CCN

COUNTY COUNCILS NETWORK

CCN EXECUTIVE COMMITTEE

WEDNESDAY 31 JANUARY 2018

18 Smith Square
Westminster
London
SW1P 3HZ

CCN

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CCN Executive Committee

Wednesday 31 January 2018

AGENDA

1. Welcome, Notices & Minutes	**12.00**
2. CCN Update Report by Simon Edwards, CCN Director	**12.05**
3. Finance Update Report by Sheila Little, President SCT	**12.20**
4. Fair Funding Review Consultation Adrian Jenkins, Pixel Financial Management Stuart Hoggan, Deputy Director, MHCLG	**12.30**
5. Industrial Strategy & LEP Review TBC	**13.30**

Lunch will be provided at 14.00

CCN Management Committee and Spokesmen will meet following lunch

CCN COUNTY COUNCILS NETWORK	**CCN Executive** Wednesday 31 January 2018 **AGENDA ITEM 1** Chairman's Notices Minutes: Wednesday 17th July 2017

1. The Chairman welcomed the CCN Executive to the meeting.

2. The minutes of the previous meeting were agreed. There were no matters arising.

3. Pete Moore, SCT President, gave the finance update:

- A steer on austerity was not expected until the budget speech. Whilst a date had not been set, this was anticipated to be late November/early December
- There were indications that an informal discussion relating to the future of social care would take place with interested parties. A formal green paper consultation was not anticipated until mid-2018.
- For Skills and Education, it was noted there would be additional transition funding for the next 2 years of £1.3bn - £400m next year, and £800m the year after. This is a transitional funding measure to take schools through to the next Spending Review.
- Concerns were raised over capital funding - particularly relating to schools, with changes to academies and free schools limiting local authority options.
- It was noted there was no local government finance or business rate bill in the Queen's Speech. Given the length of the parliament, any such bill would be in over 2 years. It was more likely the proportion of business rates would be increased without legislation, to somewhere between 50-100%.
- Invitations to form Business Rate pilots were currently open, with a general invitation to local authorities. It was considered to be within county interests to apply for pilot status, though concerns over embedding tier splits were noted.
- It was noted that many counties would move into negative RSG in 19/20. This was being raised with DCLG by CCN.

4. The Executive discussed the Plan for Government:

- To be titled A New Deal for Counties which was well received.
- The Executive agreed to utilise the New Deal in lobbying county MPs, as well as using it to set out a course of action with relevant Government Departments. CCN would ensure County Leaders had a copy of the document with which to do so.

- **The CCN Director:**

- Update on the work of the CCN Team, a new website would be launched over the next few weeks once the conference booking system had been tested.
- Work was continuing to prepare for CCN's annual conference, which would run from 19-21st November. Members were encouraged to attend, and sessions would consider adult and children's social care, Brexit and devolution, infrastructure and growth.

- **Liam Booth-Smith, Chief Executive of Localis**

- Gave an update on their work on skills devolution. They were considering a new role for counties in labour market shaping, looking at what influences labour market, what determines its size and shape, and at what level is the local market influential.
- Liam indicated that the research was also considering the benefits of skills devolution, and what would be achieved through it. The work would consider life-long learning and the over 50s labour market, at localised wage setting, and at how provision does not currently fit with people's lifestyles.
- CCN Executive members gave initial views on skills context within their areas, and what the current main concerns for the business sector would be.
- There would be an oversight group to inform the work, and there would be a Parliamentary reception to launch the report.

7. There being no further business, the Chairman closed the meeting.

CCN COUNTY COUNCILS NETWORK	**CCN Executive** Wednesday 31 January 2018 **AGENDA ITEM 2** CCN Update

Introduction

1. The CCN Update provides a summary of recent national developments as well as CCN's major campaigns and policy, communications and public affairs activity.

2. With CCN's outputs increasingly significantly over recent years, officers has developed a number of new internal monthly communications that provide members with regular updates on all the activity of the network.

3. The most important of these are the Chairman's Update and CCN Newsletter. The Chairman's Update is delivered directly to Councillors via the email delivery service MailChimp. If you are not receiving the update, or have any other issues accessing this, please email ian.burbidge@local.gov.uk.

4. Earlier this month CCN also re-launched our Newsletter, now a fortnightly communication sent to all 2,600 County Councillors, Officers, national stakeholders and influencers. If you do not receive this, you can sign up by clicking here.

Business Plan & Work Programme

5. Over the past 12 months CCN has undertaken a range of major research and policy projects, leading to the publication of several highly influential and respected reports. This ranged from the internally produced *A New Deal for Counties: Our Plan for Government*, to externally commissioned research by Localis, LaingBuisson, Respublica, Oxford Economics, and Pixel Financial Management.

6. CCN is now in our business planning, budget and work-programme cycle for 2018/19. Over the coming weeks Officers will be engaging Management Committee & Spokesmen with our proposed work-programme, work-streams and commissioning plans. This will build on the advocacy priorities outlined in *A New Deal for Counties*, with work-streams updated to reflect national developments since publication, including the developments outlined in the Policy & Public Affairs section below.

7. In March 2018, CCN Council will be presented with a draft business plan, work programme and budget for discussion and approval.

Policy & Public Affairs

8. Below we provide an update on the major policy developments impacting county authorities over recent weeks and the most relevant policy and public affairs activity of CCN.

Reshuffle

9. The reshuffle saw DCLG change to the Ministry for Housing, Communities and Local Government, reflecting the increased priority placed upon housing. Sajid Javid (Worcestershire) remained in place as Secretary of State, and Jake Berry (Lancashire) and Lord Bourne retained their roles. They are joined by a new Minister for Housing, Dominic Raab (Surrey), and new Parliamentary Under-Secretaries of State - Minister for Local Government Rishi Sunak (North Yorkshire) and Minister for Housing and Homelessness Heather Wheeler (Derbyshire).

10. Greg Clark remained at the Department for Business, Energy & Industrial Strategy, joined by new ministers Sam Gyimah (Surrey) and Andrew Griffiths (Staffordshire). Damian Hinds (Hampshire) became the Secretary of State for Education, with Nadhim Zahawi (Warwickshire) joining as a new minister.

11. Jeremy Hunt (Surrey) retained his position as Secretary of State under the amended Department of Health and Social Care, but no wider changes to funding and policy decision making. This has meant the transfer of the Social Care Green Paper to the Department of Health. The Department has taken on additional ministers - Caroline Dineage (Hampshire) and Stephen Barclay (Cambridgeshire).

12. David Lidington (Buckinghamshire) became Minister for the Cabinet Office, and Robert Jenrick (Nottinghamshire) and John Glen (Wiltshire) became Treasury Ministers.

13. Shortly after the reshuffle, James Maker CCN's Head of Policy & Communications wrote for the LGC on what the reshuffle could mean for counties and the CCN. The article can be read here.

14. Ministerial Letters have been sent to key Secretary of States and Ministers outlining CCN's key issues.

Local Government Settlement

15. Agenda item 3 provides Executive with a full technical update on matters relating to local government finance.

16. The Provisional Local Government Finance Settlement was published on the 19th December 2017. CCN provided an on the day reaction to the settlement, which can found on our website.

17. There were a number of features of the announcement that the CCN welcomed. We support the additional council tax flexibility, the continued extension of the capital receipts flexibility programme and small uplift that has been provided to the Rural Services Delivery Grant (RSDG). Moreover, we are pleased to see that there is a commitment to address the issue of negative Revenue Support Grant (RSG) through the 2019/20 settlement.

18. However, overall, however, CCN members were disappointed by the funding settlement, which did little to ease the specific pressures faced by county authorities. Our response

focused on our disappointment that no additional resource, beyond the additional 1% council tax rise, had been provided to upper-councils.

19. CCN focused on making a renewed case for the final local government settlement to extend transitional grants for the final two-years of the settlement. CCN has demonstrated that as a result of funding reductions and the ending of certain grants, counties face a £1bn reduction in funding by 2019/20; higher than all other types of councils.

20. Since the publication of the settlement CCN has been undertaking specific policy and public affairs activity:

    - Submitted an evidence-based, detailed consultation response. This can be downloaded via the CCN website here.

    - Provided County MPs a briefing on the implications of the provisional settlement and what the changes will mean for their residents. This can be downloaded via the Parliamentary section of the CCN website.

    - Hosting, under the banner of the County APPG, an in depth briefing on the settlement implications for counties on **23rd January 2018** between 2-3pm in Room Q, Portcullis. House.

    - Undertaking extensive media activity in the national and trade media, including articles and press releases (see Media section below).

21. Alongside meetings with Ministers and Civil Servants in the lead up to, and after, the provisional settlement discussions have been had with National Audit Office, Rural Services Network and the Bureau of Investigative Journalists to highlight CCN's position and the short, medium and long-term financial challenges facing counties.

22. CCN have also been working to build cross sector consensus. In particular, discussions have been ongoing with Key Cities to explore common ground where both organisations might work together for wider impact in addition to work on the fair funding review (see agenda item 4).

Fair Funding

23. See agenda item 4.

Business Rates Retention & Pilots

24. Following the settlement announcement, CCN welcome confirmation that Government will move towards 75% business rates retention (BRR) by 2020/21. CCN have continuously called for clarity over the direction of reforms following the General Election. Our post-election statement outlined this, alongside our concerns relating to the moves to 100% BRR; with a recommendation that a combination of higher retention, alongside grant funding, may offer a more sustainable solution for county areas.[1]

25. CCN also welcomed that eight of the ten additional 100% BBR pilots were counties (a full list provided under item 4. We welcome the their inclusion, as it means that the

[1] https://www.countycouncilsnetwork.org.uk/download/1149/

government and the wider local government sector will be able to properly assess the impact of 100% retention on a broader group of local authorities than the urban areas. In particular, CCN welcomed confirmation that all pilots will include a 'no detriment clause' as a result of concerted advocacy by CCN to the department.

26. Due to the large number of pilot applications for 2018/19 the Secretary of State confirmed that the Government will continue to pilot the BRR programme in 2019/20. CCN have urged the Government to confirm the process for applying for the new set of pilots and whether the existing pilots will continue into the final year of the settlement.

27. When considering pilots, CCN has also asked the department to carefully consider issues relating to tier shares and long term reform. It is important to note that the average tier share for the pilots is 50/50 between district and county councils, with tier share as high as 70% for one county council but as low as 20% for another.

28. CCN has previously written to the Secretary of State regarding tier shares and the implications of the pilots. We highlighted that in putting forward proposals, a significant degree of compromise has taken place with district councils regarding tier shares within a very limited time for negotiations. Moreover, it must also be acknowledged that with only RSG and Rural Service Delivery Grant (RSDG) included in the second phase of pilots, it is likely the tier share for county councils will be lower in these pilots than if a wider range of grants, such as public health and iBCF, were included.

29. Independent research for CCN on 100% Business Rates Retention has shown that the share for county councils will need to be significantly higher than under the current system. A higher share of locally retained rates for upper-tier councils will be important to better balance risk, rewards and sustainable funding for councils.

30. As we consider the confirmed move towards 75% BRR, it important that the pilots are used to test, not pre-determine, how tier shares and other aspects of system design that may or may not go-head under the new policy. We recognise that the alterations to the policy 75% BRR may alter the tier share approach and CCN is current working to update our modelling by Pixel to reflect the change in policy and will share the outcome with the department when completed.

31. Following dialogue with North Yorkshire County Council, CCN also raised concerns over developments with the Leeds City Region pilot and the involvement of Harrogate Borough Council.

32. The county council does not support the involvement of a single district council within a neighbouring City Region pilot, and CCN believe that looking ahead, the decision in North Yorkshire could have wider implications for county councils if other district councils were to follow this approach.

33. In particular, we agreed with North Yorkshire that this fails to meet the criteria set out in the prospectus outlining that a district AND their county authority must support the involvement of authority in a pilot and agree a tier share for locally retained rates. North Yorkshire has not approved the involvement of Harrogate and no tier share has been agreed.

34. It is CCN's view that the arrangement agreed with the Leeds City Region does not meet this criteria and by weakening the integrity of the county area, will also not fulfil the prospectus criteria to promote a 'sustainable' approach to the funding of local government services. For instance, the county council have no direction over the estimated £1.5m additional income Harrogate will receive as a result of the pilot, therefore meaning services facing the most acute finance and demand-led pressures are unlikely to receive any additional resource.

35. CCN asked the department engage with the concerns of North Yorkshire and closely monitor the implications of the pilot if Harrogate were to continue to be part of the arrangement.

36. More widely, CCN looks forward to engaging with member councils to learn from the experiences of local areas and to provide evidence to government about the outcome of the pilots to ensure that the move to greater retention works for all types of local authorities.

Adult Social Care Green Paper

37. Responsibility for the development of the Adult Social Care Green Paper has recently transferred from the Cabinet Office to the Department of Health & Social Care (DHSC). At the time of writing we believe the publication of the Green Paper will take place in the summer of 2018.

38. The Green Paper will predominantly focus on funding and the provision of services for older people, with a simultaneous programme stream on working age adults underway at the DHSC with a similar timeline. CCN Health and Social Care Forum (officer Group) will be hearing directly from senior civil servants on the development of these consultation at their meeting on 5th February.

39. In preparation for the publication of the Adult Social Care Green Paper CCN has developed a positioning paper, with feedback from members, which was subsequently discussed at CCN Conference in November 2017.

40. CCN will update this positioning paper over the coming month and then look to publish a final version in the early spring. The paper will then be used as the basis of our advocacy work on behalf of member councils in the build-up to the Green Paper being published.

41. For more information on all our work in relation to adult social care, please email michael.chard@local.gov.uk.

Delayed Transfers of Care

42. CCN member councils have worked hard to reduce delayed transfers of care attributable to adult social care. Since February 2017 these delays have been reduced by 29% in county areas, the lowest level since February 2016. Delays attributable to the NHS in CCN member council areas have also reduced by 24% over the same period.

43. The CCN team will continue to monitor performance, promote the hard work of county authorities and continue to advocate for Government to expand the focus away from delayed transfers to preventing people from entering hospitals unnecessarily.

Children's Social Care

44. The demand and financial pressures facing Children's Social Care are well-documented. The Society of County Treasurers has calculated that county authorities will face unfunded pressures of £316m by 2020 for children's social care. This at the same time as CCN member councils face a significant rise in demand for services, for example, number of children taken into care in county areas has increased from 52 per day in 2006/07 to 73 per day in 2016/17.

45. It should be of no surprise given the pressures set out above that the strain on service provision has seen the number of 'Good' Ofsted ratings for CCN member councils reduce from 60% in 2014/15 to 47% as of November 2017 for children's social care.

46. There has been no financial intervention from Government to provide a short-term uplift to funding for children's social care as with adult social care during this current spending review period.

47. Over the coming months CCN will be working on behalf of member councils to continue to raise with Government the ongoing pressures facing county authorities, including highlighting the need for a short-term funding injection to address immediate pressures as well as the need for a sustainable financial settlement based on need for local government as a whole.

48. CCN will also undertake work examining learning from new models of service delivery and how these apply to county areas, building upon research previously undertaken by the Local Government Association and ISOS partnership in 2017.

