levels (with many performing above the UK 100 Index)⁶ and very high skills levels and wages.⁷ The levels of performance in these counties is internationally competitive, and far outstrips the value of England's core cities and metropolitan areas. There is some symbiosis with London, but counties build on this and add much of their own value to this. These are the true dynamic, innovative, economic hubs of the country and the drivers behind our sustainable growth and productivity. We must support our hubs and give them the powers to capitalise on and perpetuate their success, if we want to improve our national competitiveness.

Conversely some counties have low productivity (below that of the core cities),⁸ low wages⁹ and have seen a decrease in employment over the last few years.¹⁰ These also tend to have lower skills levels and higher deprivation than other county areas.¹¹ If we are to increase the performance of the country it is imperative that these areas are given the tools they need to improve their skills systems and provide opportunities for their communities and businesses. Allowing cities only to address local economic issues will miss the vital opportunity to

build the economies of the north, midlands and west and put our national economy on a sure foundation.

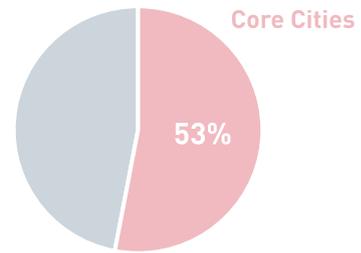
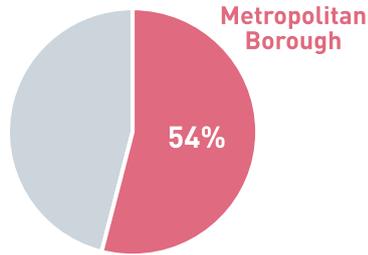
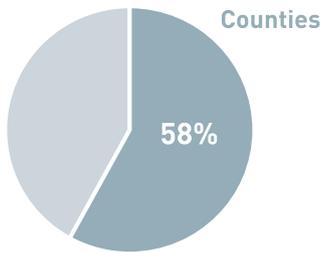
Counties also face a long-term structural challenge – we have a larger proportion of older people and a lower proportion of 0-24 year olds than other types of economy.¹²

This highlights the importance of ensuring that young people have the skills they need to find appropriate work and that people are supported throughout their lives to upskill and achieve their potential. It is also key that counties are enabled to develop the systems and infrastructure needed to support business growth and employment in counties.

It is clear that all local areas must be empowered to be responsive to changing and emerging industries and skills needs. This will include the ability to work with business and providers to shape high skilled vocational career paths which are clear and attractive to students.

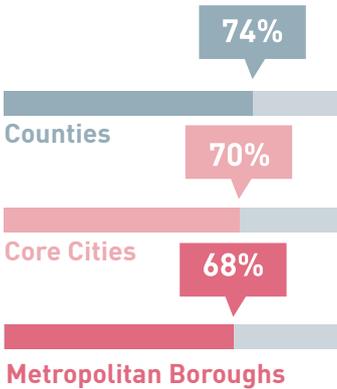
HEADLINES

Counties have a relatively high proportion of young people achieving 5 GCSEs A*- C:ⁱ

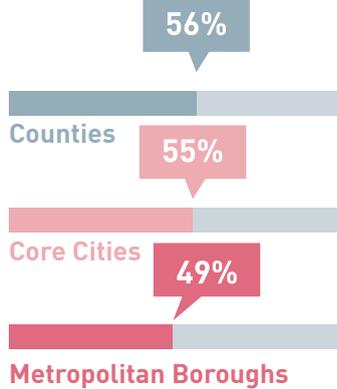


Counties have relatively high levels people achieving qualifications:ⁱⁱ

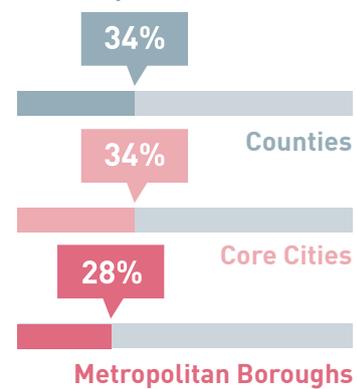
Level 2 qualification:



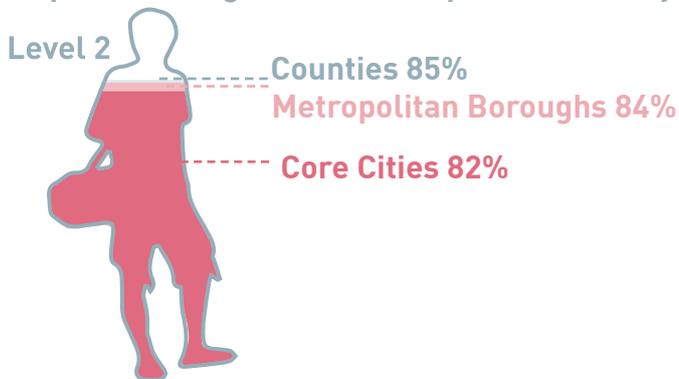
Level 3 qualification:



Level 4 qualification:



People achieving level 2 and 3 qualifications by age 19:ⁱⁱⁱ



County economies have a high proportion of skilled trades:^{iv}



Counties have relatively high earnings:^v



Resident base £516
gross pay per week



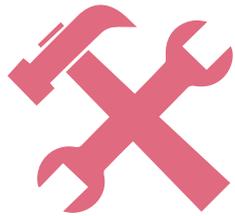
Work base £483
gross pay per week

BELOW THE HEADLINES

County Skills Gap



Skills gap: Hair and Beauty: **around 44,000** people training, for **around 4,200** vacancies, a ratio of over **10** people training per job.^{vi}



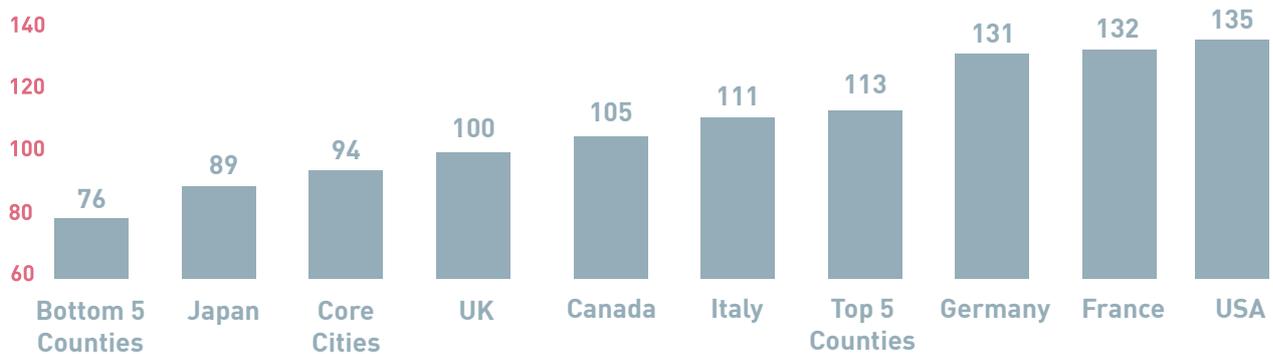
Skills gap: Building Services and Engineers: **around 17,000** people training for **around 27,000** vacancies, over **one third** of these high value jobs are not being trained for.^{vii}



Addressing the skills misalignment within counties could ... **add approximately £8.17 billion** GVA to the country's economy and support **698,425 more people into jobs.**^{viii}

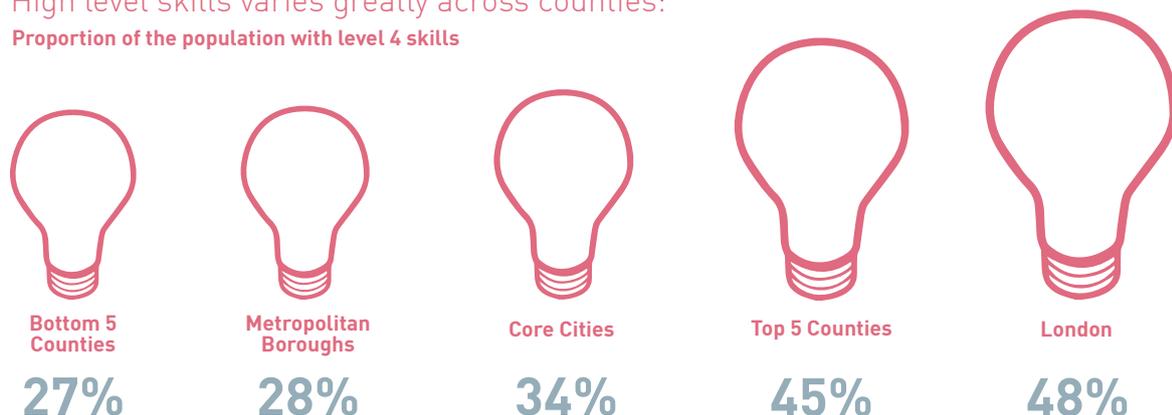
Varying Performance Across Counties

Productivity of counties varies greatly, and the productivity of the country is low^{ix}



High level skills varies greatly across counties:^x

Proportion of the population with level 4 skills



Devolution Proposals

Skills

To combat youth and long-term unemployment, increase productivity and meet the pressures of an ageing population we need to ensure skills provision is preparing people to enter in to meaningful employment and offering opportunity to upskill throughout their lives.