49. LG Futures have been appointed by Government to lead on a project on the *Provision of the Children's Services Research* for MHCLG. CCN will seek to engage in this work through the Fair Funding Review (see its) and County Directors for Children's Services Forum. Alongside the Fair Funding Review, the research will produce a model for Children's Services activity and 'need to spend' that will become a part of the Local Government Finance Settlement. It will also provide data on future modelling for demand and pressures within Children's Services, specifically focussing on Children's Social Care.

50. For more information on all our work in relation to children services, please email james.holden@local.gov.uk.

Economic Growth

51. More widely, building on the Oxford Economics report released last year, CCN will be focusing on continuing to promote the importance of county economies and their role in the industrial strategy; including the LEP Review (see agenda item 5).

52. At last year's annual conference, CCN held a high level roundtable in partnership with Grant Thornton to discuss the impact of the Industrial Strategy on county economies. The roundtable was attended by leaders of CCN member councils, Grant Thornton and CCN. The roundtable focused on a range of topics including the uncertainty and

opportunities around Brexit, skills and employment, infrastructure and strategic planning, and how counties can work with LEPs to deliver the best outcomes for economic growth.

53. CCN is continuing our work with Grant Thornton to use the insights that were discussed at the roundtable to prepare a joint report that discusses how counties can make the most of Britain's industrial strategy post-Brexit and provide new insights into county economies via their Place Analytics system. The report will be launched at the March Council meeting.

Housing & Planning

54. Strategic planning, housing and infrastructure will be a major area of work for CCN over the coming months. Building on *A New Deal for Counties* and response to the Housing White Paper, our advocacy will be focused on raising the profile of the housing and infrastructure pressures in counties, the additional complexities of the two-tier system and the need for counties to gain greater powers for county councils over strategic planning. We will also continue to provide specific support to our unitary member councils, who are already planning authorities.

55. CCN is engaged in discussions with Grant Thornton regarding a research project and event looking into infrastructure gaps and specific housing barriers facing counties.

56. Over recent weeks we have had successful meetings with other interested organisations including the Royal Town Planning Institute, Town and Country Planning Association and the National Housing Federation. We are exploring options for collaboration with these organisations, including joint articles and research. The first stage of work has been to prepare a letter to be counter-signed by a number of stakeholders urging for counties to be a mandatory signatory to the Statement of Common Ground. This is currently with several organisations for consideration, and we will be sending it to the Secretary of State in due course.

57. At the Autumn Budget, the Chancellor also announced the Government will shortly publish the outcome of the Community Infrastructure Levy (CIL) Review for consultation. CCN are preparing to respond to the review when the consultation is launched, and will work with member councils to prepare a robust response making the case for reform to the developer contributions system to ensure that new infrastructure can be adequately funded.

58. For more information on all our work in relation to economic growth, housing and infrastructure, please email peter.french@local.gov.uk.

Devolution & Local Government Reorganisation

59. CCN continues our concerted advocacy in relation to devolution. Our latest major intervention came with the publication of ResPublica's new report, Devo 2.0: The Case for Counties; which saw the influential think tank back the case for county devolution. They outlined it could deliver £26bn in public sector savings over a five year period and £2.9bn in local government efficiencies, while better promoting economic and wider public service reform.

60. Supported by CCN, the report argues that new forms of local governance are needed to secure devolution deals. It maps out two pathways to this: the first is a retained and reformed two-tier model, where the county is placed as the 'strategic authority', using

their scale to make county-wide decisions on growth, housing, infrastructure as well as the authority's current functions.

61. For those wishing to pursue more radical reform, the report argues that single county-wide unitary can provide a pathway to a devolution deal, demonstrating significant financial, economical, an public service benefits from reforming services by abolishing all councils and replacing them with one county-wide authority.

62. At the launch of the report at CCN Conference, Sajid Javid called the report 'fascinating' and an example of 'proactively' looking at 'innovative' ways of dealing with the challenges the sector faces. In positive speech, he said counties have a strong, strategic role to play in the present and future.

63. During his conference speech, the Secretary of State also confirmed that his department are beginning to design a 'devolution framework' and will consider non-mayor county devolution bids. CCN welcomed the announcement at the time and are meeting Senior Civil Servants to discuss the development of the framework on Thursday 25th January. An oral update on the outcomes of the meeting will be provided during the Executive meeting.

64. On 24 November 2017 the three North of Tyne Authorities of Newcastle City Council, North Tyneside Council and Northumberland County Council (a CCN unitary council) agreed a 'minded-to' devolution deal with Government for a shift of powers, funding and responsibility. The deal – currently out for consultation - provides access to a long-term investment fund of £600m. A recent annual devolution report, published by Government, showed that this was the only deal to be agreed in the past 12 months.

65. On 7 November Communities and Local Government Minister Sajid Javid announced in a written ministerial statement the Government's "minded to" position regarding a reorganisation in Dorset and a second district merger in Suffolk. On 30th November he also announced in a written ministerial statement the Government's minded to position regarding two proposals for merging districts in Somerset and Suffolk.

66. The first of these mergers is Taunton Deane Borough Council and West Somerset District Council into a new, single district council. The second is to similarly merge Forest Heath District Council and St Edmundsbury Borough Council. A second proposal in Suffolk would merge Suffolk Coastal and Waveney District Councils.

67. In late 2016, CCN published research by EY outlining the potential benefits of six reorganisation scenarios, including district mergers. In response to the research, CCN stated that it supports the concept of district mergers, where this is supported by the county council and where proposals are not aimed at a future sub-county unitary bid. We recognise that district mergers can form part of a *reformed* two-tier arrangement, retaining the scale of county-wide services and delivering some financial benefits, while reducing the complexity of service delivery and partnership arrangements.

68. In the Dorset area, there are currently two small unitary councils (created in the 1990s) of Bournemouth and of Poole. They are surrounded by a two-tier structure of Dorset County Council and the district councils of Christchurch, East Dorset, North Dorset, Purbeck, West Dorset and Weymouth & Portland. The proposal would establish two new councils; a single council for the areas of Bournemouth, Poole, and the part of the

county of Dorset currently comprising the Borough of Christchurch. The remainder of the current county area would form the second council. If implemented, the current the landmass of the county council area would be reduced by 2% and its population by 11%.

69. Following the announcement CCN released a statement, welcoming the decision and our intention to support Dorset County Council in its desire to pursue unitary status. In doing so, CCN stressed that this proposal was 'unique' given the inclusion of two neighbouring unitary councils, which is critical when considering the implications of removing a small part of the existing county area to join the new urban unitary council. This proposal should therefore not be regarded as a traditional 'two-unitary' reorganisation of a county council as happened when Cheshire County Council was split into two unitary authorities in 2009.

70. At the time of writing a decision relating to a proposal by Buckinghamshire County Council for a county-wide unitary authority has still not been made. There has been much speculation of an impending announcement and CCN has been supporting the county council with intelligence and information.

71. For those areas interested in considering reform, CCN has been providing member councils with bespoke policy support and intelligence gathering, building on the independent research CCN has published over the past 18 months.

72. For more information on all our work in relation to devolution and local government reorganisation, please email james.maker2@local.gov.uk.

Social Mobility

73. The Social Mobility Commission is an independent body set up by the government in 2016 to continue the work of the Social Mobility and Child Poverty Commission. In December, they published a report, *State of the Nation 2017,* which aimed to throw light on "the place-based social mobility lottery". The analysis was based on an index of 16 social mobility indicators across early years, schools, youth and adulthood, measured across lower tier authorities. They used this to create an index of lower tier authorities, and identified 65 social mobility hot spots and 65 cold spots.

74. The report found that social mobility was not necessarily a north vs. south issue, but found a major divide in England today between London and the surrounding areas, and the rest of the country. The report says that "the economic strength of the capital means that it offers opportunities that other parts of the country struggle to compete with."

75. In the report, London boroughs accounted for 29 of the 'hotspots' – areas where social mobility is high - with 31 in counties. However, 52 of the 65 'cold sports' were located in counties or county unitaries, and the Commission explicitly noted that only five of the 65 coldspots were covered by city regions with metro mayors and three more covered by other devolution deals (West Midlands, Liverpool and Cambridgeshire & Peterborough), as they feel these deals will help to improve social mobility.

76. In the forthcoming 2018/19 work-programme, social mobility will be a key area of activity. CCN is exploring with Management Committee and Chairs of the County All Party Parliamentary Group (APPG) the possibility of an APPG Inquiry into social mobility in rural areas.

77. We are proposing that the inquiry focus on provision and impact of early years, education, and skills and jobs. One issue that was highlighted by the Social Mobility Commission that it will be especially relevant for the Inquiry to consider is the impact of rural transport on social mobility, and in particular whether it limits the ability of people in rural areas to access better employment and training opportunities.

78. The inquiry will include a call for written evidence, where we will strongly encourage member councils to submit alongside other national and local stakeholders. We would hope that counties can provide extensive evidence on the unique challenges facing our areas and will provide case studies setting out positive interventions that their work has had on social mobility. Written evidence will be follow up with oral evidence roundtables.

79. CCN to seek to commission external support by a leading think tank or research body to collate evidence, write the report and craft recommendations. Subject to approval by Management Committee and County APPG Chairs, CCN are hoping to launch the inquiry in February, with report to be launched at our Summer Parliamentary Reception (Date TBC).

80. CCN welcome feedback on this proposal and the areas to be included in the call for evidence. Please email james.holden@local.gov.uk for more information.

Media & Communications

81. During 2017, CCN was referenced in the media 435 times; this includes over 30 stories in the national media and in national broadcasters. This includes all the main outlets such as The Times, The Financial Times, the Daily Mail, the Telegraph, and BBC Six 'O'clock News, which has helped raise the prominence of CCN's reports released last year, as well as our advocacy more generally. In particular, we received good traction on the fair funding review and our key arguments in The Times.

82. Last year saw CCN update and redesign our website, making it more clear and accessible. As a result of this, and the media campaign around the New Deal for Counties report, the document has been downloaded over 1,500 times.

83. Last month saw targeted articles placed in the media, including a feature for the Guardian arguing for a broadening of the focus of this summer's social care green paper, and feature for Inside Housing arguing the case for strategic county planning, in the wake of the Oxfordshire housing deal. Both received good feedback from industrial professionals and policymakers.

84. More recently, CCN's story outlining the large growth in counties' elderly populations – as part of our fairer funding advocacy – made the Daily Express, the trade press, the Yorkshire Post, and other local media.

85. At the time of writing, CCN is planning a substantial media campaign ahead of the final Local Government Finance Settlement, with stories planned for the national press, trade press, and social media. Our response was given coverage in the trade press, with CCN Director, Simon Edwards, authoring a Plugged In column for The MJ on the settlement at the end of January.

86. In the longer term, the network will update our marketing logos and messaging to focus on influencing the fairer funding consultation. This will be a major focus for CCN in the coming 12 months; with a comprehensive media and communications strategy in place to shape the debate and narrative, building on our work in 2017 in this area.

CCN Conference

87. CCN's Annual Conference 2017 saw almost 200 delegates attend the two day programme in Marlow, Buckinghamshire. Speakers included the Secretary of State and Shadow Secretary of State for Communities & Local Government, as well as prominent think tanks, key local government figures and high profile civil servants.

88. The conference was themed around CCN's post General Election publication, A New Deal for Counties, considering the role counties can play in addressing the most pressing social issues of the day. The conference addressed the key concerns for the sector, ranging from pressures in Adult's and Children's Social Care and related Fair Funding, to progress in facilitating Growth, Infrastructure and Skills.

89. Videos of the sessions, as well as presentation slides, are available on our website at https://www.countycouncilsnetwork.org.uk/ccn-conference-2017-review/

90. CCN would like to thank all delegates, speakers, and sponsors who made this year's CCN Conference such a success. You can still provide feedback by completing this online survey here https://www.surveymonkey.co.uk/r/ZMBCBR5.

91. Details of the 2018 Conference will be provided to councils shortly.

Council Support Offer

Association of County Chief Executive (ACCE)

92. The Association of County Chief Executives (ACCE) is the representative body for county and county unitary authority chief executives in England. Its aims are to provide a professional network for Chief Officers and to advocate on behalf county areas, the authorities they represent and residents they serve, promoting innovative policy solutions to the unique challenges facing counties.

93. Over recent months ACCE have been reassessing their role in national advocacy, with the aim of renewing the purpose of the organisation and growing their profile to influence national policy to the benefit of county areas. As part of this review ACCE identified the need for additional support to implement the changes identified.

94. Building on the track record of CCN in turning the organisation into an influential national stakeholder, and to ensure the CCN and ACCE align priorities and key messages, CCN will be providing ACCE with a package of support. This will be reviewed after 12 months.

95. The support package includes arranging two additional half day meetings with Senior Civil Servants, co-ordinating joint policy development, public affairs, media and

communications. Moreover, it was felt chief executives could provide further input into the work of CCN and help increase access to Senior Whitehall Officials. As part of the support arrangement, a number of shared priorities with ACCE have been agreed, including on the fair funding review, adult social care and children's services. ACCE will also establish 'Lead Advisors' across the current spokesman roles of the CCN to provide Chief Executive input and ensure a direct link between the work of CCN and ACCE.

96. CCN and ACCE will remain separate bodies, with CCN continuing to be an independent member-led organisation. However, CCN will benefit from increased support from member councils, while strengthening the national advocacy of county authorities through an increased profile for county chief executives.

CCN Officer Groups

97. As part of our membership offer to councils, CCN has a three separate policy specific officer groups designed to provide direct access to Whitehall Officials and national stakeholders, while providing expert input into the policy development of CCN.

- The CCN Policy & Strategy Advisory Group acts as the main Corporate Policy advisory group for CCN and ACCE. Consisting of Senior Policy Managers/Directors, its purpose is to make strategic links between key Government agendas, covering economic growth, public service reform, financial sustainability and good governance. Recent agenda items debated with senior civil servants include the LEP Review, Spending Review preparations, Fair Funding Review and Industrial Strategy.

- The County Directors of Children's Services Forum provides a conduit for Directors to collectively influence the Government's policy programme and the national agenda on education and children's social care at all stages of policy development. Recent agenda items discussed with senior civil servants include children's services finance, home to school transport and the national schools funding formula.

- The County Health and Social Care Forum provides officers with the opportunity to influence the policy programme of Government and the national agenda on health and social care. Its membership consists of senior adult social care policy and finance officers from across the CCN membership. Recent agenda items debated with senior civil servants include the Adult Social Care Green Paper, delayed transfer of care and supported housing.

98. Meetings of the separate groups take place on a quarterly basis in London and if you would like more information on your council representatives please email james.maker2@local.gov.uk.

Staffing Update

99. Following the departure of the Business Support and Senior Policy Officers, CCN have recruited three new members of staff,

- **Phoebe Ward, Business Support Officer:** Phoebe supports CCN's Director on the effective and efficient management of CCN business processes, including finance, programme management, CCN Annual Conference, meetings and events, and member and stakeholder information.

- **Peter French, Senior Policy Officer:** Joining from the National Housing Federation, Peter will lead on the CCN's place-based policy areas and research. His

remit includes leading work on economic growth, housing, spatial planning, and infrastructure. Peter will be leading CCN's advocacy on the forthcoming CiL review and housing matters.

- **James Holden, Senior Policy Officer:** Joining from a London Borough, James will lead on CCN policy development and research on business rates and fair funding, skills and devolution, children's social care, and education.

100. On the 1st March, Michael Chard (Senior Policy Officer) will shortly be joining the Association of Directors of Adult Social Services (ADASS) on a part-time secondment. Michael will continue to lead CCN's work on adult social care and health.

101. A full list of the CCN Team, their responsibilities and contact details can be found on the about us pages of the CCN website here.

CCN COUNTY COUNCILS NETWORK	**CCN Executive** Wednesday 31 January 2018 **AGENDA ITEM 3** Finance Update by the Lead Finance Advisor

COUNTY COUNCILS NETWORK
EXECUTIVE COMMITTEE MEETING
31 JANUARY 2018

LOCAL GOVERNMENT FINANCE
Report by the Lead Finance Adviser

A. Introduction

1. The purpose of this report is to provide Executive members with an update on developments in local government finance since the last meeting. Any further update on key issues following the production of this report will be done verbally at the meeting.

2. The report is divided into the following sections:

A: Introduction

Public Finance
B: 2018 Spring Statement

Local Government
C: Final 2018-19 Local Government Finance Settlement
D: Provisional 2018-19 Local Government Finance Settlement
E: Four-Year Settlement Offer
F: 100% Business Rates Retention Pilots
G: Revenue Support Grant and Transitional Grant
H: Rural Service Delivery Grant

Council Tax
I: Basic Precept
J: Adult Social Care Precept

Increased Business Rates Retention
K: Steering Group
L: Devolution and Responsibilities Working group
M: System design working group
N: Fair funding Review
Relative need consultation

Technical Working Group
Technical Papers
Children's services research
O: CLG Committee: Business Rates Retention Inquiry

Business Rates
P: Business Rates Compensation Grants

Implementing 2017 Business Rates Revaluation
Q: Adjusting Tariffs and Top-Ups for Revaluation

New Homes Bonus
R: Changes to the Scheme
S: 2018-19 NHB Allocations

Children's Services
T: Schools Funding

Health And Social Care
U: Social CARE Green Paper
V: 2018-19 and indicative 2019-20 Public Health Grant
W: Improved Better Care Fund
X: Former Independent Living Fund
Y: Flexible Homelessness Support Grant
Z: Homelessness Reduction Act: New Burdens Funding
AA: Unaccompanied Asylum Seeking Children

Highways Maintenance
BB: Highway Maintenance Funding
CC: Lead Local Flood Grant

Capital
DD: Capital Flexibilities

Other
EE: Commons Select Committee: Reforming LA Needs Assessment
FF: NAO Study: Financial Sustainability Of Local Authorities
GG: Council Mergers

PUBLIC FINANCE

B. 2018 Spring Statement

3. The Chancellor's 2018 Spring Statement will be made on 13 March. 2018 will be the first year, where a Spring Statement and Autumn Budget will be delivered by the Chancellor of the Exchequer. 2017 provided a transition year in which two Budgets were made in order to move the main annual fiscal announcement from Spring to Autumn.

LOCAL GOVERNMENT

C. Final 2018-19 Local Government Finance Settlement

4. At the time of writing a firm date had not been set for the final 2018-19 settlement. However, if we assume that the Ministry for Housing, Communities and Local Government (HCLG, formerly DCLG) will follow the same timetable as last year then the final 2018-19 settlement can be expected around the 5 February 2018.

D. Provisional 2018-19 Local Government Finance Settlement

5. On 19 December the Secretary of State Communities and Local Government (now Housing, Communities and Local Government), Sajid Javid MP announced to the House of Commons the publication of the provisional 2018-19 local government finance settlement in an oral statement. Key issues included in the settlement are covered in detail later in this report.

6. The announcement republished provisional allocations for 2018-19 and 2019-20. These were originally announced in December 2015 as part of the provisional 2016-17 settlement in December 2016.

7. The publication of the Draft 2018-19 Local Government Finance Report marks the beginning of a 4-week consultation over the Christmas period which ends on 16 January 2018.

E. **Four-Year Settlement Offer**

8. The 2018-19 settlement marks the third year of the four settlement, which offered of 'a guaranteed budget to every council which desires one and which can demonstrate efficiency savings'. The four-year settlement included RSG, Transitional Grant (2016-17 and 2017-18), and the Rural Services Delivery Grant. Baseline funding level is dependent on the business rates multiplier so was not included in the four year offer.

9. The 2017 Technical Consultation discussed ways in which the multi-year settlement offer could be expanded to include further grants but so far, no further announcements have been made.

F. 100% Business Rates Retention Pilots

10. Before the provisional settlement announcement the Government had already announced that the 2017-18 pilots[1] would be extended into 2018-19. The 2017 Autumn Budget also announced 100% business rates retention for London councils in 2018-19.

11. On 1 September 2017 the then DCLG published a prospectus inviting local authorities to submit proposals to pilot 100% business rates retention in 2018-19. Authorities selected as pilots for 2018-19 will forego Revenue Support Grant (RSG) and Rural Services Delivery Grant – the combined value of which will be taken into account in setting revised baseline funding levels and tariffs and top-ups. This will ensure that the changes are cost neutral, except for the value of any growth retained. These new pilots were not given the option to take on additional responsibilities. It is understood that it was never likely that all pilot plans would be approved due to the costs involved.

[1] Greater Manchester CA, Liverpool City Region, West Midlands, West of England CA, Cornwall and GLA

12. The provisional 2018-19 settlement announcement stated that from 2020-21 the Government intends to implement 75% Business Rates Retention. Despite this, pilots will be based on a 100% local share of business rates growth.

13. Due to the large number of pilot applications a total of ten were accepted for 2018-19 as listed below:
    - Berkshire
    - Derbyshire
    - Devon
    - Gloucestershire
    - Kent and Medway
    - Leeds
    - Lincolnshire
    - Solent
    - Suffolk
    - Surrey

14. Of these ten, seven are CCN members with Mr Javid recognising that existing pilots have focused predominantly on urban areas

15. At least three DCLG officials independently scored each pilot based on the application criteria originally set out. This in combination with ministerial judgement (which included the need for more rural pilots) and Treasury cost limits, lead to the aforementioned decision.

16. The Minister confirmed there would be a further application process for 2019-20. Details of this and its timeline are yet to be determined.

G. Revenue Support Grant and Transitional Grant

17. Prior to 2016-17, changes to RSG were carried out by comparing the current year's RSG allocation to the previous year. Each local authority therefore received the same flat rate reduction.

18. The 2016-17 provisional settlement was the first year in which the then DCLG took actual precept into account when applying the cuts to core funding. This seriously impacted members and prompted calls for transitional arrangements. The final 16-17 settlement announced additional funding worth £150m in both 2016-17 and 2017-18 "for councils with the sharpest reductions in Revenue Support Grant". Of the £150m national total available in 2017-18 CCN members received £109.5m in Transition Grant.

19. The Government did not announce further transitional funding for 2018-19. However, the Secretary of State acknowledged local authorities' concerns regarding negative RSG in 2019-20 saying that the Government was looking for "fair and affordable options".

20. When the four-year settlement was first announced some authorities were given "negative RSG" allocations in 2018-19 and in 2019-20. In these case the authority's Baseline Funding Level (BFL) was greater than its Settlement Funding Assessment (SFA).

In order for them not to be over-funded, their authority's tariff or top-up was adjusted. The adjustment is also referred to as "negative RSG".

21. Negative RSG in 2019-20 totals £152.9m. The table below details levels for individual CCN members.

2019-20 Negative RSG	
England	-152.879
CCN Total	*-69.181*
Buckinghamshire	-10.949
Cambridgeshire	-7.170
Central Bedfordshire	-1.282
Cheshire East	-2.610
Dorset	-10.140
Hampshire	-1.627
Leicestershire	-2.145
North Yorkshire	-3.695
Oxfordshire	-6.239
Surrey	-17.259
Warwickshire	-0.492
West Sussex	-2.580
Wiltshire	-2.237
Worcestershire	-0.757

22. A table showing overall 2019-20 negative RSG in two-tier areas can be found in Annex A. This totals -£119.3m. Please note this does not include CCN Unitary member allocations.

23. The Government will publish a consultation on these in spring 2018 in order to complete the process before publication of the 2019-20 provisional settlement.

H. Rural Service Delivery Grant

24. 2018-19 allocations of the Rural Services Delivery Grant (RSDG) have been published totalling £65m. 2018-19 allocations had been expected to fall by £15m from £65m in 2017-18; however, this reduction has been reversed. Allocations remain at £65m in 2019-20.

COUNCIL TAX

I. Basic Precept

25. The Secretary of State announced the Government's proposed referendum principles for 2018-19 in the draft principles report. These were first outlined in the September 2017 technical consultation on the 18-19 Settlement where the consultation also asked whether further flexibilities were required for particular categories.

26. There was one key change announced as part of the provisional settlement regarding local authorities 'council tax. Specifically, referendum principles will apply to council tax increases in in excess of 2.99% for 2018-19 and 2019-20. This is an increase on the 2017-

18 referendum limit of 1.99% and brings council tax in line with current levels of inflation (CPI).

27. The draft principles included:

- 3% council tax referendum trigger for counties, unitaries, London boroughs and GLA (up from 2%)
- For shire districts 3% council tax referendum trigger or £5, whichever is higher (up from 2%)
- Police precepts can be increased by up to £12 per Band D bill. This equates to between 5.34% and 12.20% for English PCCs and compares to allowing a £5 increase for those in the lowest quartile of PCCs and a 2% threshold otherwise in 2017-18.

28. Last year, the Government asked parish and town councils to "exercise restraint" and transparency when deciding precept increases. The Technical Consultation said that this arrangement could continue into 2018-19 as long as the Government had evidence that this was being adhered to. In his provisional settlement announcement, Mr Javid confirmed that the Government intends to defer the setting of referendum principles for town and parish councils for three years.

J. Adult Social Care Precept

29. Mr Javid also announced the continuation of the adult social care precept at 2% with the flexibility to increase the precept by an additional 1% (i.e. 3%) in 2018-19 provided that increases do not exceed 6% between 2017-18 and 2019-20.

INCREASED BUSINESS RATES RETENTION

30. Following the 2017 General Election and the omission of the Local Government Finance Bill in the Queen's Speech, the Government moved from its pursuit of 100% Business Rates Retention to *increased* Business Rates Retention. Due to the General Election the implementation date of 2019-20 was delayed until 2020-21.

31. In the settlement announcement, the Secretary of State announced the Government's aim to increase the local share of business rates retention to 75% in 2020-21. This will be through incorporating existing grants into business rate retention including Revenue Support Grant, and Public Health Grant. The remaining 25% central share will be returned to HM Treasury and recycled back to local government but this will not be visible. The level of flexibility to be given to local authorities is as yet unknown, regarding any continued public health responsibilities.

32. Local authorities will be able to keep that same share of growth on their baseline levels from 2020-21, when the system is reset. Nonetheless, existing and newly announced pilots will be based on a 100% local share of business rates.

K. Steering Group

33. The Steering Group last met on 27 November, on the same day as the LGA Fair Funding Review Away Day. The meeting was relatively light touch and updated members on the recent technical group discussions – which are all outlined below, with the following areas of note:

- The new responsibilities working group will be suspended until any future primary legislative slot is secured by the Government to implement 100% BRR, although it may be called upon on an ad-hoc basis;

- Given the differing positions of the Government and the LGA, the most appropriate level of BRR to be reached through devolving responsibilities was (on current values) approximately 75%. However:
    - existing funding pressures should be considered first before any further responsibilities are devolved;
    - retention of growth should at least match retention of business rates stock; and
    - 100% BRR should be the eventual position.

- The systems design group will be re-shaped to encompass the original BRR operationalisation group that was set up when 50% BRR was introduced in 2013-14 to ensure the accounting and accountability aspects are considered across the whole of the BRR proposal. The Steering Group sought to understand how the TOR might alter and who the Membership of the original group is – it has become somewhat unclear as to who is representing various societies on each group.

34. DCLG outlined that with no primary legislation vehicle until 2019, full business rates retention will take longer. The work of the Steering Group and technical working groups will now be to see how quickly and how far progress can be made to 100% BRR both with and without primary legislation.

L. Devolution and Responsibilities Working Group

35. The Devolution and Responsibilities Working Group last met on 9 November to discuss the future of the working group.

36. Following discussions at the 3 October Steering Group it was suggested that, at this stage, with the legislation window unavailable for more ambitions proposals, the Devolution and Responsibilities working group had taken its work as far forward as possible and therefore should be closed in its current format. The Steering Group indicated that they would like to be able to call upon the working group on an ad-hoc basis as new areas of work arise from their meetings.

37. The Steering Group on 27 November confirmed that this group would be 'suspended' for the time being as set as out.

M. System Design Working Group

38. The System Design Working Group re-met for the first time, following the two pre-election purdah periods, on 15 November. The meeting had two local government-led papers; the first on mandatory reliefs from Birmingham City Council and the second on an informal meeting of LG representatives held in August from Westminster City Council.

39. The final paper, from DCLG, focused on the Group's workplan. In light of discussions at the 3 October Steering Group, the System Design Working Group will initially focus on elements of the system which can be modified using secondary legislation and so are

suitable for a short term reform package. Once this work is completed (September 2018) the Group will then consider longer term options for reform through primary legislation.

40. Papers will be prepared based on analysis carried out by DCLG and responses to the Government's '100% Business Rates Retention: Further consultation on the design of the reformed system', which closed 3 May 2017. The consultation outlined the work to date and forthcoming timeline for implementation of 100% business rates retention from April 2019. It also proposed a number of changes to the existing 50% business rates retention scheme in particular for resetting the system and how frequently this should be done.

41. The System Design Working Group, which is scheduled to next meet on 7 February 2018, is expected to consider the following items in the following order:

    - Options for reforms and greater business rates retention, including the legal position, timings and scope and agree forward look including for the (sub) Accounting and Accountability Working Group;
    - The safety net, tier splits, risk and gearing;
    - Mitigating appeals losses;
    - Resets, set-up and measuring growth;
    - Transitional arrangements;
    - Reliefs, appeals and the Central List;
    - Pooling;
    - Data and accounting.

42. DCLG also recommend that the Group commission a smaller sub group to consider the detail of technical transition (such as transitioning IT systems) and operationalisation. The findings of this group would then be presented to the System Design Working Group for consideration. Suggested topics for the Technical Transition and Operationalisation Sub Group to examine are:
    i. Pilots: accounting and IT systems transition (as requested by the Steering Group);
    ii. Establishing Business Rate Baselines;
    iii. Redesign of NNDRs.

N. Fair Funding Review

Relative Need Consultation

43. On 19 December 2017 the then Department for Communities and Local Government released the 'Fair Funding Review – a review of relative needs and resources' to consult interested parties, particularly local government, on the structure of a replacement 'Needs' formula.

44. The consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities and runs for 12 weeks closing 12 March 2018.

Technical Working Group

45. The Needs and Redistribution Technical Working Group has now been renamed the Fair Funding Review Technical Working Group.

46. The Fair Funding Review is now working towards a 2020-21 implementation date. This will allow the review to complete a research exercise for measuring relative need in Children's Services, and include the latest data from the Index of Multiple Deprivation, which is due in summer 2019. It will also better align with the current Spending Review cycle including multi-year settlements.