In our research supporting this project Council Leaders and Chief Executives listed skills powers and budgets as one of their top priorities for devolution. There was also a strong steer from our member councils that skills devolution could be an early measure taken by Government that would see benefits for all involved.

Local partnerships are uniquely placed to tailor services to need, join up partners and provision and create a local marketplace for employment, skills and learning for all stakeholders. They are able to utilise detailed information and understanding of local communities to design and influence provision.

Different county areas will have different governance mechanisms for taking on devolved powers and engaging with partners. In many places these are business-led, such as LEPs or Employment and Skills Boards, with strong business, provider and local authority representation.

We believe that this approach could be maximised by the devolution and decentralisation proposals set out below.

1. Devolved power to reshape post-16 skills provision

As identified in Lord Heseltine's' review of economic growth, the **Adult Skills Budget should be devolved to local areas**, so that they can shape the skills system to meet local economic and social needs.

Local partnerships should be empowered to work closely with colleges, providers and

businesses to determine funding allocations for provision of post-16 study. This would ensure funding follows the current and future needs of the economy, including preparation for growth and emerging high value industries. Multi-annual settlements could be agreed by the local partnership to ensure stability for colleges and businesses.

There could also be a role here for empowered local partnerships to help support the development and transition of colleges and to develop local initiatives such as 'employability accredited qualifications' which encourage considerations of business realities in provision and learning.

The introduction of learning loans presents an opportunity to influence learner incentives and shape the system to align with local and national needs. Local areas are in a unique position to understand what is needed and put in place measures to influence an achieve this. For example these could include powers to define loan eligibility criteria, or offer differential interest rates. Devolution would also allow local partnerships to join up support around demographics who may find this means of funding difficult to access.

We welcome initiatives to channel apprenticeship budgets through employers. The value of this could be maximised by devolution. Local partners, working closely with businesses could help more organisations set up apprenticeships and pump prime key sectors.

Local partnerships could also have an important role in increasing the number of 24+ year olds who take up apprenticeships, through designing joined up support around this demographic and businesses.

As part of new devolved and decentralised skills provision, we call for a new approach to shaping

the post-16 skills system through **devolution of the Adult Skills Budget**, in particular:

- **Funding allocations for providers of post-16, vocational study should be determined by local partnerships to meet local economic growth priorities.**
- **Local partnerships should be empowered to shape the Further Education loan system, incentivising the completion of training and qualifications along local business and economic priorities.**
- **Budgets to allow local partnerships to support local businesses to maximise the quality and quantity of apprenticeships and ensure the suite of provision anticipates future economic needs.**
- **Traineeship budgets should be devolved to the local level, so that they can be best targeted to support vulnerable people and meet economic priorities.**
- **Endorsement by Central Government of a stronger approach to joint collection and sharing of skills, employment and labour market information.**

2. Power to oversee and strengthen careers advice

It is key that learners are provided with useful advice and guidance about the realities of the labour market, before they make important decisions about education, training and work. It is clear that careers advice arrangements as they stand are not achieving what they could.

As well as technical, job specific skills businesses also cite lack of 'softer skills' such as

planning and organisation, customer handling, problem solving and team working in connection with a substantial proportion of skill-shortage vacancies.¹³ We must ensure that options and career paths, for both academic and vocational routes, are clear and provide value for young people.

City Deals have seen powers to oversee careers advice and link employers with providers devolved to some local areas – this should be made available to all local areas which are ready.

Local partnerships should be empowered to play a crucial role in overseeing careers advice from pre-16, in schools and colleges. This could include the power to require schools, colleges and skills providers to use evidence on local employment needs and approved materials to support their careers advice. In addition, they should publish information on the outcomes secured by learners on different study programmes.

Local partnerships should also be empowered to play a strong role in building relationships between local businesses, schools, colleges and skills providers. This could allow young people to have a more active, realistic and inspiring engagement with business before they take choices and enter work.

As part of new devolved and decentralised skills provision, we call for a new approach to the provision and overview of careers advice:

- **Local partnerships should be empowered to strengthen and shape careers guidance locally.**

3. Real local control over European Social Funding

The resources available through the European

Skills

Social Fund (ESF) should present a significant opportunity for local partners to augment employment and skills provision and secure economic and social outcomes. Unfortunately decisions on process taken at the national level have imposed a rigid control framework on local partners and have, in effect, replicated Whitehall silos at the local level.

To tackle this issue we suggest that Government allow local partners to use devolved money to match ESF at the local level and free local partners from the nationally imposed control framework and from operational restrictions. This would work alongside a devolved Adult Skills Budget, where local schemes and funding can be aligned and value for money maximised.

As part of new devolved and decentralised skills provision, we call for a truly local approach to European Social Funding:

- **Local partnerships should be granted the flexibility to use ESF monies to address local needs, rather than deliver to prescriptive national frameworks and restricted operational processes.**

Call for Evidence: Wider Hampshire

While a highly successful economic region, Hampshire's continuing economic success is contingent on the ability of businesses to secure skilled workers to compete nationally and internationally. Despite growing demand for high skilled workers, a significant proportion of residents of working age have no qualifications and businesses continue to cite a lack of employability skills as a barrier to growth. Across Wider Hampshire there also remain too many NEET young people (those not participating in education, employment and training).

There are barriers to addressing these challenges within the existing fragmented skills system:

- Across Hampshire County Council alone there are broadly 43 different providers of further education. Any one provider could receive funding from up to four different sources and it is not transparent who is delivering what in the Wider Hampshire area.
- In 2014/15 the EFA will spend £224.4m across Wider Hampshire, excluding the high needs top up. In addition, the SFA will spend at least £50m, bringing total spend in the areas to around a third of a billion. Local authorities have very little influence over this funding, despite being responsible for educational outcomes and participation levels.

Wider Hampshire wants the devolved freedom to:

- Join up delivery of skills, training and employment schemes, ensuring local provision is responsive to local labour demand, supporting young people to participate in education and training and enabling more people to access work.
- Create a single pot for post-16 young people's and adults' funding locally, with a balance between national criteria on how funding should be used and local discretion.

Call for Evidence: Cornwall

Improving skills levels and training opportunities is vital. Although Cornwall have seen improvements, over a fifth of the economically active population have no qualifications. In some neighbourhoods over a quarter of the working age population are claiming out of work benefits. These areas suffer from high levels of worklessness, low educational achievement and lower life expectancy which the Council and partners are determined to address.

Having access to a workforce with the right skills is essential to the economic prosperity of Cornwall. Cornwall's geography and distance from major economic centres presents challenges in recruiting and retaining workforce and it is therefore critical that they develop local skills to meet the area's future economic needs. As Cornwall seeks growth in new areas such as renewable technologies and witnesses a skills gap in growing areas of demand such as adult social care, it needs to ensure that skills funding is focused upon areas of future demand and local need.

Cornwall's proposals:

- Increased local involvement in the planning cycle of skills funding would enable a noticeable shift in the curricula delivered to meet our future economic needs. This could include wider provision of apprenticeship frameworks (and a corresponding increase in the number of opportunities delivered).
- Introduce a uplift for smaller group numbers in particular geographic locations where there is not a major campus to ensure local people will have access to skills development which will make their local community more economically vibrant. In Cornwall this would secure equality of access for their more rurally isolated communities to progressive skills development in line with their Community Learning Strategy.

Call for Evidence: Derbyshire

Employers across Derbyshire and Derby city are clear that recruiting appropriately skilled people is the challenge to their sustainable growth. There is evidence of skills needs at all levels.