Children's Services Research

47. The Fair Funding Review is working to identify the extent to which a simple 'foundation' formula using common cost drivers can be used to allocate funding. However, the Review is also considering whether a service specific formula based on cost drivers for those services is required in some services such as adult social care and children's services.

    The current Children's Services model uses a multi-level model approach. DCLG say any service-specific approach for this area may also require a multi-level model, in order to "ensure a degree of analytical robustness appropriate for a service area of this size, sensitivity and complexity".

48. DCLG believe a multi-level model would address the concerns, that simple regression models using past expenditure data do not capture the underlying demand for certain services. The multi-level model would use small area data to understand how different characteristics, which drive the need to spend, affect the amount spent on different areas *within* local authority boundaries (such as rural or non-rural).

49. In October DCLG and DfE launched the tender for a joint project to gather activity level data on Children's Social Care from Local Authorities at a more detailed lower geographical level (probably Lower Super Output Area with populations of around 1,500).

50. At the 16 November Fair Funding Review TWG, attendees were informed that the contract had been awarded. Details regarding the work and the organisation chosen would be given shortly. Once progress has been made the DCLG is keen to include both the LGA and ADCS in the finalising processes. The SCT has expressed interest in being part of this project.

51. The Technical Working Group will be updated on the progress of the project but the current expectation is that it will be completed in the summer of 2019.

Technical Papers

52. From spring next year, DCLG will publish a series of technical papers which will look in detail at key issues of the Review for the wider local government sector, and others, to respond to. The employment of technical papers was said to be to avoid the timely bureaucratic process of a formal consultation process. Although still to be decided, the technical papers may include:

    - how to adjust LGF settlement funding allocations for councils' relative ability to raise local income, including council tax,
    - principles and methodologies for how to transition to new funding baselines upon implementation, and
    - aspects of measuring relative need such as the approach to deprivation or rurality.

O. CLG Committee: Business Rates Retention Inquiry

53. The Communities and Local Government Committee has launched an inquiry into the impact of the longer implementation period for 100% BRR. The inquiry will assess how this is affecting councils' financial planning. It will also examine the consequences of implementing the Fair Funding Review in 2020-21.

54. The Committee invited written submissions, by 14 December, in relation to the points below:

- What are the consequences for councils of the longer implementation period for 100% retention in the context of the four-year settlement?
- What are the consequences for councils of implementing the outcome of the Fair Funding Review in 2020-21?
- How are these changes to the original implementation schedule affecting councils' financial planning from 2020 onwards?

55. The previous committee explored which responsibilities councils could take on in return for the increase in revenue. It made various recommendations in its interim report about how 100% business rates revenue should be implemented.

BUSINESS RATES

P. Business Rates Compensation Grants

56. 2018-19 Core Spending Power figures now include 'Compensation for under-indexing the business rates multiplier'. This includes the s31 grant local authorities have received for the loss of income due to the Chancellors 2% cap on business rate increases in 2014-15 and 2015-16 as well as the move from RPI to CPI in 2018-19. However, it does not include other s31 BR compensation grants e.g. for pubs etc.

IMPLEMENTING 2017 BUSINESS RATES REVALUATION

Q. Adjusting Tariffs And Top-Ups for Revaluation

57. An adjustment for the 2017 Revaluation has been made to tariffs/top-ups in previous settlements based on the most up-to-date data at the time (15 September 2016 data). Now that 1 April 2017 data is available a further adjustment has been made to tariffs/top-up to reflect this.

58. The Pilot authorities' supplementary table shows an extra adjustment to the tariff/top-up. When a pilot is created they "lose" their RSG and RSDG allocations in terms of grant but the totals of these are added to their baseline funding levels. A higher baseline funding level means that the tariffs and top-ups also need to be adjusted so that authorities still actually *receive* their baseline funding levels. However this new element; the pilot adjustment to the tariff/top-up, will need to have the second 2017 revaluation effect either added in or taken away from the pilot-adjusted element of the tariff/top-up (depending on the revaluation effect in the area and whether they are a tariff or top-up).

NEW HOMES BONUS

R. Changes to the Scheme

59. The 2015 Spending Review confirmed that the Better Care Fund would continue and that in the three years from 17-18, additional Improved Better Care (iBCF) funding would be added to the BCF progressively. In 17-18 £105m iBCF was made available direct to local authorities increasing to £825m in 18-19 and £1.5bn in 19-20:

Year	iBCF Funding
2017-18	£105m
2018-19	£825m
2019-20	£1,500m

60. The £1.5bn consists of £700m new money and £800m savings from the New Homes Bonus programme. However it was unclear how the additional funding for 2017-18 and 2018-19 would be met.

61. At the beginning of 2016 the DCLG consulted on options to reform the New Homes Bonus Scheme. The aim of the reform was to sharpen the NHB's incentive to deliver new housing. The Government also wished to reduce the level of NHB payments, in order to provide the additional funding for the Better Care Fund. Four proposals were consulted on including:

- Adjusting the Bonus to reflect estimates of deadweight
- A reduction in the number of years for which the Bonus is paid from the current 6 years to 4 years
- Withholding the Bonus from areas where there is no Local Plan in place
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal

62. DCLG implemented the first two proposals in 2017-18 basing payments on housing growth above 0.4% of the local authority's housing stock (the consultation proposal was 0.25%) and reducing payments from 6 to 5 years. This yielded approximately £350m. Savings not distributed as iBCF were reallocated to upper-tier authorities as the £241m Adult Social Care Support Grant.

S. 2018-19 NHB Allocations

63. In summer 2017, the DCLG re-consulted on the latter two proposals in the 2018-19 settlement technical consultation. The provisional 2018-19 settlement confirms that DCLG has further reduced the number of payment years from five to four years. The settlement confirmed that no new changes will be implemented in 2018-19 and the housing growth baseline above which grant is paid will also remain at 0.4%.

64. DCLG has published provisional allocations for 2018-19, the eighth year of the scheme. The provisional total NHB grant for 2018-19 is £0.946bn. Payments include the grant awarded in years 5 to 7 as well as year 8. DCLG has also published a New Homes Bonus Calculator providing details of how allocations have been reached.

CHILDREN'S SERVICES

T. Schools Funding

65. On the same day as the provisional 2018-19 LGF settlement the Minister of State for School Standard, Nick Gibb, announced in a written statement, school and early years funding allocations for 2018-19. This covered Dedicated Schools Grant (DSG), Education Services Grant (ESG) for academies, Pupil Premium and the additional £1.3bn over the next two years to phase in the National Funding Formula (NFF).

66. In July 2017 the then Education Secretary Justine Greening announced £1.3bn (£416m in 2018-19 and £884m in 2019-20) to phase in the NFF in 2020-21. During the two year transition period a "soft formula" will be implemented whereby schools allocations will be indicative allowing LAs discretion over how it can be spent. From 20-21 the "hard formula" will allocate funding directly to schools.

67. As previously announced, the distribution of the DSG to local authorities will be set out in four blocks for each authority: a schools block, a high needs block, an early years block, and the new central school services block.

68. Nick Gibb confirmed that ESG has been maintained at current rates "to protect academies from excessive changes in funding as a result of the ending of the ESG". Pupil premium per pupil amounts have also been maintained at the current rates, with the exception of the pupil premium plus, which will increase from £1,900 per pupil to £2,300, as previously announced. The amounts for 2018-19 will be:

Pupils	Per Pupil Rate 2017-18	Per Pupil Rate 2018-19
Disadvantaged pupils: Primary	£1,320	£1,320
Disadvantaged pupils: Secondary	£935	£935
Pupil Premium Plus [2]	£1,900	£2,300
Service Children	£300	£300

69. 2018-19 pupil premium allocations will be published in June 2018 in order to incorporate pupil number data from the spring 2018 schools and alternative provision censuses.

HEALTH AND SOCIAL CARE

U. Social Care Green Paper

70. The 2017 Spring Budget announced that in the longer term, the government would set out options for the future financing of Social Care in a Green Paper. This was intended to be published in 2017 but in a written ministerial statement [HCWS258] from Damian Green on 16 November it was announced that this has been postponed until summer 2018. It is unclear what the implications of Jeremy Hunt assuming responsibility for health as well as adult social care, following the recent cabinet reshuffle, will have on the Green Paper.

V. 2018-19 and indicative 2019-20 Public Health Grant

[2] Looked After Children (LAC) and those adopted from care or who leave care under a Special Guardianship Order or Child Arrangements Order (formally known as a residence order).

71. 2018-19 and indicative 2019-20 Public Health Grants were announced in a written ministerial statement today. Allocations and the statement can be found here.

W. Improved Better Care Fund

72. The 2017 Spring Budget included £2.021bn supplementary funding for the improved Better Care Fund (iBCF); £1.01bn in 17-18, £674m in 18-19 and £337m in 19-20. This brought the iBCF total up to £1.115bn in 17-18, £1.499bn in 18-19 and £1.837bn in 19-20 as shown below.

Improved BCF	**17-18**	**18-19**	**19-20**
Original funding (SR15)	£105,000,000	£825,000,000	£1,500,000,000
Supplementary funding (2017 Spring Budget)	£1,010,000,000	£674,000,000	£337,000,000
iBCF total	**£1,115,000,000**	**£1,499,000,000**	**£1,837,000,000**

73. Local authority iBCF allocations for 2017-18, 2018-19 and 2019-20 were published as part of core spending power figures, alongside the 17-18 settlement. DCLG updated these allocations to include the supplementary funding announced in the 2017 Spring Budget and republished these allocations in the 18-19 settlement.

74. Original funding continues to be distributed based on the assumption that all authorities will take up the 2% increase in council tax for social care, in full. The amount that could potentially be raised from this council tax flexibility is combined with the Improved BCF funding and distributed according to the existing (2013-14) adult social care relative needs formula.

75. Authorities forecast to raise more than this allocation from council tax do not receive an Improved BCF allocation. Authorities forecast to raise less than this allocation from council tax receive the difference in Improved BCF funding. However, Improved BCF grants are then scaled to the total pot available.

76. 90% of the supplementary funding is allocated according to this methodology. The remaining 10% of supplementary funding is distributed according the ASC RNF in order to "[recognise] that all local authorities face pressure on the provision of adult social care,"

18-19 Additional iBCF Review

77. At the time of the 2017 Spring Budget the Health and Communities Secretaries set out measures in a written ministerial statement to identify and support authorities which were struggling, and to ensure more joined up working with the NHS.

78. These measures included a performance dashboard and guidance. The dashboard included a breakdown of delayed days attributable to social care per 100,000 of the population and the equivalent for NHS-attributable delays. The Government also published indicative reductions required by each LA and local NHS, which could be shared differently at local level if agreed by both organisations.

79. There was concern that the review would only be able to access data up until September 2017, which would be just two months after local authorities were notified of their targets.

80. In October 2017 the Health Secretary Jeremy Hunt wrote to 30 LAs regarding their poor progress in achieving DToC targets. In his letter the Health Secretary warned that the supplementary Better Care Fund allocations announced in the Spring 2017 Budget would be withheld unless these LAs improved social care so that patients can be discharged more quickly; Whitehall officials believe some local authorities are failing to spend their money wisely.

81. On 5 December Sajid Javid and Jeremy Hunt wrote to local authorities to confirm that no council would receive less funding than their previously published allocation.

82. However, a handful of councils were told that they may still be subject to conditions on a proportion – no more than a third - of their 2018-19 additional iBCF allocation. These are councils whose performance remain in the bottom quartile (based on the latest data) and have not improved over the past year nor since last winter's peak in February. The Government will be looking closely at their performance in January 2018 (using November 2017 data) to confirm whether this is necessary.

X. Former Independent Living Fund

83. In 2016 the Government set out the amount and proposed distribution of the new 'former Independent Living Fund (ILF) recipient grant, which compensates for the cost pressures caused by the closure of the ILF. The consultation invited comments on the proposed methodology for the value of the grant and the allocation of the funding.

84. Alongside the provisional settlement the Government confirmed that the 'Former ILF Recipient Grant' will be paid to local authorities as outlined in the consultation document.

Y. Flexible Homelessness Support Grant

85. The new flexible homelessness support grant will come in from 1 April 2017. It replaces DWP's temporary accommodation management fee. Details of allocations for local authorities can be found here.

Z. Homelessness Reduction Act: New Burdens Funding

86. Information on the new burdens funding local authorities have been allocated to implement the Homelessness Reduction Act can be accessed here.

AA. Unaccompanied Asylum Seeking Children

87. On 23 August 2017, UK Visas & Immigration (UKVI) wrote to local authorities inviting them to respond to a call for evidence as part of their review into Unaccompanied Asylum Seeking Children (UASC) funding. This funding is currently provided by the Home Office to local authorities. The call for evidence invited local authorities to respond to a number of questions by 29 September 2017 to inform the review.

88. The outcome of the review is expected to be published in mid-February including the publication of funding allocations.

HIGHWAYS MAINTENANCE

BB. Highway Maintenance Funding

89. Highway Maintenance Funding Allocations up to 2019-20 have been published here.

CC. Lead Local Flood Grant

90. Local authority allocations of the s31 Lead Local Flood Grant for 2017-18 to 2019-20 have been published here. The grant totals £4m in 2018-19 and £4.3m in 2019-20.

CAPITAL

DD. Capital Flexibilities

91. Sajid Javid announced the continuation of capital receipts flexibility programme for a further three years enabling local authorities to use capital receipts from the sale of their own assets.

OTHER

EE. Commons Select Committee: Reforming LA Needs Assessment

92. On 28 November the Communities and Local Government Committee published analysis suggesting ways in which the current needs and funding assessments could be made simpler and more transparent. The research was carried out by LG Futures and is aimed at contributing to the Government's Fair Funding Review and work to implement 100% business rates retention.

93. The analysis suggests a method for simplifying the needs assessment formula – reducing the number of indicators used – and for simplifying the wider funding model that translates these assessed needs into funding. The research also reviewed the data that is used in the calculations.

94. In addition the analysis assessed the implications of two potential models for the on-going 'resetting' of the funding system in light of the introduction of 100 per cent retention of business rates for local authorities.

FF. NAO Study: Financial Sustainability of Local Authorities

95. The National Audit Office (NAO) is currently working on a study into the financial sustainability of local authorities following 7 years of austerity. The NAO previously reported on this issue in 2014.

96. The study is examining four principal areas:

- Funding and demand changes: How has local authority income changed since 2010-11? How have demand and cost pressures changed?
- Local choices: How have local authorities responded to funding reductions?
- Implications: What are the implications for authorities' financial and service sustainability? How have service users been affected?

- Departmental role: Does the Department understand the ability of local authorities to absorb funding reductions and the impact of emerging demand and cost pressures on local authority budgets?

97. The SCT made a written submission to the study. Publication of the final NAO report is expected in March 2018.

GG. Council Mergers

98. On 30 November Communities and Local Government Minister Sajid Javid announced in a written ministerial statement the Government's "minded to" position regarding two proposals for merging districts in Somerset and Suffolk.

99. The first of these is to merge Taunton Deane Borough Council and West Somerset District Council into a new, single district council. The second is to similarly merge Forest Heath District Council and St Edmundsbury Borough Council into a new, single district council.

100. The Secretary of State confirmed interest parties have until 19 January 2018 to make representations in relation to either proposal. The final decision will be subject to Parliamentary approval.

101. On 7 November Communities and Local Government Minister Sajid Javid announced in a written ministerial statement the Government's "minded to" position regarding a merger in Dorset and a second merger in Suffolk.

102. In the Dorset area, there are currently two small unitary councils (created in the 1990s) of Bournemouth and of Poole. They are surrounded by a two-tier structure of Dorset County Council and the district councils of Christchurch, East Dorset, North Dorset, Purbeck, West Dorset and Weymouth & Portland. The proposal would establish two new councils; a single council for the areas of Bournemouth, Poole, and the part of the county of Dorset currently comprising the Borough of Christchurch. The remainder of the current county area would form the second council.

103. In Suffolk the proposal would merge Suffolk Coastal and Waveney District Councils to become a new single district council.

104. The Secretary of State confirmed interest parties have until 8 January 2018 to make representations in relation to either proposal. The final decision will be subject to Parliamentary approval.

Sheila Little
Lead Adviser
If you have any questions on the issues contained within this report please contact the Society of County Treasurers' Technical Support Team via e-mail at *technicalsupportteam@somerset.gov.uk*.

Annex A

2019-20 Negative Revenue Support Grant Allocations in Two-Tier Areas

2019-20 Negative RSG (£m)

	LA allocation	***Area total***
County Area total		***-119.280***
BUCKINGHAMSHIRE	-10.949	-13.361
Aylesbury Vale	-0.687	
Chiltern	-0.848	
South Bucks	-0.414	
Wycombe	-0.462	
CAMBRIDGESHIRE	-7.170	-7.991
Cambridge	-0.024	
East Cambridgeshire		
Fenland	-0.094	
Huntingdonshire	-0.042	
South Cambridgeshire	-0.661	
CUMBRIA		-0.830
Allerdale		
Barrow-in-Furness		
Carlisle	-0.040	
Copeland		
Eden	-0.177	
South Lakeland	-0.613	
DERBYSHIRE		-0.588
Amber Valley		
Bolsover		
Chesterfield		
Derbyshire Dales	-0.362	
Erewash		
High Peak	-0.128	
North East Derbyshire	-0.068	
South Derbyshire	-0.030	
DEVON		-1.335
East Devon	-0.328	
Exeter		
Mid Devon	-0.176	
North Devon		
South Hams	-0.400	
Teignbridge	-0.138	
Torridge		
West Devon	-0.293	

2019-20 Negative RSG (£m)

	LA allocation	*Area total*
DORSET	-10.140	-12.414
Christchurch	-0.375	
East Dorset	-0.981	
North Dorset	-0.054	
Purbeck	-0.265	
West Dorset	-0.113	
Weymouth and Portland	-0.486	
EAST SUSSEX		-1.749
Eastbourne	-0.111	
Hastings		
Lewes	-0.414	
Rother	-0.349	
Wealden	-0.875	
ESSEX		-5.140
Basildon	-0.694	
Braintree	-0.291	
Brentwood	-0.371	
Castle Point	-0.515	
Chelmsford	-0.982	
Colchester	-0.445	
Epping Forest	-0.280	
Harlow	-0.295	
Maldon	-0.334	
Rochford	-0.635	
Tendring		
Uttlesford	-0.298	
GLOUCESTERSHIRE		-1.159
Cheltenham	-0.391	
Cotswold	-0.218	
Forest of Dean		
Gloucester		
Stroud	-0.549	
Tewkesbury		
HAMPSHIRE	-1.627	-5.373
Basingstoke and Deane	-0.171	
East Hampshire	-0.558	
Eastleigh	-0.166	
Fareham	-0.397	
Gosport	-0.124	
Hart	-0.515	

2019-20 Negative RSG (£m)

	LA allocation	*Area total*
Havant	-0.247	
New Forest	-0.612	
Rushmoor	-0.198	
Test Valley	-0.348	
Winchester	-0.410	
HERTFORDSHIRE		-5.002
Broxbourne		
Dacorum	-0.993	
East Hertfordshire	-0.653	
Hertsmere	-0.217	
North Hertfordshire	-1.071	
St Albans	-0.898	
Stevenage	-0.027	
Three Rivers	-0.350	
Watford	-0.389	
Welwyn Hatfield	-0.403	
KENT		-5.466
Ashford	-0.237	
Canterbury	-0.310	
Dartford	-0.098	
Dover		
Gravesham	-0.244	
Maidstone	-1.589	
Sevenoaks	-1.083	
Shepway	-0.301	
Swale		
Thanet		
Tonbridge and Malling	-0.998	
Tunbridge Wells	-0.606	
LANCASHIRE		-1.437
Burnley		
Chorley	-0.156	
Fylde	-0.295	
Hyndburn		
Lancaster		
Pendle		
Preston	-0.133	
Ribble Valley	-0.109	
Rossendale	-0.161	
South Ribble	-0.494	
West Lancashire	-0.055	
Wyre	-0.033	

2019-20 Negative RSG (£m)

	LA allocation	*Area total*
LEICESTERSHIRE	-2.145	-3.045
Blaby	-0.168	
Charnwood		
Harborough	-0.317	
Hinckley and Bosworth		
Melton	-0.169	
North West Leicestershire	-0.142	
Oadby and Wigston	-0.104	
LINCOLNSHIRE		-0.181
Boston		
East Lindsey		
Lincoln		
North Kesteven	-0.090	
South Holland		
South Kesteven	-0.026	
West Lindsey	-0.065	
NORFOLK		-0.047
Breckland		
Broadland		
Great Yarmouth		
King's Lynn and West Norfolk		
North Norfolk		
Norwich		
South Norfolk	-0.047	
NORTH YORKSHIRE	-3.695	-5.289
Craven	-0.095	
Hambleton		
Harrogate	-1.041	
Richmondshire	-0.237	
Ryedale	-0.120	
Scarborough		
Selby	-0.101	
NORTHAMPTONSHIRE		-0.907
Corby		
Daventry	-0.152	
East Northamptonshire		
Kettering	-0.248	
Northampton	-0.127	

2019-20 Negative RSG (£m)

	LA allocation	*Area total*
South Northamptonshire	-0.380	
Wellingborough		
NOTTINGHAMSHIRE		-0.312
Ashfield		
Bassetlaw		
Broxtowe	-0.001	
Gedling	-0.057	
Mansfield		
Newark and Sherwood		
Rushcliffe	-0.253	
OXFORDSHIRE	-6.239	-6.991
Cherwell		
Oxford	-0.295	
South Oxfordshire	-0.233	
Vale of White Horse	-0.224	
West Oxfordshire		
SOMERSET		-0.510
Mendip	-0.054	
Sedgemoor		
South Somerset	-0.327	
Taunton Deane	-0.128	
West Somerset		
STAFFORDSHIRE		-0.892
Cannock Chase	-0.054	
East Staffordshire	-0.097	
Lichfield	-0.453	
Newcastle-under-Lyme		
South Staffordshire		
Stafford	-0.250	
Staffordshire Moorlands	-0.038	
Tamworth		
SUFFOLK		-2.065
Babergh	-0.131	
Forest Heath		
Ipswich	-1.006	
Mid Suffolk	-0.337	
St Edmundsbury	-0.278	
Suffolk Coastal	-0.313	
Waveney		

2019-20 Negative RSG (£m)

	LA allocation	*Area total*
SURREY	-17.259	-26.926
Elmbridge	-1.480	
Epsom and Ewell	-0.625	
Guildford	-0.674	
Mole Valley	-0.824	
Reigate and Banstead	-1.543	
Runnymede	-0.300	
Spelthorne	-0.753	
Surrey Heath	-0.933	
Tandridge	-0.729	
Waverley	-0.814	
Woking	-0.991	
WARWICKSHIRE	-0.492	-1.688
North Warwickshire	-0.109	
Nuneaton and Bedworth	-0.289	
Rugby	-0.248	
Stratford-on-Avon	-0.313	
Warwick	-0.237	
WEST SUSSEX	-2.580	-5.948
Adur	-0.367	
Arun	-0.428	
Chichester	-0.622	
Crawley		
Horsham	-0.695	
Mid Sussex	-0.767	
Worthing	-0.490	
WORCESTERSHIRE	-0.757	-2.635
Bromsgrove	-0.740	
Malvern Hills	-0.183	
Redditch	-0.331	
Worcester	-0.082	
Wychavon	-0.186	
Wyre Forest	-0.357	

CCN

COUNTY COUNCILS NETWORK

CCN Executive

Wednesday 31 January 2018

AGENDA ITEM 4

Fair Funding Review Consultation

Introduction

1. In December 2017 the Government launched the long-awaited Fair funding review: a review of relative needs and resources consultation. This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities. The Ministry of Housing, Communities & Local Government (MHCLG) are considering a wide range of options for developing an updated funding formula by looking again at the factors that drive costs for local authorities.

2. Appendix 1 provides a briefing and commentary by Pixel Financial Management on the Fair Funding Review consultation document and the specific implications for CCN member councils. This includes initial findings of research commissioned to inform our response to the consultation. Pixel Financial Management will be attending the meeting to present ahead of Stuart Hoggan, MHCLG Deputy Director, joining the meeting to take questions from Executive on the consultation.

3. This short covering paper provides an update for Executive on our work to date on fairer funding.

Policy Development: Pre-General Election

4. CCN, alongside the Society of County Treasurers (SCT), has long campaigned for the Government to undertake a fundamental review of the distribution of local government funding, dating back to the introduction of the 'four-block' model.

5. The catalyst for the fair funding review was the announcement of the intention of the government to introduce 100% business rates retention and the provisional local government settlement 2016/17 to address the long-held concerns of CCN, SCT and County MPs over the impact of the funding formula on county and rural areas.

6. Since the announcement in February 2016, Executive have received regular updates on the policy work of CCN in relation to the review, which has included a response to the 2016 MHCLG consultation A Call for Evidence on needs and redistribution and representation on the MHCLG and LGA joint Steering and Technical Working Groups.

- CCN policy development on fair funding has been built on three core aspects;
- CCN has maintained the position that the new funding system must move away from regression methods, which use past spend and past service usage to determine future funding. These techniques cannot account for the fast changing demographic pressures seen across the country, and are embedding cycles of underfunding.

- Building on the approach adopted in the Leicestershire County Council fair funding model, CCN have advocated that a simple 'cost-drivers' approach must form the basis of the future formula. Such an approach would work on the basis of funding following a small number of cost-drivers which account for the vast majority of council costs. These cost-drivers centre on relevant populations and infrastructure pressures. The benefits of such a system would be transparency, fairness, consensus and sustainability over time.

- Imbalanced funding also leads to the perverse situation where those authorities that have received historically high funding do not need to rely on council tax; with counties having disproportionately high council tax. In the interests of fairness and transparency, the CCN alongside the SCT, firmly believes that this issue needs to be openly reviewed as part of the Fair Funding Review. Council tax makes up a considerable element of local authority budgets, particularly in CCN member councils, and ignoring the current inequality risks undermining the whole process.

8. In gaining traction for a cost-drivers approach, it is important to note CCN's support for the work undertaken by the Society of Local Authority Treasurers (ALATS). This group is finding common ground to develop a funding approach which accurately reflects the current and future needs of different areas. Through this work a broad consensus has emerged across the country, between both counties and cities, that a simple cost-drivers approach must form the basis of the future formula.

9. Following on from this work, in early 2017, CCN coordinated letters to the Secretary of State, Sajid Javid, advocating that it was absolutely imperative that a simple cost-drivers approach was set out as an option for consideration.

10. Following the letters from CCN and our individual member councils, the Secretary of State subsequently confirmed via a letter to CCN that this approach would be an option considered as part of the Government's consultation. However, due to the announcement of the General Election in April 2017, the publication of the consultation was delayed.

Policy Development: Post-General Election

11. Following the General Election, CCN has renewed its campaign for fair funding. In July 2017 CCN launched A New Deal for Counties with fair funding one of three core 'principles' of the new deal.

12. In September 2017, following the results of our post-election members survey and research by Pixel Financial Management on 100% business rates retention, CCN published a statement in relation to business rates retention which highlighted that 77% of County Leaders in our survey strongly agreed that a new local government funding formula will be central to making full business rate retention work.

13. Building on A New Deal for Counties, last year saw the launch of several localised fairer funding campaigns from CCN member councils. These included Leicestershire, Lincolnshire, Essex, Cambridgeshire, Northamptonshire, East Sussex and Nottinghamshire County Councils. Several other authorities, such as Hertfordshire and Cornwall, are currently being supported by CCN ahead of launching their own local campaigns in the coming weeks.

14. As part of this, CCN have provided councils with tailored-made infographics and social media content, national funding figures, quotes for local media, and facilitating joint regional

working by councils. For instance, this culminated in authorities in the East of England securing a prominent slot on Sunday Politics East on fairer funding. To find out more on CCN's support for local campaigns, please email ian.burbidge@local.gov.uk.

15. CCN has held several parliamentary briefings and individual meetings for County MPs on fair funding and the inequity of the current system. Key points from these briefings have been cited in the debates on fair funding, and the research has strongly influenced the work of the CLG Committee.

16. CCN media and communications has focused extensively on fair funding. In total, we has secured 72 stories in the trade, local, and national press on fairer funding, including 11 stories in national newspapers.

17. Most recently, CCN has also sought to ensure that our position, and that our member councils, is not misrepresented by other parts of the local government sector following two articles in the trade media, including one by the Special Interest Group of Metropolitan Authorities (SIGOMA). In a statement on our website and response article in the MJ, CCN restated our commitment to ensuring sustainable funding for all councils by meeting all underfunded pressures; rejected claims we had argued for 'full equalisation'; and highlighted that CCN remain firmly committed to supporting collaborative cross-sector working in arriving at a consensus on a needs-based, fair funding formula.

Next Steps

18. The provisional local government settlement and consultation document Fair funding review: a review of relative needs and resources, published in December, confirmed the Fair Funding Review is now working towards a 2020-21 implementation date.

19. Upon publication, CCN broadly welcomed the consultation. While we are disappointed that implementation has been delayed until 2020/21, the consultation paper sets out a direction of travel that had clearly been influenced by the advocacy of CCN.

20. As the briefing by Pixel in Appendix 1 highlights, the consultation paper has many features that CCN can support, including the proposed 'flatter formula', emphasis given to rurality, and lack of urban indicators. Overall, this gives rural authorities and CCN a very strong platform to build on.

21. However, the final outcome of the review is far from certain. The development of the new formula is at a very early stage, and there is much that could happen that could adversely affect county authorities. Most importantly of all, this paper only deals with methods for assessing "needs", and does not yet propose options for dealing with resources (council tax) and damping. For many county authorities, these will be potentially crucial issues, with resource in particular being a significant risk for those with very high tax-bases. These will be the subject of future consultation papers.

22. CCN is now developing its response to the consultation. In November, CCN commissioned Pixel Financial Management to undertake modelling in relation to the fair funding review. Pixel would develop a model that allows CCN to understand how changes in data and methodology will affect funding for county authorities, and use this understanding to help shape CCN's lobbying strategy. The aims of the research were to;

- To understand the possible change in funding if the Government were simply to update the current funding formulae. It shows whether changes in demography and

data will increase the share of funding for CCN authorities, and whether there are updates to the funding formulae where CCN needs to be concerned.