The ability of businesses to move up the value chain and increase productivity is dependent on their ability to access appropriately skilled workers. Current efforts to tackle unemployment and to achieve the ambition of becoming NEET-free will be undermined if appropriate skills and training, together with high quality careers advice and guidance, is not available or accessible to all residents, particularly young people.

Derbyshire's proposals:

The proposed D2 Combined Authority will facilitate the stronger governance environment needed to drive through these proposals. A local board is proposed to help drive delivery of the proposal, supported by a strong framework for securing employer, provider and labour market input/ challenge.

- Creation of a 21st Century Guildhall which will provide a coherent and understood local 'marketplace' for employment, skills and learning opportunities to all stakeholders.
- Strengthen and shape the duty placed on schools regarding careers guidance. For example, Government works with the D2 CA to create a relevant framework of Careers Guidance.
- Creation of a standardised D2 'employability accredited qualification' that will be developed in partnership with local employers, training providers and DWP Job Centre Plus and allocates
- A stronger approach to the joint collection and sharing of data on employment and skills and reinforces this commitment by entering into relevant data sharing agreements.
- Government commits to working with the proposed D2 CA to identify how we can immediately become part of the commissioning process of central government funded employment and skills budgets.
- Government commits to working with the proposed D2 CA to identify and implement suitable approaches to devolve appropriate Employment and Skills budgets and responsibilities for with an aim to devolved funding being in place 2017 – 2018.

Call for Evidence: Essex

Essex business leaders, skills providers and local authorities share Ministers' aspirations for a skills system that meets the needs of employers, delivers value for money, and places vocational and academic learning routes on an equal footing.

Essex's skills challenges include:

- Relatively poor skills & basic skills gaps in the workforce impede growth & employability.
- Key sectors for growth and productivity (advanced manufacturing, medical technologies, health/care economy, logistics, renewable energy & digital/creative industries) need higher level academic, practical & technical skills to compete & innovate.
- Preparing young people for higher value jobs & up-skilling the workforce are vital.
- The skills system needs systemic change & greater localism.

Essex's proposals:

Our proposals are built on principle of devolution to the Essex Employment and Skills Board (ESB) - a business-led partnership which is already working with providers, employers and local authorities to remould local skills provision.

- Multi-annual funding allocations for providers of post-16, vocational classroom-based study, including capital, should be determined by the Essex Employment and Skills Board (ESB).
- The ESB should be empowered to require skills providers to use evidence on local employment needs to support their careers advice, and to publish information on the outcomes secured by learners on different study programmes.
- The ESB should be empowered to shape the FE loan system for Essex residents, incentivising the completion of training and qualifications demanded by local employers.
- The ESB should be granted the flexibility to use European Social Fund monies to address local needs, rather than deliver to prescriptive national frameworks and restricted operational processes.

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- ⁷ *Office of National Statistics. Statistical bulletin: International Comparisons of Productivity - First Estimates, 2013 (October 2014)*
- ⁸ *Office of National Statistics. Sub-regional productivity (September 2014)*
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- ¹⁰ *Shared Intelligence (March 2015)*
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- ^{II} *NOMIS. Annual Survey (2013)*
- ^{III} *NOMIS. Annual Survey (2013)*
- ^{IV} *ONS. Census 2011*
- ^V *NOMIS. Annual Survey of hours and earnings – resident analysis (2014)*
- ^{VI} *LGA. 100 Days, Localised Data, Skills (March 2014)*
- ^{VII} *LGA. 100 Days, Localised Data, Skills (March 2014)*
- ^{VIII} *CCN calculation using LGA. 100 Days, Localised Data, Skills (March 2014)*
- ^{IX} *ONS. subregional productivity (September 2014) & ONS. International Comparisons of Productivity, final estimates for 2013 (February 2015)*
- ^X *NOMIS. Annual Survey (2013)*

Summary

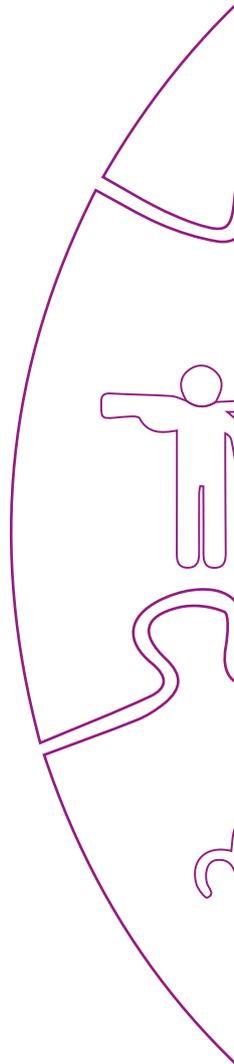
Recovery has taken place in the years following the recession, with national unemployment levels now below the 6% mark. However, there remain some fundamental issues which need to be addressed, including long-term and youth unemployment, complex needs and deprivation.

These issues exist both in city and county areas. Although counties perform relatively well in headline terms, they still struggle with poorly performing areas and demographics. They hold some communities of complex need, real deprivation and structural unemployment.

Additionally Government initiatives such as the Work Programme and Youth Contract are failing to deliver outcomes for certain demographics, particularly vulnerable people and those on Employment Support Allowance.

Youth and long-term unemployment put strain on the economy and public sector, and limit people's life chances. The current top-down model is not delivering. County areas have shown that approaches tailored to local needs have the ability to deliver, in a way that centrally designed and administered programmes have not. With appropriate empowerment counties have huge opportunities to secure young people's futures, bring long-term unemployed people back in to work and address areas and demographics of complex need.

CCN are calling for a comprehensive devolution settlement for England. This includes joint commissioning of employment services between local areas and government departments, empowering local areas to bring partners and services together in a place-based approach and devolving budgets to allow local areas to directly improve outcomes.





Employment

Background

Following the recession, economic recovery has been taking place over the last few years with national unemployment now below the 6% mark.¹ However, there remain some fundamental issues which need to be addressed, including long-term and youth unemployment and complex needs.

The recession has hit young people particularly hard. It is widely understood that youth unemployment can have long-term effects to the individuals and communities involved, such as lower earnings and periods of unemployment throughout life, as well as health and social impacts. It is imperative that we ensure the whole system works to support young people at risk of becoming NEET (Not in Employment, Education or Training) to gain quality skills and find meaningful employment.

Equally, well-tailored services need to be available to support people to find sustainable employment who have been long-term or recurrently unemployed.

This kind of complex need requires a joined up approach from public services. Particularly in bringing employment, skills, mental and physical health services together around communities, families and individuals. It has been demonstrated that local, place-based approaches can address complex need and secure sustainable outcomes, in a way that centrally administered programmes have not.

Government employment initiatives, such as the Work Programme and the Youth Contract, are not delivering as well as they could. This is particularly pronounced when looking at outcomes for those who are 'hardest to help' and who are long-term unemployed. A snapshot in the summer of 2014 found that only 27% of those aged 25 and over who completed the Work Programme achieved employment outcomes. For those on Employment and Support Allowance (ESA) only 11% achieved employment outcomes.²

In a review of the Work Programme, the Public Accounts Committee found that mechanisms put in place by Government *'have not been effective in preventing contractors from focusing on easier-to-help claimants and parking the harder-to-help clients, often those with a range of disabilities including mental health challenges.'*³

Local partnerships could play a vital role in calibrating incentives and targeting resources to meet local need.

Youth and long-term unemployment put strain on the economy and public sector, and limit people's life chances. A review commissioned by the Department of Work and Pensions found that being out of work for long periods was generally bad for your health, resulting in a two-to-three times increased risk of poor general health and a two-to-three times increased risk of mental health problems.⁴

The current top-down model is not delivering. With appropriate empowerment counties have huge opportunities to secure young people's futures, bring long-term unemployed people back in to work and address areas and demographics of complex need.

For every £1 of public spending saved by getting somebody back into work...ⁱ



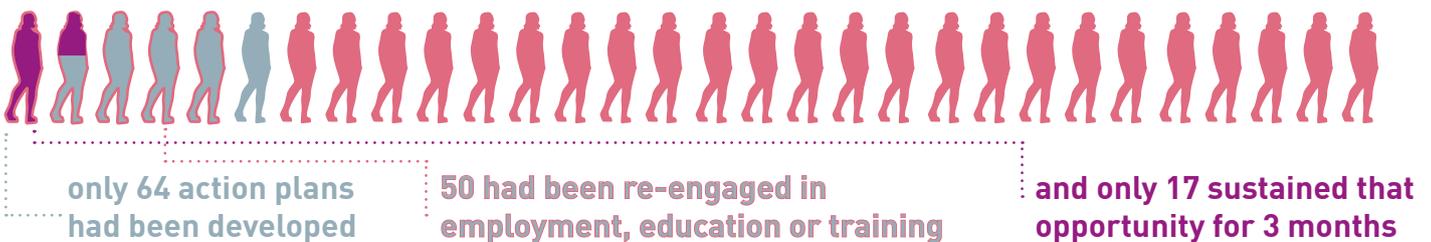
Of those who had completed the full two years of the Work Programme in July 2014...ⁱⁱ



As of September 2014, 1.6 million people had joined the Work Programme...ⁱⁱⁱ



As of February 2014, 303 young people had been referred to the Youth Contract in Essex^{iv}



County areas perform relatively well in terms of employment. However, below the aggregated picture there are areas and demographics within counties which contend with issues including long-term unemployment and low skills. The needs of these individuals and communities are often complex and inter-dependent. If support fails to properly address these needs there are consequences for the individuals, communities, and local economies.

On average county economies are low on the deprivation scale, they show the lowest levels of unemployment⁵ and the lowest proportion of workless households.⁶ As of quarter three of 2014/15, CCN's membership were showing 5% unemployment on average.⁷

However, affluence and deprivation varies across counties. Some counties are relatively high in terms of deprivation and other more affluent counties still hold pockets of real deprivation and complex needs including low skills and unemployment. In fact, of the top ten most deprived areas in the country the 1st, 2nd and 7th are within counties. Counties hold communities which present particular needs such as substantially rural areas, coastal communities and areas where traditional trades and industries have become redundant.

Counties have also varied widely in the growth they have seen in employment in the last few years. Between 2009 and 2013 total employment levels in CCN members has remained relatively steady. However, some areas have experienced above average growth in employment and others significant decline.

Counties have the lowest proportion of people claiming out of work benefits.⁸ Of those that do, counties have the smallest proportion accessing Job Seekers Allowance. However, they have the highest proportion of claimants accessing Employment Support Allowance

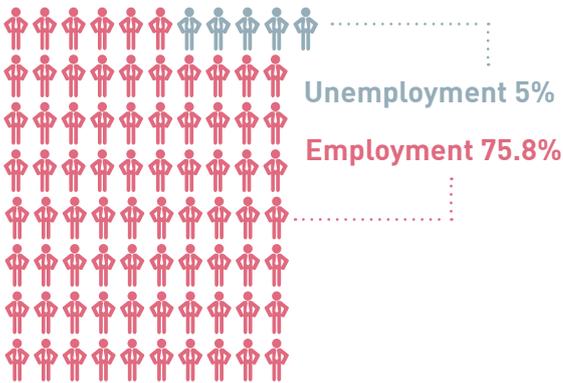
(ESA) or Incapacity Benefits, at over 64% of all out of work claimants in their areas.⁹ We know Governmental programmes such as the Work Programme are failing to reach people on ESA – it is therefore imperative for counties that this is rectified.

Outside of London counties have, on average, the lowest rates of 16-18 year olds not NEET.¹⁰ Although their performance is generally good, counties are not performing as well with NEET figures for some demographics, for example care leavers¹¹ and youth offenders.¹² Additionally, the proportion of young people who are NEET in the UK is above the OECD average.¹³ This means that, although counties are performing comparatively well overall, they must be empowered to continue to improve this performance. Decentralisation measures could bolster the long-term prospects of the country and improve outcomes for vulnerable groups.

National issues such as youth and long term unemployment and communities with complex needs, exist in both city and county areas. Our over centralised system is not addressing the specific and varying need which exists. Local partnerships are in a position to achieve this through joint commissioning programmes with central government, leading on place-based approaches and directly holding and utilising budgets and powers to shape outcomes.

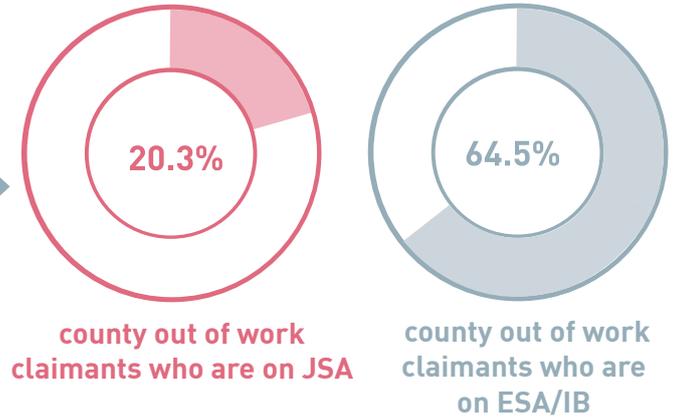
HEADLINES

Counties have the lowest levels of unemployment and people claiming out of work benefits, however...^v

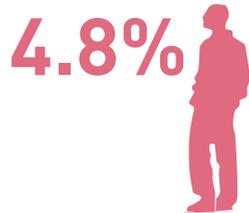


BELOW THE HEADLINES

...counties have the highest proportion of claimants who are on Employment Support Allowance amongst those unemployed.^{vi}



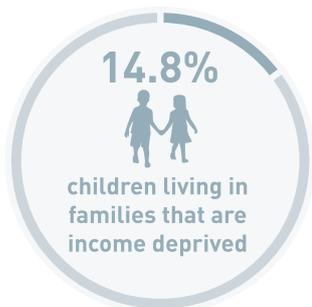
Generally counties have low levels of young people who are NEET...^{vii}



...however, the levels of vulnerable young people who become NEET in county areas is still too high.^{viii}

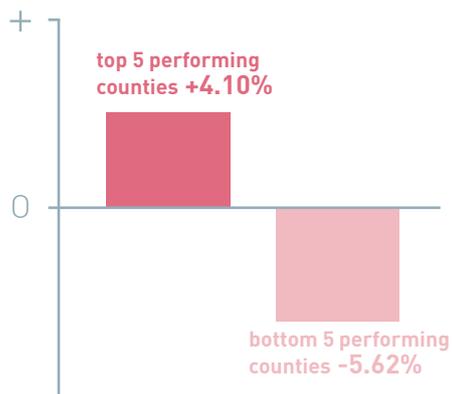


Counties have the lowest levels of deprivation, poverty and workless households, however...^{ix}



...counties have 3 of the top 10 most deprived areas, and employment growth varies greatly across counties.^x

Employment growth 2009-2013, England 2%



Call for Evidence: Essex

Essex Apprenticeships is a programme for NEET 16-21 year olds. This wage subsidy scheme is targeted at key sectors and districts with high NEET levels and disadvantaged and vulnerable young people. It has seen 3,000 starts since late 2009. For the first 1400 starts, 70% saw sustained employment, often with training, beyond 12 months. Using BIS methodology this shows a return on investment is £15.17 per £1 of public investment, a net present value of c. £409.5m.

Essex's Transformational Skills Programme has contributed to reducing the proportion of young people, 16-19, NEET – from 6.9% in March 2010 to 4.7% as at February 2014. Essex is using a real-time statistical approach to tracking NEET young people with a view to matching them to available opportunities and support. The average lifetime cost of a NEET is estimated as £160k in benefits costs and lost earnings. This demonstrates the importance of early intervention.

Essex's Paid Work Experience project is a scheme for vulnerable young people aged 16-21, for example care leavers and young offenders. This has seen significant retention and progressions to employment and training at 51%. This built on lessons from interviews and focus groups with district areas and through the Whole Essex Community Budget.

Proposals:

- Essex Skills and Employment Board should be given a role in co-commissioning the successor to DWP's Work Programme, and in holding current work programme providers to account on performance.
- Funding for time-limited national skills initiatives, such as the Youth Contract, should be devolved to the Essex Employment and Skills Board.

Call for Evidence: Derbyshire

Current efforts to tackle unemployment and achieve the ambition of becoming NEET-free will be undermined if appropriate skills and training, together with high quality careers advice and guidance, is not available or accessible to all residents, particularly young people.

The Work Programme model was designed, commissioned, implemented and delivered in isolation, preventing local councils and local partners from offering localised knowledge and expertise. Although this has seen improvement since the Work Programme inception, providers still often operate in isolation from each other and local partners. This has led to inefficiencies in terms of value for money and the actual number of participants finding employment.