- To have a basis for understanding the impact of a proposal on the overall funding share for CCN authorities. The funding regime is very complex and changes in one element of the funding formulae need to be modelled in the context of all the other variables in the funding model.

23. Pixel will also use the model to seek answers to the following questions:

- What are the most advantageous settings for the four-block model ("needs", resources, central allocation, damping)? For instance, should the "needs" block be set as low as possible? What are the optimum settings for assumed national council tax or for other income streams (e.g. fees and charges)?

- What are the likely effects of a simplified "cost driver" model.

- Would counties prefer a system that was set to maximise incentives (taxation, growth) or need? And if the former, how would the system need to be set up (council tax, business rates, New Homes Bonus, other taxation or income)?

24. The briefing provided by Pixel Financial Management in Appendix 1 provides initial findings from this research and how this relates to the position of CCN on the recently published consultation. CCN will provide the full findings to all member councils following the Executive meeting to inform local consultation responses.

25. CCN continues its active engagement with the MHCLG and LGA joint Steering and Technical Working Groups. The 'Needs and Redistribution' Technical Working Group has now been renamed the Fair Funding Review Technical Working Group. CCN is also strengthening its joint working with the SCT, including dedicated workshops to inform our responses to national policy developments.

26. In line with the business plan and work programme development outlined under agenda item 2, the fair funding review will continue to be prioritised in CCN's policy development, communications and public affairs.

Appendix A: By Pixel Financial Management

BRIEFING NOTE FOR THE COUNTY COUNCILS NETWORK (CCN)

FAIR FUNDING REVIEW – CONSULTATION PAPER – DECEMBER 2017

1. The Fair Funding Review (FFR) consultation paper has many features that CCN can support, although the final outcome of the review is far from certain.
   a. **Flatter formula**. In terms of overall structure, the Government's preference is for a Foundation Formula. It is envisaged that there will be a Foundation Formula to provide a simplified funding methodology, and for there to be separate funding formulae for specific services. A flatter formula will tend to help rural authorities, and so the greater weight that is placed on the Foundation Formula, the greater the rural share of funding.
   b. **Rurality**. Rurality (and sparsity) is referenced numerous times and it is proposed that rurality will be treated as one of the primary indicators, alongside population and deprivation. By giving rurality such prominence, ministers are showing the importance they attach to funding rural authorities, and this reflects recent ministerial statements.
   c. **Urban indicators not mentioned**. Some specific indicators that are not favourable to counties appear to have been left out, or receive very little prominence. Density, ethnicity and daytime population play a very important role in the current funding distribution, and are particularly strong for urban authorities. Their exclusion – or a lower weighting – will be very beneficial to rural authorities.
   d. **Potential for greater ministerial judgment**. The paper also opens up discussion about continued ministerial discretion in determining future funding formulae. Generally, a simpler funding formula will require more ministerial judgement. Whilst there are technical concerns about the extent of ministerial judgement, counties are well-placed to use their relationship with ministers to maximise their future share of funding.
2. **Overall, this gives county authorities and CCN and very strong platform to build on.**
3. A note of caution, however: the development of the new formula is at a very early stage, and there is much that could happen that could adversely affect county authorities. Developments in the formulae for the major needs blocks are not very far advanced, and there is no clear indication of how they will be developed, or even the broad direction of travel. It is likely that multi-level modelling will play a role in adult social care and Children's Services, and there is no guarantee that this will favour county authorities.
4. Most importantly of all, this paper only deals with methods for assessing "needs", and does not yet propose options for dealing with resources (council tax) and damping. For many county authorities, these will be potentially crucial issues, with resource in

particular being a significant risk for those with very high taxbases. These will be the subject of future consultation papers.

Commentary on principles

5. The consultation paper sets out a sensible list of principles.
    - Simplicity
    - Transparency
    - Contemporary
    - Sustainability
    - Robustness
    - Stability
6. Every review always starts off with a similar list of principles, but the crux of the review will be about the trade-offs between the principles.
7. There are a few interesting comments within this section that are worth drawing out further:

   "*anticipate future demand*" – this is an important statement, especially for those authorities with the fastest growing populations. Authorities with large and rapidly growing older populations will want to exploit this in particular.

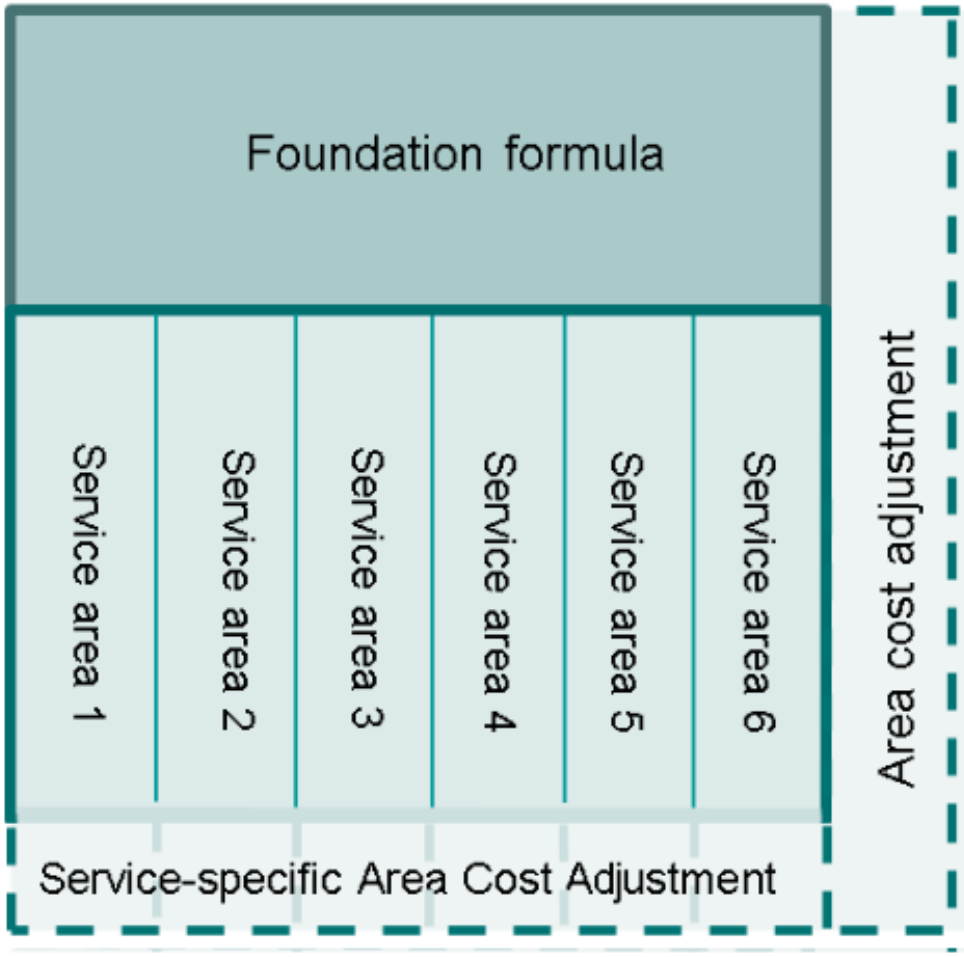
   "*relatively small number of forward looking cost drivers with a transparent process for establishing the weightings between them*" – the Government is certainly looking for a simpler formula based on fewer indicators and drivers.

Chapter 2 – Measuring Need

8. Most authorities want a "simpler approach" but many have argued that "simplification should not be achieved at the expense of accuracy". Some level of complexity is inevitable in a funding formula that seeks to reflect "needs" across a diverse country. These statements do not really tell us anything new about the future formula. Government – and most of local government – will strive for a simpler formula, but will always realise that some level of complexity is essential to create something that is fair and credible.
9. In terms of structure, the approach that seems to be most favoured by DCLG is the Foundation Formula (**Figure 1**). This would be a single formula to allocate funding to each type of authority based on a number of cross-cutting or "common" cost drivers. Other specific services or "needs" could be added on top of the Foundation Formula, but the assumption must be that this approach is simpler and excludes some services that currently have their own formula.
10. An approach using the Foundation Formula would result in an increase in ministerial discretion. We assume this is because such a formula would not necessarily be

correlated with any external variables (such as expenditure, service volumes). In our view, there are some serious problems with such an approach, if it is taken too far. Firstly, it would lack credibility because the Government could not show how it reflects the outside world, either in terms of local government spending or service volumes. Secondly, it would not form the basis of a robust, sustainable system: it is likely to reflect ministerial opinions too much, and could not easily be updated periodically to reflect new data. It would be less predictable and less stable as a result because it would be subject to the views of the ministers that are in power when the formula is updated.

Figure 1 – Proposed Foundation Formula and Specific Service Formulae



11. County authorities, however, might take the view that they will benefit from greater ministerial discretion, and that it will give them a higher share of funding in 2020-21. If so, a simpler formula with significant ministerial discretion will potentially be beneficial, if

only for the next FFR. County authorities are certainly one group for whom ministers might want to show that they have used their discretion on their behalf. There is a risk in this approach but if you have the ear of the minister, then use it!

12. Upper tier authorities will receive funding from a combination of the Foundation Formula and specific service formulae. District councils, on the other hand, might find that most or even all their funding comes via the Foundation Formula. Lower-tier district services are likely to be within the Foundation Formula. The possible exceptions for districts are waste collection and capital financing.

Question 1 – What are your views on the Government's proposals to simplify the relative needs assessment by focusing on the most important cost drivers and reducing the number of formulas involved?

13. On balance, county authorities will tend to benefit from a simpler formula. More complex formulae tend to have a larger number of different indicators to measure different types of need, or to measure need in different ways.

14. We have expressed concerns about the amount of ministerial discretion that might be retained in the proposed Foundation Formula. But for county authorities this could represent an opportunity to maximise funding and to ensure ministers deliver on the promises they are making to rural authorities.

15. For county authorities, a Foundation Formula with a separate "rurality" top-up would represent a very good outcome, particularly if there is no density top-up.

16. Most CCN authorities would benefit from a flatter formula. Counties such as Surrey, Essex, Hampshire, Kent, Hertfordshire and West Sussex would be particular beneficiaries from a flatter distribution of funding. These authorities have a very large share of the Resource Equalisation block, and a correspondingly small share of Needs.

17. Other CCN authorities are in a similar position, although the benefit of a flatter distribution would be less extreme. Some authorities – such as Cornwall, Shropshire, and Herefordshire – would still benefit, albeit by less than those authorities with the largest taxbases. These tend to be the most rural authorities, with higher assessed needs per head, and lower taxbase per head.

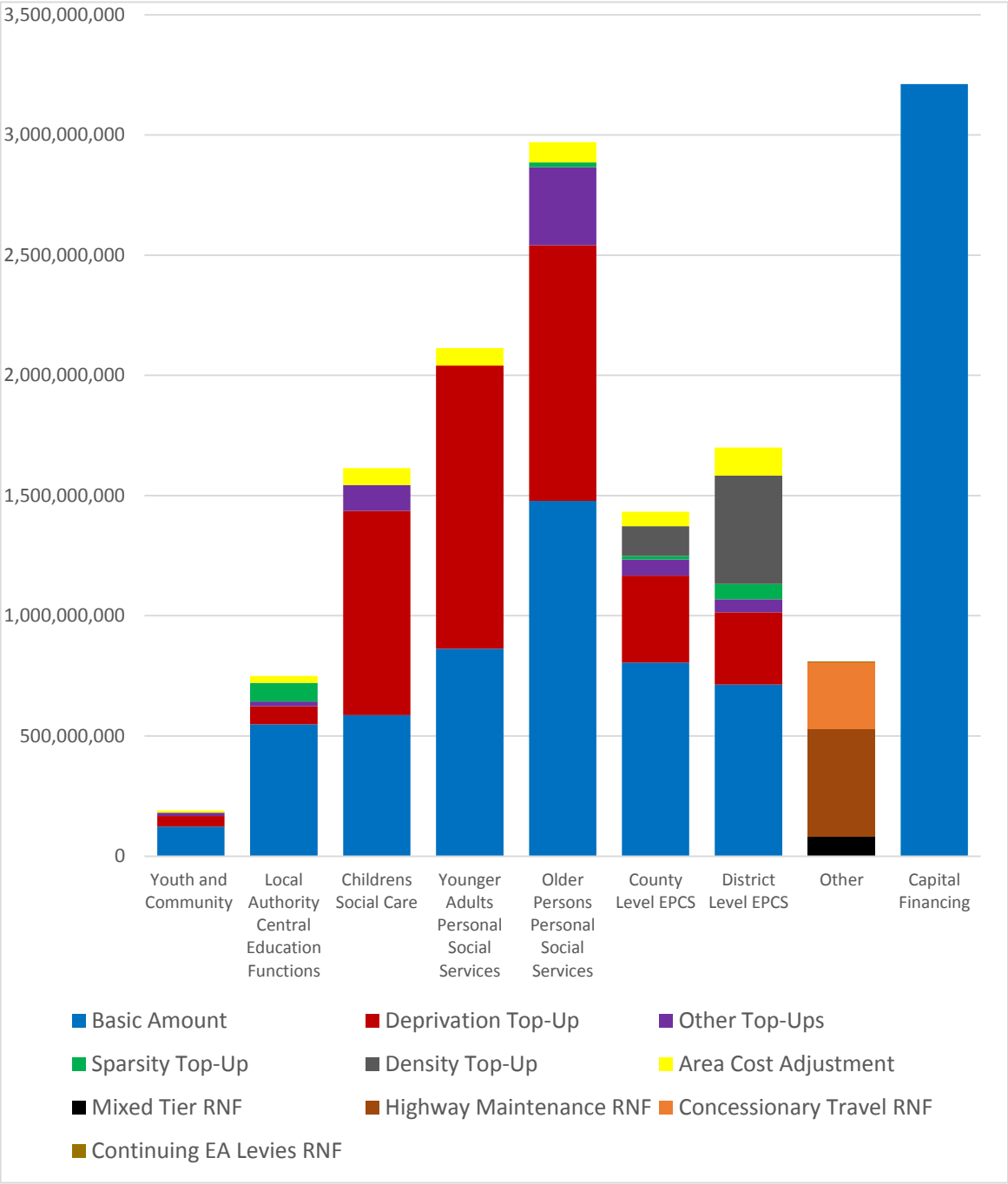
Chapter 3 – Common Cost Drivers

18. DLCG has worked with the technical working group and other Government departments to identify a "number of common cost drivers which there is good reason to believe have a significant effect on the cost of providing multiple services". DCLG expects "these common cost drivers to be responsible for most of the variation in local authorities' 'need to spend'".