Proposals:

- Government commits to working with the proposed D2 Combined Authority to identify and implement suitable approaches to devolve appropriate Employment and Skills budgets and responsibilities with an aim to devolved funding being in place from 2017-18.
- The proposed D2 CA provides Government with a scrutiny role on the Work Programme delivery in the D2 CA until the first round of the Work Programme expires in March 2016, and has the opportunity to recommend and enforce changes to current delivery.
- That the proposed D2 CA acts as the commissioning body for the next phase of the Work Programme in the Derbyshire area and works with Government to compile and commission locally designed specifications, select and improve providers, and scrutinise local performance and hold providers to account.

Offer:

The greater alignment of labour market, skills and education provision and work with employers will enable the Derbyshire and Derby area to:

- Reduce the number of NEET young people, with an ambition to become NEET-free by 2021
- Bring about substantial reduction in youth and long-term unemployment
- Ensure publically funded employment and skills budgets provide better value for money
- Improve outputs across the range of 'destination' measures for young people and those seeking employment

Devolution Proposals

There is currently disconnection and duplication between skills, employment support and other public services.

The Work Programme has little connection to other skills provision and variable engagement with other Jobcentre Plus services. The 'black box system' means that local areas are not aware of the approaches taken by contractors, and equally contractors are commissioning services such as drug and alcohol treatment which are duplicating what is already there. Supplementary Government programmes such as the Youth Contract are not designed alongside local initiatives and so duplication happens and the chance for added value is lost.

We need much closer working between central government and local partnerships and empowerment of local partners to hold the ring and bring services and stakeholders together to achieve this.

1. Joint commissioning of future welfare to work programmes

Being centrally designed and commissioned the Work Programme is not delivering as well as it could, especially for people on ESA and those who are hardest to reach.

Local partnerships could bring vital knowledge and understanding of their communities to better design targeted support and incentives for contractors to achieve outcomes for the hardest to reach.

The Department for Work and Pensions has said that they will take on the findings from inquiries about the Work Programme to improve it going forward. They are also designing the next stage of the Work Programme in a way which will allow Greater Manchester and potentially Sheffield City Region to be joint commissioners. We propose that this opportunity is maximised

and all local areas are engaged as joint commissioners in their locality, particularly to address issues in meeting the needs of those hardest to reach.

As part of devolved and decentralised employment support, we call for a new approach to the welfare to work system

- **Local partnerships should be joint commissioners with the Department for Work and Pensions for the next phase of the Work Programme to help tackle long term unemployment.**
- **In preparation for this, and in the interests of improving outcomes as soon as possible, local areas should be enabled to work with the current providers to join up services and better tailor support for those furthest from work.**

2. Place-based approach to meet complex need around unemployment

Whole Place Community Budgets have shown how partners from across the public sector can come together around families and individuals to address complex and interrelated need.

Approaches such as Working Well in Greater Manchester are seeing Government support and investment. We propose that we use the vast wealth of evidence in favour of place-based approaches, and move beyond the pilot model to a more holistic approach. As with the Working Well scheme, we propose that Government give a clear commitment to supporting and investing in local approaches, which evidence the effectiveness of bringing partners together around communities, families and individuals to support access to work.

It is imperative that provision, including employment, skills, mental and physical health services is adequately joined up around individuals and families who need it.

As part of devolved and decentralised employment support, we call for a joined up, place based approach to complex need around unemployment:

- **Roll out of comprehensive place-based approaches to address complex need around unemployment. This would be designed to complement welfare to work, for those who are furthest away from work.**
- **An imperative for Jobcentre Plus (JCP) to align commissioning and services with other public services and local partnerships.**

3. Local reward for reducing unemployment

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.¹⁴ The report suggests that successful and innovative local authorities should be able to keep more of the savings to reinvest locally.

Alongside joint commissioning and devolution of employment support schemes, we propose that local government, or local partnerships are offered a greater proportion of the savings made by supporting people back in to work. This could strengthen incentives and resources for supporting those who are vulnerable and hard to reach and create a virtuous circle of outcomes and efficiencies.

As part of devolved and decentralised employment support, we call for a new approach to reinvestment of efficiencies made through local initiatives:

- **Local government or local partnerships should be allocated a proportion of the savings made through supporting people back in to work, particularly those who have been long-term unemployed.**

4. Devolution of budgets for supplementary employment and skills initiatives

In addition to mainstream funding for employment support and skills there have been a number of additional initiatives run by central government such as the Youth Contract and Employer Ownership of Skills. Different schemes have enjoyed different levels of success across the country. As schemes are not tailored to local economies or joined up with local provision, important opportunities can be missed or duplication or difficulty of access can occur.

Devolution, or at least joint commissioning between local partnerships and central government would ensure that scarce resources were maximised and such schemes complement existing provision and are designed to meet specific local needs.

As part of new devolved and decentralised employment provision, we call for a new approach to supplementary public sector employment and skills initiatives and funding:

- **Funding for time-limited national skills and employment initiatives should be devolved to local partnerships to allow a joined up and targeted approach.**

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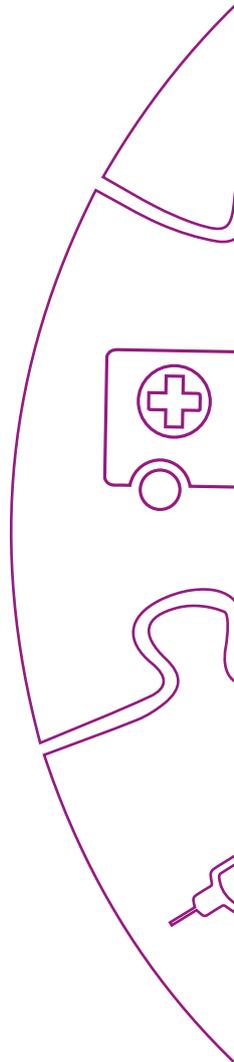
- ^I The Joseph Rowntree Foundation, *The Benefits of Tackling Worklessness and Low Pay (December 2014)*
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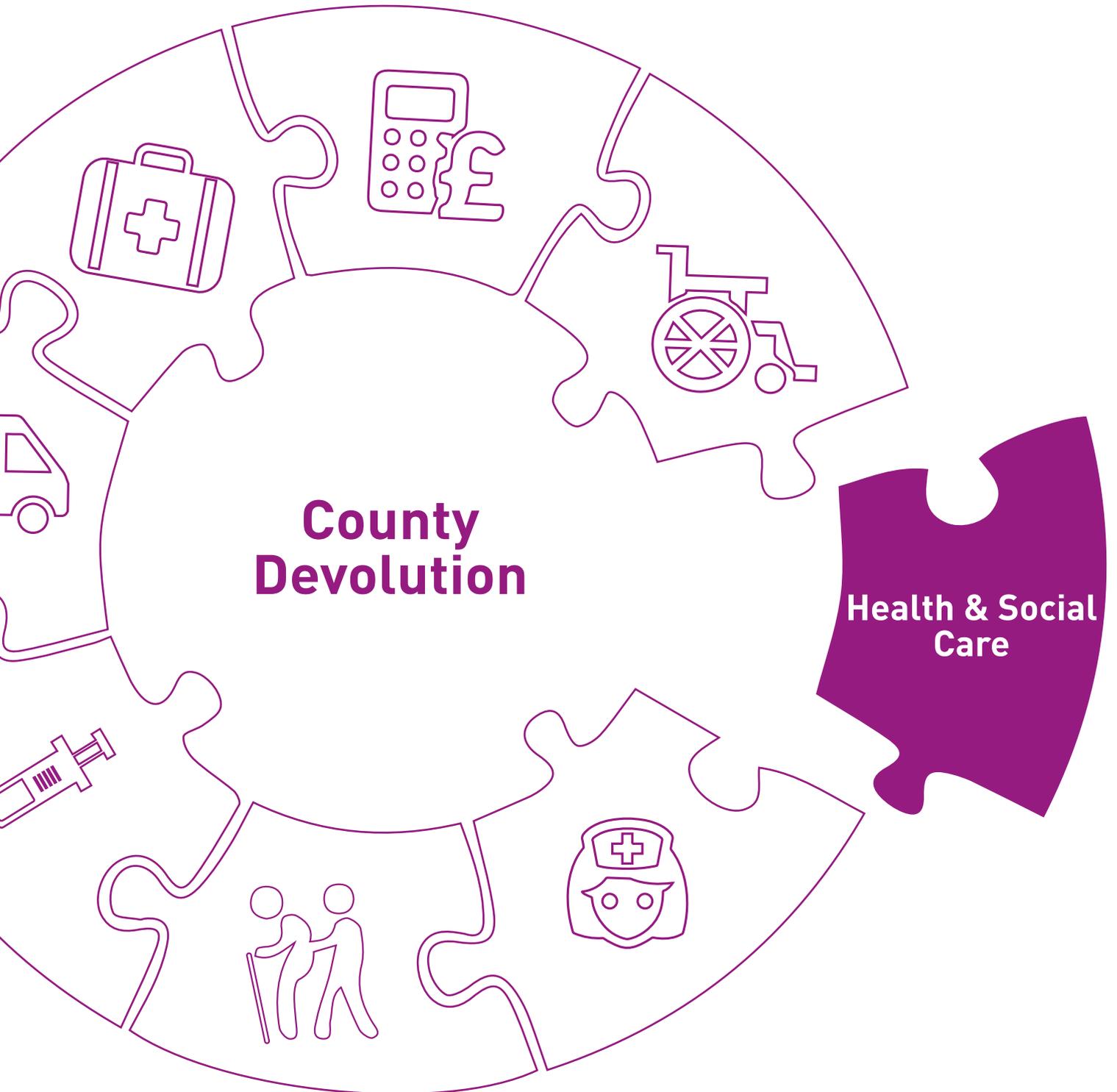
Summary

The future provision of adult social care in England is one of the most pressing public policy challenges facing an incoming Government from May 2015. A recent inquiry by the County All Party Parliamentary Group (APPG), CCN & Local Government Information Unit (LGiU) into integrated care and support found that the pressures facing county health and social care systems are both greater in magnitude and more complex in origin, requiring a radical approach to service integration at a local level.

Its key findings showed that the biggest barrier to achieving integration in county areas remains 'the massive disparity between a highly centralised NHS and a localised social care model'. It concluded decisively that the only answer to ensuring a sustainable, outcome focused, health and social care system was by extending the principles of localism and devolution to the integration of care and support. Recent announcements in Greater Manchester that the entire £6bn health budget will be devolved to the region's local authorities and health providers is a game changing moment on the future of health and social care.

If the case for devolution in Greater Manchester can be made where current demand is less acute, geographies and service provision less complex and future pressures less severe, why not in county areas? A county devolution settlement must explore the decentralisation of the NHS and devolution of greater health and social care powers to local areas. There should not be no a one-size-fits all approach in achieving this devolution. Our counties with their unique demand pressures and health economies require specific devolution proposals across health and social care.





Health & Social Care

Background

In the UK, the number of people of state pensionable age is projected to increase by 28% from 12.2m to 15.6m by 2035. The well documented impact of an ageing population has already had profound consequences for UK public policy since 2010 and is only set to increase over the coming Parliament.

Since 2010 there have been 26% reductions in adult social care budgets, the equivalent of £3.53bn. The LGA estimates that the funding gap between March 2014 and the end of 2019/20 for adult social care is an estimated £4.3bn.¹ Health faces similar funding pressures. The NHS Five-Year Forward View estimates that by 2020 the health service will face a funding gap of £30bn.²

To address these long-term financial and demand-led pressures, the Coalition Government has introduced a set of wide-ranging reforms to both health and social care.

The Health & Social Care Act created a new framework for the delivery of health services in England, abolishing Primary Care Trusts. Health commissioning responsibilities were passed to GP led Clinical Commissioning Groups (CCGs), with public health responsibilities returning to upper-tier local authorities. Health and Wellbeing Boards (HWBs) were also created within upper-tier authorities to set the strategic direction of health provision within local areas.

The Care Act streamlines existing social care legislation, extending user rights and local authority duties and provides a statutory footing to embed and extend personalisation, preventive care and integration. Crucially, the Care Act introduces a new funding framework for adult social care, with a cap on eligible care costs for people over 25 of £72,000 and extended means-test threshold for residential care.

Alongside these major legislative changes,

the £3.8bn Better Care Fund (BCF) and 14 'integration pioneers' were announced during 2013 to push forward the Government's focus on integration. The BCF creates a local pooled budget for 2015/16 to incentivise the NHS and local government to work more closely together and promote investment in joined-up community and preventative services.

More recent announcements on health and social care integration have seen a decisive move towards promoting bottom-up, locally led, health and social care integration.

The Government's memorandum of understanding to devolve the entire £6bn health and social care budget in the Greater Manchester region from April 2016 is widely regarded as a ground-breaking development on health and social care devolution. Under the plans, local decisions on spending on hospitals, GPs surgeries and drop-in centres will be made under the accountability of an Elected Mayor, the 10 councils, 12 clinical commissioning groups, 15 NHS providers and NHS England.

The deal in Manchester has been followed by further measures to promote new 'localised' models of health and social care integration. As part of the NHS Five-Year Forward View commitment to a 'mixed model' of health economy accountability, NHS England and its national partners have announced a new programme to focus on the acceleration of the design and implementation of new models of care through 29 'vanguard' areas.

Whilst these recent developments are clearly the most vivid demonstration of this Government's commitment to the principles of localism and service integration, with increased responsibility for CCGs and local authorities, the challenges facing county health and social care systems requires equally radical change across all areas of the country.

Older Persons Relative Needs Formulaⁱ

Funding per resident aged over 75

£1,957



Inner London

£978



Metropolitan Authorities

£816



Outer London

£691



Unitary Council

£496

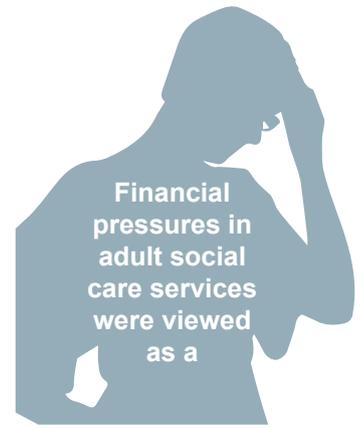


County Council

County Financial Pressuresⁱⁱ



that adult social care was the biggest financial pressure facing their council.

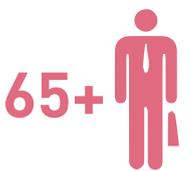


long-term issue by 96% of respondents.



County Demand-Led Pressures

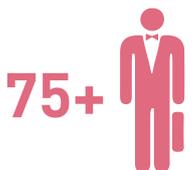
Ageing populationⁱⁱⁱ



65+

20%
CCN member council

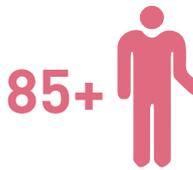
11.5%
London



75+

9.2%
CCN member council

5.4%
London



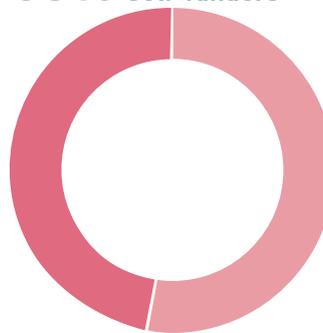
85+

2.7%
CCN member council

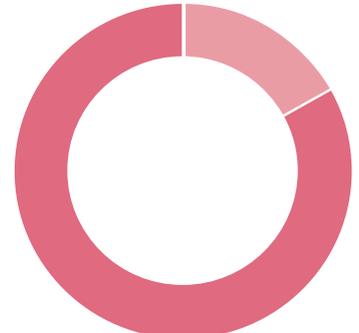
1.5%
London

Service user profile^{iv}

Counties have on average 53% self-funders



Some counties as high as 80%



Current & future demand higher in counties

The recently published *State of Care in Counties* demonstrated that counties' unique geography, demographics, and service user profile intensify the financial instability and demand-led pressures threatening the long-term delivery of social care services in England.

Although there is much to welcome in Coalition legislation aimed at addressing these long-term challenges, the combination of funding reductions, growing demand, the future implications of the Care Act and radical reforms have had a mixed impact in county areas.

The move to locally-led clinical commissioning via CCGs and return of public health responsibilities to upper-tier authorities are welcome developments, but the Health & Social Care Act and prevailing centralised model of the NHS continues to create barriers to health and social care integration.

Questions remain over the capacity of many CCGs, including their long-term financial viability and effectiveness as singular commissioning units.³ CCN member councils have also raised concerns that non-conterminous and overlapping CCG boundaries have also brought additional complexity and competing priorities in many large county areas.

HWBs have introduced an element of democratic oversight to services, and are potentially a powerful vehicle for whole-system integration across providers; but they currently lack the powers and resources to lead a truly localised, democratically accountable, approach to integrated care and support.