19. Based on the 2013-14 settlement, we have estimated the cash value of the Basic Amount and Top-ups. **Chart 1** shows the estimated overall cash value for each service block, and the breakdown within that block. Some key points:

- *The relationship between the Basic Amount and the Top-ups*. Usually the Basic Amount distributes about half of the funding, but it is much higher in some service blocks (LA Central Education Functions) and much lower in others (Children's Social Care).
- *Largest top-up in each service block*. This is usually the Deprivation top-up, except for EPCS (both county and district) and LA Central Education Functions.
- *Density and sparsity top-ups*. Sparsity appears in four blocks (LA Central Education Functions, Older Persons PSS, County Level EPCS, and District Level EPCS), and density in only two (both EPCS blocks). Overall, however, density distributes far more than sparsity.
- *Area Cost Adjustment* is fairly consistent across all the blocks, but it tends to be very focussed on London and the South-East.

20. *In our final report we will show the funding that each CCN authority receives from each top-up within the funding formula.*



i) Population

21. This is the single most important indicator in the funding system now, and will be in the future as well. Overall population can be used to distribute funding for universal services (e.g. waste collection, libraries) and segments of the population (e.g. older people eligible for adult social care).

22. A key consideration is whether population estimates or projections should be used. Mid-year estimates tend to be about two years out-of-date when they are used in funding formulae. Projections are able to project forward population trends, although they are not forecasts. Both datasets are produced by ONS.

23. This is likely to be a key battleground in the FFR. Population growth rates are highly divergent. Population growth was 0.9% for England as a whole, compared to 0.2% in the North East and 1.6% in London.[3] Growth in the number of older people is particularly important because this is the biggest area of expenditure (and funding) in local government. The difference between using backward-looking estimates and projections will be considerable.

24. We will provide some further evidence on the variation in population change for rural authorities. As can be seen, however, two of the authorities with the largest population reduction are authorities with very sparse populations.

Question 2 - Do you agree that the Government should use official population projections in order to reflect changing population size and structure in areas when assessing the relative needs of local authorities?

25. *Given the growth in population, particularly in over-65s, and the variation in growth rates, some form of projections are likely and probably desirable as well. For rural authorities, particularly those with low-growth or even population reductions, this might cause a significant problem. We will need to undertake more research to understand the effects more fully. One issue might be that overall population growth is below average in rural areas, but the growth in older populations (which receive more funding per head) is exceeding the national average.*

26. *There will be some rough justice caused by using projections because <u>they are not forecasts</u>. Authorities would want to see much greater transparency about how the projections are derived by the ONS, together with a reconciliation between mid-year estimates and projections so that there can be some learning about the accuracy of the projections. If CCN seeks to challenge this approach, then the technical shortcomings of the projections would be one form of attack.*

27. *A counter argument to using projections is that they simply project forward past growth trends, and would fund authorities for past growth and not necessarily future growth. This is a valid argument and one that could be used by authorities who have below average growth both overall and in the key client groups (especially over-65s). FAS*

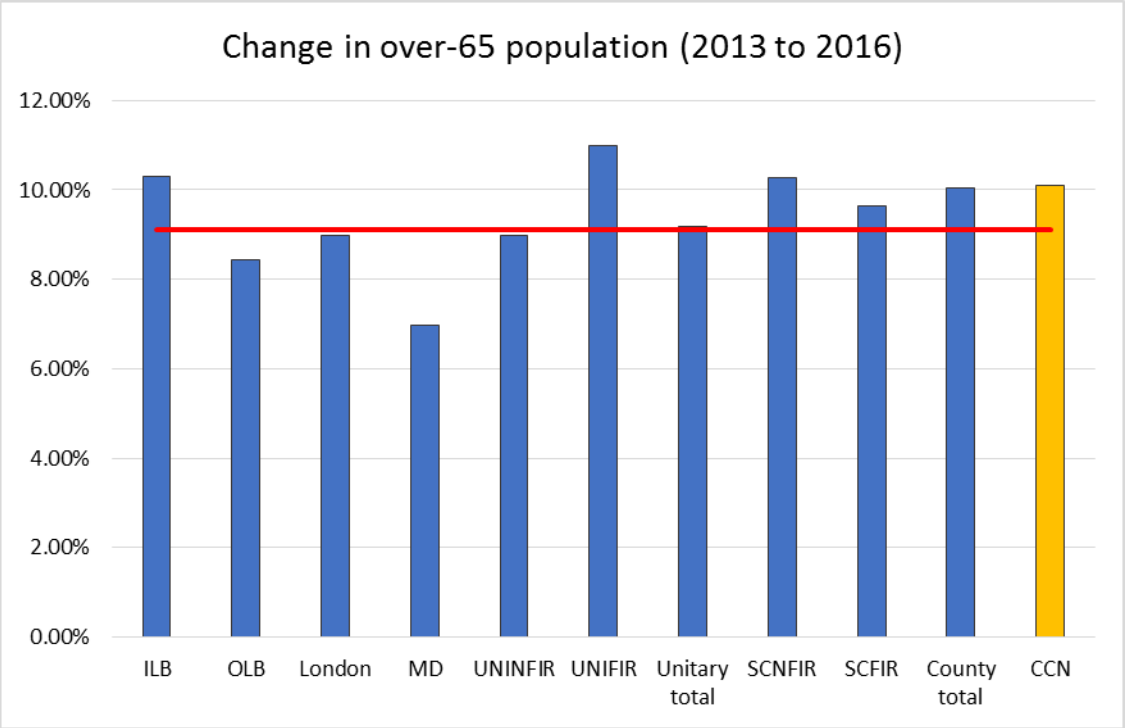
[3] The City of London (+8.5%), Tower Hamlets (+4.0%) and Westminster (+3.9%) have the highest growth of any local authority. Blackpool (-0.7%), Copeland (-0.3%) and Richmondshire (-0.4%) have the highest population reduction. ONS Mid-Year Estimates 2015.

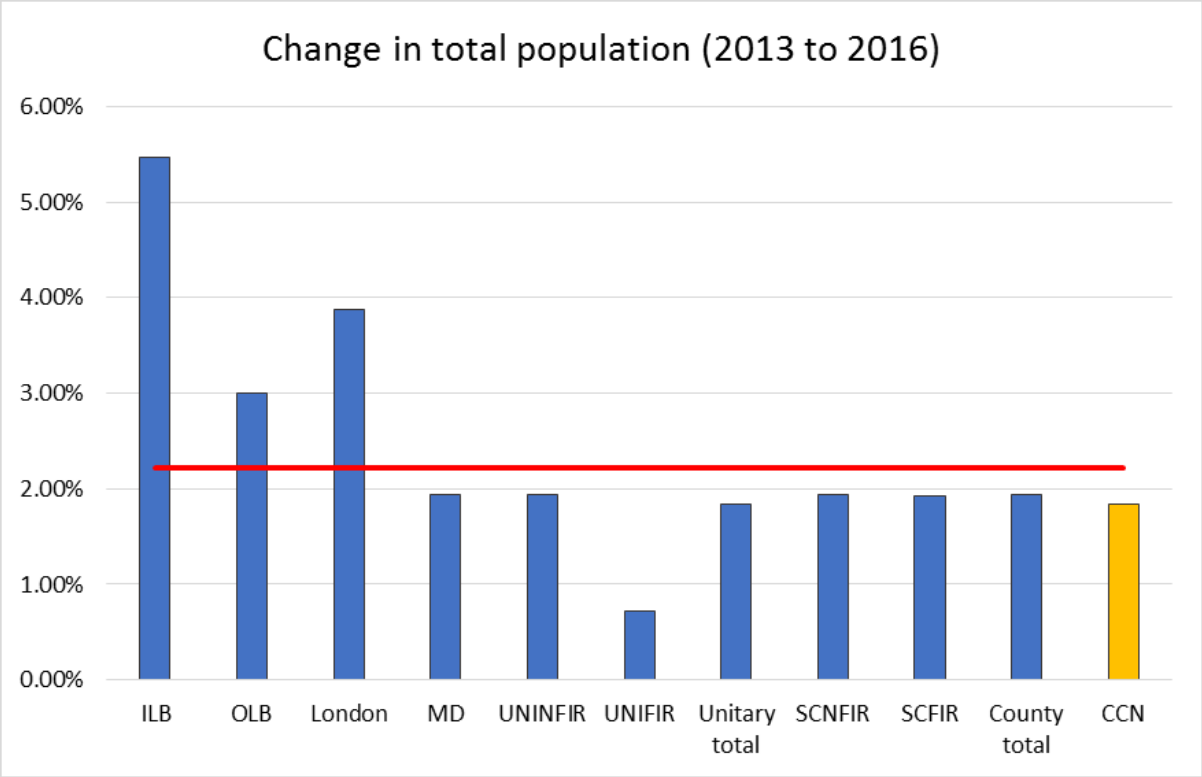
members will get an analysis of population estimates and projections compared with relevant averages in the coming weeks.

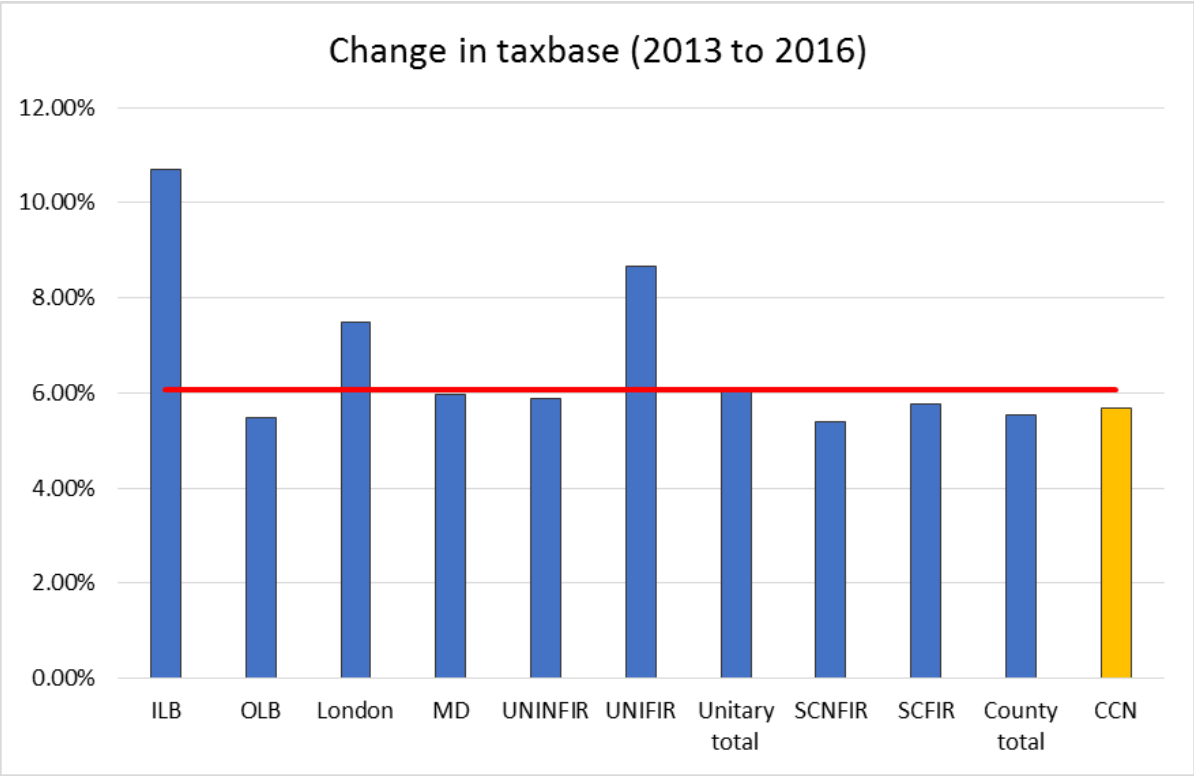
28. *As has been reported recently, the growth rates in the over-65 population is much greater in county areas than other parts of the country. The chart shows that the growth rates within CCN authorities – 10.1% between 2013 and 2016 – is greater than in other classes of authority (with the exception of Inner London boroughs).*

29. *Overall population growth has been less strong in county areas, with CCN authorities having the lowest overall population growth. London's growth in population has been very strong; other parts of the country have had much lower growth, which is actually only marginally above that in county areas. CCN will still want to use the latest population projections or forecasts, however, because the funding per over-65 is much greater than it is for the overall population.*

30. *In addition, taxbase growth is lower on average than in other parts of the country, although again the growth in London significantly outstrips that in the rest of the country.*




Change in total population (2013 to 2016)
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
ILB
OLB
London
MD
UNINFIR
UNIFIR
Unitary total
SCNFIR
SCFIR
County total
CCN


Change in taxbase (2013 to 2016)
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
ILB
OLB
London
MD
UNINFIR
UNIFIR
Unitary total
SCNFIR
SCFIR
County total
CCN

Question 3 – Do you agree that these population projections should not be updated until the relative needs assessment is refreshed?

31. *Local government received a four-year settlement in 2016-17 that was not updated for data or any other changes. Whilst this provided absolute certainty for authorities' financial planning, it did not reflect changes in demography or demand. There is a strong argument that it is better to update the key datasets (e.g. population) every year. Funding allocations would change, but the annual variation is unlikely to be very significant and could be predicted with some certainty at authority level. An annual update of population projections would solve, to some degree, the problem of authorities receiving funding based on "inaccurate" projections. Again, though, this might not be favourable to rural authorities.*

ii) Rurality

32. It is notable that rurality is given such high billing in the consultation paper, and also in recent ministerial statements. Lobbying by rural authorities has been successful in recent years, and ministers are fully aware that they have to show that they are responding positively to this important lobbying group.

33. DLCG's summary of the research that was undertaken and the research that is available betrays some uncertainty, and this something that CCN will want to clear-up and address. There is full awareness from DCLG of the political importance of rurality in the current and future formulae, but the consultation paper refers to "limitations" in the research. It is not entirely clear whether the DCLG is calling for more research or only a rethink about the most appropriate indicators for the funding formula:

    > "The Government is therefore proposing to explore whether alternative data sources are available that measure or proxy the relative cost of providing services in rural areas, which could be drawn on in a needs assessment."

34. Sparsity-related funding was increased in the 2013-14 settlement (although a large portion of the increase in assessed "need" was damped away).[4] The weighting for sparsity was increased in the formula, particularly for super-sparse areas. The weightings at that time used judgement based on the evidence that had been produced.

Question 4 – Do you agree that rurality should be included in the relative needs assessment as a common cost driver?

Question 5 – How do you think we should measure the impact of rurality on local authorities' 'need to spend'? Should the relative needs assessment continue to use a measure of sparsity or are there alternative approaches that should be considered?

35. *Rural authorities will want to give very strong support to rurality being one of the core indicators in the Foundation Formula. Ministers are clearly minded to continue with funding for rurality (sparsity), and it appears very likely to remain as a common cost driver.*

[4] Rural Services Delivery Grant (RSDG) was introduced in 2013-14 to compensate rural authorities for the effect of the damping.