Alongside integration and commissioning challenges, a recent analysis by the Kings Fund of the Health & Social Care Act argued that new systems of governance have resulted in increased system complexity and a 'vacuum' of accountability and local leadership.⁴

Fragmentation and organisational complexity is present across England. However, it is more significant in larger county areas with vast numbers of different commissioners of primary, secondary and public health services.

The introduction of the Care Act and BCF have been an important catalyst for increased integration amongst local partners, but the BCF continues to be held back by a range of centrally imposed restrictions and the Care Act presents significant new financial pressures. The County APPG comprehensive analysis of integration and the BCF showed the programme has thus far been beset by an 'over-centralised approach which generates bureaucracy' that threatens to scupper local working relations.⁵

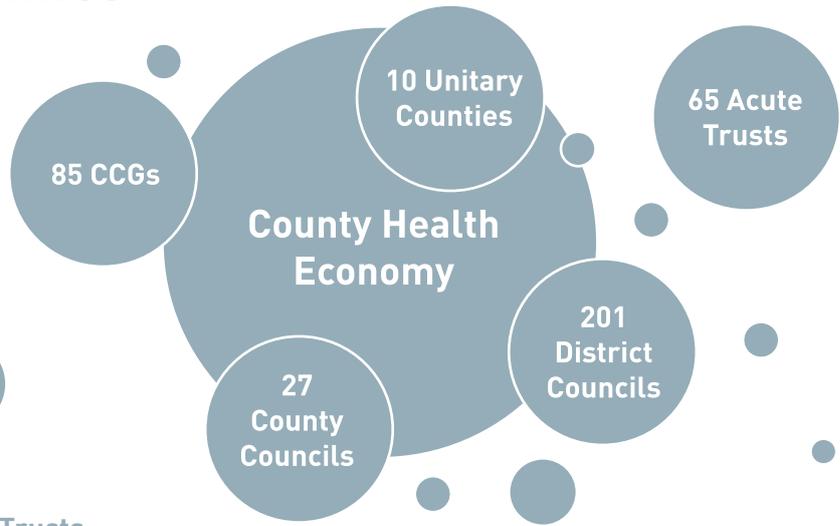
Although locally led health and social care integration has been a stated objective of all these reforms, they have done little to change the centralised nature of the NHS. Crucially, they also continue a one-size-fits all, centrally imposed and dictated, model of integration.

Devolution proposals in Greater Manchester and the 29 vanguard areas show that the Government acknowledges the need for change. There is now a strong appetite for new localised models of health and social care delivery, with NHS England backing a 'mixed model' of health economy accountability.

If the case for devolution in Greater Manchester can be made where current demand is *less* acute, geographies and service provision *less* complex and future pressures *less* severe, why not in county areas? A County Devolution Settlement must explore the decentralisation of the NHS and devolution of greater health and social care powers to counties too. Our counties with their unique demand pressures and health economies require specific devolution proposals across health and social care.

Complex Health Economies^v

In CCN member councils there are:

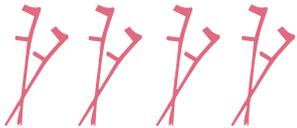


In London there are 32 CCGs & 14 Acute Trusts.

Pressures are impacting on local services...^{vi}



Delayed discharges up **29%** in counties
Median average for CCN member councils during 2013-2014



Delayed discharge rate **43%** higher in counties
Compared to national average



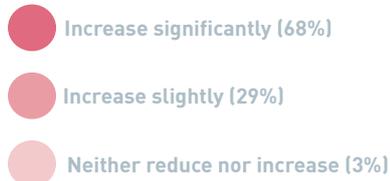
Delayed discharge days **29%** higher in counties
Compared to national average

Funding and Policy Changes

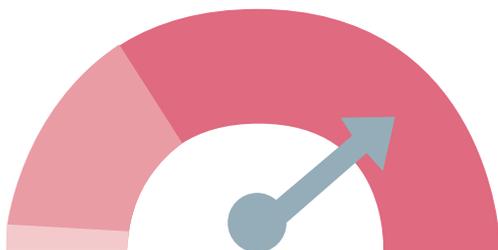
County leaders say the Care Act will increase financial pressure.

How the Care Act changes things

97% of respondents thought that Care Act duties from 2015 would increase the funding pressures.



80% thought that changes from 2016 - the Dilnot reforms - would increase pressures significantly



Call for Evidence: Cornwall

For Cornwall, integrated care means shaping the whole system (beyond health and care) around the individual. To achieve this Cornwall would use the powers of the Health and Wellbeing Board to commission primary, secondary and social care services in order to provide an oversight of local public funding for health and wellbeing in Cornwall. Their ambitions are, however, stymied by conflicting government department policies, different NHS and local authority financial and legal legislation and non-aligned nationally prescribed systems that hinder joint working.

Cornwall wants to work with Government to develop solutions to address issues including:

- The greater integration of health and social care commissioning and provision
- Financial disincentives in the systems between providers to support a truly person-centred approach where the individual can access the right care, at the right time in the right setting.
- A solution to the current financial frameworks where social care is means tested or privately funded whereas NHS is free at the point of contact ring-fenced and paid for out of general taxation which is a barrier in addressing people's needs in the current system.
- Enabling local performance monitoring to ensure local circumstances are managed in a way to improve efficiency and effectiveness of the system
- Creating a funding stream that can be channelled through the health and wellbeing board to support the shift from acute to prevention in the system
- Enabling a procurement system that works for our rural local economy.

Call for Evidence: North Yorkshire

The Government has introduced reforms to enable council Health & Wellbeing Boards to coordinate arrangements across the council area. At the same time new arrangements have been put in place to provide for Clinical Commissioning Groups, made up of GP's, to commission local health services. These arrangements are welcome but do not go far enough to ensure that councils and GP's who collectively have the best understanding of local communities work effectively together in a combined partnership. North Yorkshire Call for evidence indicated that the devolution of health commissioning should explore the following areas;

- Formal partnership arrangements for GPs and upper tier councils to share the commissioning of all health and social care services.
- Where a County area comprises one or more CCGs, there should be a requirement for CCG boundaries to be co-terminus with the County Council as the lead agency for public health and social care.
- Provide the freedom and flexibility for local authorities to employ health professionals and to deliver a range of health services where appropriate to the area. In some areas, some community services will be best delivered by GPs and local authorities working together. Local authorities have the infrastructure to employ health staff in such a circumstance but are currently limited in doing so by outdated and antiquated legislation.

Call for Evidence: Hampshire

Hampshire want to deliver simple, 'joined-up', integrated health and social care, supporting residents to stay in their own homes for longer, with unrivalled access to innovative care and technologies. Hampshire and their partners are proposing they pilot the integration of data sets from across the NHS and other care services to support this, building on progress already made through the Hampshire Health Record. As part of devolved health and social care arrangements, they are asking that Government devolve control and funding of IT so that CCGs, hospitals, GP surgeries, councils and community providers can make better use of combined investment. This will enable closer alignment of systems and compatibility between data from different care settings.

Beyond this, the County Council, with its partners, is in a unique position to realise long term sustainable efficiencies from the health and social care market, which is worth in excess of £2bn per annum in Greater Hampshire. Hampshire currently works with 5 acute providers and 5 CCGs and brings the scale and competence to commissioning and provision that is unique in England. The Council believes that the development of "out of hospital" community based models will become a pre-requisite to allow for the devolution of health services to Local Government. The County Council's partnership with its CCGs, and different but specific arrangements with the acute sector, would open up opportunities for community services consistent with low cost, high value health and social care provision.

Devolution Proposals

The development of devolved health commissioning arrangements between health and local government **is an essential part** of an English Devolution Settlement between Whitehall and County areas.

Although there remains a lack of detail, the principles of a devolution settlement for counties would continue to build on the direction of travel set by the Greater Manchester Deal and explore the full range of devolved budgets, freedoms and flexibilities to be granted to Greater Manchester. The County APPG's analysis of social care provision in counties, and its call for Health & Social Care Deals', should be adopted as the baseline for the devolution discussion in county areas.

As with other parts of our devolution settlement for counties, there should not be a one-size-fits all approach in achieving this devolution. Our counties with their unique demand pressures and health economies require specific devolution proposals across health and social care.

Following the Manchester Deal, the Department of Health should make a bold statement on its commitment to devolution *across the whole of England*, by establishing a dedicated **Devolution Unit** to explore how individual deals would operate and the role of health and social care in a wider English devolution settlement. This unit could potentially be a joint-venture between DoH, LGA, ADASS and NHS England, with cross departmental collaboration with the Cities & Local Growth Unit, DCLG Public Sector Transformation Unit and Treasury.

The Devolution Unit, and local partners, should explore a range of *devolution by default and legislative* proposals to enable a more localised approach to health and social care integration in county areas, including;

1. Devolved budgets & performance management

The starting point for devolved health and social care arrangements will be delivering a sustainable, fair and integrated approach to budgeting, alongside a proportionate, transparent and accountable delivery framework.

The County APPG inquiry found that a lack of upfront new funding, alongside limited committed resources, shorter financial settlements for social care, and the centrally imposed performance management were key barriers to integration through the BCF.⁶

Evidence to the County APPG showed that the current approach to integrated budgeting has rapidly become a very bureaucratic operation with conflicting incentives and priorities, particularly in two-tier county areas. Not only is the centrally dictated performance management framework highly bureaucratic, it fails to financially incentivise and reward local partners who invest in prevention and new innovations, placing a disproportionate financial risk on local authorities.

The bureaucratic nature of the BCF is a symptom of a wider more fundamental problem: the centralisation of the health service. It is subject to far more prescriptive national guidance, legislation and the whims of national politics. The majority of the money spent locally resides within the NHS, with efficiency savings secured from integration disproportionately benefiting health. To compound matters, health spend is nationally ring-fenced whilst social care has witnessed significant reductions.

A National Health Service free at the point of use clearly requires Parliament and Whitehall to have a wide-ranging and important role in the funding, oversight and delivery of services. CCN

believe that integrated health and social care does not require full *organisational and structural* integration.

However, as the County APPG concluded, whilst central government has a role in setting national standards, integration of service delivery and commissioning will look different from one area to another.⁷

Alongside a sustainable social care funding settlement and wide-ranging NHS tariff reform, *larger or entire* devolved budgets to councils and their local partners must financially incentivise integration; provide up-front funding to pump prime investment in community services; and deliver greater long-term certainty across both health and social care.

Whilst we welcome the Government's recent consultation on removing restrictions on pooled budgets,⁸ the plan to devolve the entire £6bn health budget in Manchester has set a benchmark in which ambitious counties should not fall short of. As part of new devolved health commissioning arrangements, the Devolution Unit and local partners should consider;

- **Local partners are given greater freedom to agree robust, transparent and accountable performance management frameworks at a local level with DoH, CLG and NHS England in line with a new shared outcome framework for health and social care.**
- **Extending but reforming nationally led pooled budgeting for those councils who choose to continue working in this way. A pooled health and social care fund of at least £7.8bn should be established by 2019/20.**
- **Freedom to opt out of any continuation of the BCF, agreeing a larger or entire locally pooled budget as part of a Health & Social Care Deal, or wider devolution package, supported by the removal of all restrictions on pooled budgeting and a ten year shared financial settlement for health and social care.**

2. Enhanced commissioning and financial powers for Health and Wellbeing Boards

Without enhanced powers for local partners to utilise devolved budgets little can be achieved through devolution. Local HWBs and local councils simply do not have the legal authority to make the fundamental changes that may be required. It's time to start getting honest about the structural weaknesses in our health and social care system.

We need to develop new commissioning frameworks to promote collaborative working between health, social care and wider partners. Current arrangements for commissioning primary, secondary and public health services are overly complex and fragmented.

In the case of CCGs they are often too small to deliver economies of scale and are not always fully effective as singular commissioning bodies.

Recent innovations on outcomes based commissioning such as alliance contracting have clearly built on the importance of collaboration, but there are practical constraints on NHS procurement, patient choice and competition regulations. Questions remain over GP capacity to secure necessary back-office efficiencies and deliver asset management rationalisation at the same time as focusing on their primary objective of delivering excellent quality care to local communities.

Local authorities in two-tier areas also add to

the complexity in health provision. Districts provide a range of key preventive services such as housing and Disabled Facilities Grants (DFGs), planning and leisure that delay the development of long-term conditions and promote independence.

DFGs and housing services are particularly significant, and greater co-ordination is needed between tiers. On the former, a study by Astral Advisory for the District Councils' Network argued that DFGs are important to local integration but the 'system of delivery is not working well' in two-tier areas and needed major reform.⁹ This is a situation that the County APPG inquiry suggested had been further complicated by the BCF.¹⁰

HWBs, the locus for bringing these disparate commissioners and services together at a local level, currently lack the power, resources and mandate to drive change across local health economies. Moreover, while local authorities have the infrastructure to employ health staff they are currently limited in doing so by outdated and antiquated legislation.

Where it is desired locally, combining CCG commissioning with social care and public health services through HWBs should deliver improved outcomes through integrated, financially sustainable, joined-up services that are visibly accountable at a local level. Moreover, district and county councils should be encouraged, empowered and incentivised to join-up and pool services at the most appropriate level. Government and local partners should consider;

- **Enabling HWBs to commission primary, secondary health and social care services. Powers to scrutinise and align commissioning plans of CCGs should also be strengthened. HWBs who take on these new powers should be delegated budgetary responsibilities.**

- **Providing the freedom and flexibility for local authorities to employ health professionals and to deliver a range of health services where appropriate to the area.**
- **Local authority partners consider the pooling or delegation of specific housing and health related services, such as DFGs, to the most appropriate strategic level.**

3. Empowered leadership, reformed governance and direct democratic accountability

Underpinning any devolution settlement must be a commitment to robust and accountable governance structures at a local level. The footprint of health economies and their boundaries must also be logical, reducing complexity and promoting collaboration.

The majority of health services provided within a locality are currently not subject to local democratic oversight. The Kings Fund conclusion that there is a 'vacuum' of accountability and local leadership in local health services is evidence of the need for reform. Part of the solution is injecting stronger democratic oversight, challenge and accountability over local health services.

Arrangements for stronger governance and accountability will need to be agreed locally by those local authorities and CCGs consenting to be involved, but these should be based upon a development of HWBs.

Reforms should be undertaken at a national level that strengthen leadership across local health providers, but also challenge HWBs to review their membership and demonstrate their readiness and effectiveness.

This will partly be achieved through greater powers for HWBs incentivising collaboration of local providers, such as acute trusts. However, upper-tier councils have a responsibility of system leadership and should be granted additional powers to ensure partners collaborate.

If partners are to be incentivised to fully integrate services through HWBs, consideration should be given to allowing boards to become independent commissioning bodies in their own right, rather than a statutory council committee. This could engender greater equality between health and social care partners and joint ownership and provide a direct line of accountability.

Part of strengthening local governance and accountability will be significantly reducing complexity within local health arrangements. Much of the complexity in local health economies in county areas stems from multiple CCGs, which in many cases overlap between different local authority boundaries. Ensuring a devolved system of health and social care delivers more efficient and effective services will require a rationalisation of organisations and boundaries.

Consideration must also be given to how health economies and any new local arrangements interact with wider governance arrangements, such as Combined Authorities. Health economies are not the same as functional economic areas, but there will be wider benefits to ensuring that the administrative boundaries of health providers collaborate with, and potentially join, wider governance arrangements.

The precedent seen in Greater Manchester of a directly Elected Mayor should not be regarded as a prerequisite for the devolution of a larger or entirely pooled health budget across a locality of partners, including pan-county arrangements or sub-county region. However, in line with the wider Governance proposals outlined in this County Devolution document, authorities

must consider forming strong accountability mechanisms, aided by Government legislation where needed.

Achieving the above will require action at both a local and national level, including;

- **HWB governance is revised to allow the establishment Boards as an independent commissioning bodies in their own right.**
- **Local authorities conduct a full review of their membership of HWBs, ensuring sufficient representation from the full range of partners, particularly acute trusts.**
- **To achieve visible, strong leadership, Council Leaders should be the default Chairman of Boards that adopt additional powers and budgetary responsibilities.**
- **Local partners are given freedom to review and rationalise CCGs and their boundaries, seeking coterminosity with local authority boundaries where possible.**
- **Partners are given greater freedom and flexibility to explore how HWBs interact within wider governance arrangements, including Combined Authorities, with Government reforming legislation where necessary.**

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^I County APPG. *The State of Care in Counties (2015)*

^{II} Capita & CCN. *Transforming Adult Social Care Survey (2015)*

^{III} County APPG. *The State of Care in Counties (2015)*

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^{VII} County APPG. *The State of Care in Counties (2015)*

CCN

COUNTY COUNCILS NETWORK

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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