36. *There was a suggestion that sparsity should be included in the Area Cost Adjustment because sparsity results in higher unit costs. Pixel argued – on behalf of SPARSE – that this approach would be inappropriate because sparsity results in both higher unit costs and higher service pressures and demand.*[5]

37. *DCLG has also asked about alternative methods of measuring the needs of rurality and sparsity. It is interesting that DCLG has tried to widen the measure to encompass rurality, which in theory has a wider scope. Finding alternative measures is not easy (there are maybe some in the Index of Multiple Deprivation in the "Access to Services" domain) and it is very likely that the indicator used will measure population sparsity/ density in some way.*

38. *Other issues rural authorities might want to consider:*

    - *The relative weighting of sparse and super-sparse populations. This would change the distribution of funding within the cohort of rural authorities.*
    - *Funding for unmet needs. Rural authorities tend to provide fewer service in sparsely-populated areas, and residents have to travel further to access services.*

39. *A further point, not raised in the consultation paper, is that RSDG will be transferring in to the funding formula in 2020-21. RSDG uses a different methodology from any of the existing RNF blocks. We assume that the new distribution will be consistent across the new funding formula. One of the problems with the current RSDG distribution is that it does not provide the same level of funding per resident of a sparse area. Instead it takes into account the overall population sparsity across the whole area. This is an anomaly which ought to be ironed-out.*

40. *Further work. There is clearly a strong cross-over between rurality and county authorities but we need to understand where the two interests might not intersect, or where there are county authorities that are not particularly rural (e.g. Surrey).*

iii) Deprivation

41. The deprivation top-ups are "intended to reflect the fact that deprived individuals, and particularly income deprived individuals, are more likely to access certain services than more prosperous individuals, leading to higher costs".

42. The Government is also considering whether income-related benefits are the best way of measuring "deprivation". The Index of Multiple Deprivation (IMD) is one possibility because it captures factors beyond income and employment. Any alternative measures would have to be consistently applied across the country and are likely to be very limited in number. Some formulae would need to be thoroughly reviewed anyway because they rely on benefits that either no longer exist or have changed radically (e.g. Disability Living Allowance).

Question 6 – Do you agree that deprivation should be included in the relative needs assessment as a common cost driver?

[5] https://www.local.gov.uk/sites/default/files/documents/NR%20TWG%2017-07%20Funding%20for%20higher%20unit%20costs%20associated%20with%20sparsity%20and%20rurality%20by%20the%20RSN.pdf

Question 7 – How do you think we should measure the impact of deprivation on 'need to spend'? Should the relative needs assessment use the Index of Multiple Deprivation or are there alternative measures that should be considered?

43. Rural authorities will generally prefer to reduce the weight given to deprivation within a future formula, although few will argue that it should disappear altogether. A flatter formula with less funding for deprivation will benefit most county authorities. County authorities with below-average deprivation (almost all, with the exception possibly of Durham and Lancashire) would actually benefit from reducing the funding that is distributed through a deprivation top-up (or even removing it altogether).

iv) Other specific cost drivers

44. The Government intends that population, sparsity and deprivation will be the most important in a future Foundation Formula. Clearly, though, there are others that are either already in an RNF, or which reflect specific needs or service pressures.

Question 8 – Do you have views on other common cost drivers the Government should consider? What are the most suitable data sources to measure these cost drivers?

45. There are some very significant exclusions from the list of common cost drivers. Some of these are measures that very heavily favour urban authorities (density, additional population, ethnicity) and provide very little funding to county authorities; others will provide significant funding to many county authorities, and there will be concern that these top-ups or cost-drivers are not developed further in this paper.

- *Density. Density is a very significant top-up and is very important indeed for inner-city authorities, particularly those in London and in the major conurbations. There is very little research on the costs associated with density (in contrast to the research on sparsity).*
- *Additional population top-up (net in-commuters and day visitors). The purpose of this top-up is to compensate for the additional costs incurred by authorities receiving large numbers of in-commuters and/ or visitors. It is sometimes referred to as "daytime population". Those authorities with the highest top-ups are typically those in the very centre of conurbations (e.g. Manchester City Council within Greater Manchester; central London boroughs, particularly Westminster, within London). This is effectively an indicator that funds commuters travelling from county areas (and suburban areas) to urban centres.*
- *Ethnicity top-up. In previous funding reviews, ethnicity received a lot of attention, and was the subject of numerous research papers. Urban authorities tend to receive the majority to funding from the ethnicity top-up.*
- *Top-ups for Usage and Winter Maintenance (Highways Maintenance only). We assume that these top-ups or something similar will continue in a specific formula (see Appendix 1). County authorities will want to scrutinise this top-up because road length will be the most important factor. Some county authorities – such as Cumbria, Northumberland and Durham – have very high levels of winter maintenance.*

- *Top-ups for Coastline, Property and Societal Risk, and Community Fire Safety (Fire only). Again we assume these top-ups or similar will continue (see Appendix 1). There is probably more scope, though, for fire authorities to review and determine the top-ups and indicators that are used. Many of these authorities are rural.*
- *Fixed Cost Amount. A fixed amount of funding is available for every authority to represent the fixed costs of operating an authority (e.g. corporate and democratic functions). It is of particular benefit to smaller authorities and to district councils. Again many of these are rural authorities.*
- *Concessionary Travel. This is a significant funding stream and is allied to actual bus usage and costs. For those currently incurring significant costs, there is a strong argument for this top-up to continue. Others might argue that the current funding simply perpetuates the current variations in bus services, and it would be better to allow every authority to decide how much it spends.*
- *Flood defence. Important to authorities with recent flooding problems or high flood risk (e.g. Cumbria, Somerset).*
- *Coast Protection. As above.*
- *Continuing EA Levies. As above.*

iv) Area Cost Adjustments

46. The current Area Cost Adjustment (ACA) compensates authorities with higher labour costs and higher business rates.
    - Labour costs. Measured by average hourly earnings excluding overtime, controlling for differences in the age, gender, occupation and industry of workers between local areas
    - Rateable value of office space. Adjusted for transitional relief.
47. The DLCG is considering whether the ACA should be widened to include other running costs, and whether rurality/ sparsity should be included (on the grounds that sparsity can lead to higher unit costs).

Question 9 – Do you have views on other common cost drivers the Government should consider? What are the most suitable data sources to measure these cost drivers?

48. The consultation paper provides a very superficial view of how the ACA could work in future. It is sensible that the DCLG is looking at widening the ACA to cover other running costs, and possibly to include sparsity.

49. Our view on sparsity (provided on behalf of SPARSE) is that sparsity should remain outside ACA, although there is a case that the unit cost element of sparsity could be included within the ACA.

50. Again, some of the most important issues are left unmentioned. It is assumed that labour costs will be estimated based on what is known as the General Labour Market Approach (i.e. based on the prevailing wages in the private sector). The alternative –

Specific Cost Approach – is not referenced but could be more beneficial for lower-cost areas, many of which are rural. Under the current methodology, Cornwall is deemed to have the lowest ACA.

v) Treatment of small but locally significant duties

51. Specific funding would be provided for specific duties or costs. They would probably be very varied nationally and not necessarily well correlated with any top-ups or indicators used in the Foundation Formula. The example given here is of flood defence.

Question 10a – Do you have views on the approach that the Government should take when considering areas which represent a small amount of expenditure overall for local government, but which are significant for a small number of authorities?

Question 10b – Which services do you think are most significant here?

52. We would suggest that county authorities are canvassed to identify any other specific services or duties provided by county authorities that should be funded separately.

Chapter 4 – Service Specific Cost Drivers

53. Not all services can be properly funded through the Foundation Formula. Some services will need their own service block that uses specific indicators that reflect the specific distribution of need within that service. Whilst a reduction in the number of specific blocks is certain, it is apparent that the bulk of funding will continue to be distributed using specific service formulae.

54. In the consultation paper the DCLG suggests that specific service formulae will be required for children's and adults' social care (accounting for 45% of total local government spending in 2016-17), as well as highways maintenance and capital financing. Fire and rescue would also have its own specific block. We are really only left with some or all of EPCS once these services are removed.

55. The number of specific service blocks does matter. More blocks will allow for a more nuanced approach to specific services or small groups of services, and for the use of more indicators. Fewer blocks will tend towards a flatter distribution of services, and possibly also towards greater ministerial discretion.

56. A summary of the proposed indicators is shown in **Appendix A**. It is evident that most of the proposed indicators would fall into the Foundation Formula groupings (population, sparsity and deprivation) but specific formulae would still be required. The Foundation Formula and specific formulae would use different weightings for common indicators. Some form of sparsity-related indicator is suggested for each major service block, although it is the weighting of those indicators in each block that will be important.

Question 11a): Do you agree that the cost drivers set out above are the key cost drivers affecting adult social care services?

Question 11b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting adult social care services?

Question 12a): Do you agree that these are the key cost drivers affecting children's services?

Question 12b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting children's services?

Question 13a): Do you agree that these are the key cost drivers affecting routine highways maintenance and concessionary travel services?

Question 13b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting routine highways maintenance or concessionary travel services?

Question 14a): Do you have views on what the most suitable cost drivers for local bus support are?

Question 14b): Do you have views on what the most suitable data sets are to measure the cost drivers for local bus support?

Question 15a): Do you agree that these are the key cost drivers affecting waste collection and disposal services?

Question 15b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting waste collection and disposal services?

Question 16a): Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services?

Question 16b): Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

Question 17a): Do you agree these are the key cost drivers affecting the cost of legacy capital financing?

Question 17b): Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting legacy capital financing?

57. *In response to these questions, the overall structure and proposals are reasonable and cover most of the indicators that we would expect.*

Question 18a): Are there other service areas you think require a more specific funding formula?

Question 18b): Do you have views on what the key cost drivers are for these areas, and what the most suitable data sets are to measure these cost drivers?

58. *The major exclusions are:*

- *Daytime visitors and in-commuters (daytime population). The costs associated with higher daytime population are specific to a relatively small number of authorities, and would not fit comfortably in a Foundation Formula. There are no reliable measures of visitor numbers and so the onus is going to be on previous beneficiaries to suggest reliable replacement measures.*
- *Overnight visitors. Particularly important for holiday destinations where visitors tend to stay overnight (e.g. Cumbria, Cornwall, seaside towns, other tourist destinations). Again, though, there are no up-to-date and reliable datasets.*

- *Ethnicity. As we noted above, this is currently an important part of the formula but updated research is probably necessary to establish whether it is still a relevant indicator.*
- *Density. Again an important exclusion. It could be included in the Foundation Formula (note that it is currently only used in the two EPCS blocks, which in themselves would form the core of the new Foundation Formula). It would potentially be included in Waste Collection and Disposal because density can result in higher costs.*

59. As previously discussed, urban authorities are the greatest beneficiaries from indicators for ethnicity, density and additional population. However, some county authorities have the highest rates of overnight visitors (as a proportion of population). Cornwall, Devon, Norfolk and Cumbria all have very high rates of overnight visitors, and will want to make sure that relevant indicators are used in the new formula.

Chapter 5 – Weighting Funding Formulas and Cost Drivers

60. The final chapter outlines the approaches that the Government could take in actually producing funding formulae. This chapter only goes as far as to outline the possible options and does not give a preference for any of them.

61. Decisions will have to be made about the resources that are distributed by the Foundation Formula and by each specific funding formula. One option is to weight each element according to the actual local government expenditure on that service. The other option is to allow ministerial judgement on the size of each block (or to have a blend between the two approaches).

Question 19: How do you think the Government should decide on the weights of different funding formulas?

62. Principle and good practice strongly suggest that funding blocks should be set with reference to the actual local expenditure on the relevant services. To allow too much ministerial judgement would reduce the credibility of the new formulae, and would make it more difficult for authorities to predict how funding formulae would be updated after 2020-21. At this point, it is unclear whether using actual expenditure to weight formulae will benefit rural authorities; it is a technically sensible approach, however.

63. The chapter then goes on to outline the different statistical approaches that could be used to inform the new formulae. Some form of statistical analysis is likely, and in some formulae is inevitable. Regression analysis will most likely be used, although there are other techniques proposed. The main criticism of regression is that it simply perpetuates the past spending patterns which in themselves are the result of past funding decisions. As we will see, there are techniques to minimise the influence of past spending patterns, and which might make regression more palatable. The bulk of the current RNFs already use some form of modified regression, so this is nothing new.

64. If less reliance is placed on statistical analysis, though, the greater will be the role of ministerial judgement. Whether your authority favours more or less ministerial

judgement probably depends on whether you think ministers are likely to favour your "type" of authority.

65. The main statistical techniques are:

- Regression analysis. There is a good description in the consultation paper about how regression works, and some of the disadvantages of the approach.
- Small Area Modelling/ Multi-level Modelling. These are similar and more advanced forms of regression analysis. Data is collected at a small area (such as Super Output Area, with a population of about 1500). The methodology can analyse the differences between authorities, and within authorities (i.e. between the SOAs). Its purpose is to capture those variations in cost that are caused by need, and those that are caused by local spending decisions or policies.
- Outcome-based Regression Models. Regression analysis is undertaken not against expenditure but looks at the relationship between cost drivers and an alternative proxy for relative need.
- Factor Analysis and Principal Component Analysis. Analytical techniques are used to identify the most important variables and their relationships to cost drivers. This is a complex process and requires judgements about relationships between variables and cost drivers.
- Unit Cost Functions. Similar to zero-based budgeting, the funding formula would be built up based on estimates of the known costs of delivering a service. This would require a lot of groundwork but it is not unfeasible. (Many school funding formulae were built-up successfully in this way.) It is more likely to favour lower-need authorities.

66. Regression is likely to be much more useful for the specific funding formulae (e.g. Children's and Adult Social Care), whereas the Foundation Formula is likely to require much more judgement, albeit possibly informed by regression. Large and detailed datasets are required for small-area and multi-level modelling. This is a significant and costly exercise, and is only appropriate for the larger service blocks.

Question 20: Do you have views about which statistical techniques the Government should consider when deciding how to weight individual cost drivers?

67. County authorities certainly want to avoid any statistical techniques that are based on past expenditure. Spending – and funding – is higher in urban areas and simple regression will only perpetuate these variances.

68. Multi-level and small-area techniques help to eliminate the effects of past spending or policy. In technical terms, rural authorities can support these techniques. The problem with them is that the outcomes from the modelling is almost impossible to determine in advance: it could favour some or all rural authorities, or it could do the opposite.

69. In general terms, county authorities are most likely to receive a higher share of funding from: flatter formulae, simpler formulae, and those based on ministerial discretion and judgement rather than any statistical techniques.

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10 January 2018
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Appendix A –Proposed indicators for specific formulae

	Adult Social Care	Children's Services	Highways Maintenance	Waste Collection and Disposal	Fire and Rescue	Capital Financing
Population	Number of adults by age groups	Number of children (under 18 years of age)	Road length	Number of households	Projected population	
Sparsity	Longer travel distances, which reduces the number of visits that can be completed in a day	Distance to schools		Travel times	Population density, population sparsity	
Deprivation	Number of adults with income and wealth that meet the means test	(a) Number of children for whom parents receive Disability Living Allowance (b) proportion of families facing multiple challenges associated with deprivation		No indicators suggested but potential for additional costs is noted		
Other characteristics	(a) Number of people with higher levels of impairment, and (b) Number of people who live alone		(a) Traffic flow (b) Forecast snow days / predicted grit days and (c) Concessionary bus boardings	Types of property	(a) Coastline, (b) Risk index (c) Control of Major Accident Hazards (COMAH) sites, (d) Property and Societal Risk and (e) Community Fire Safety	Outstanding debt and interest rates

CCN

COUNTY COUNCILS NETWORK

CCN Executive Committee

Wednesday 31 January 2018

Industrial Strategy and LEP Review

Introduction

1. The Industrial Strategy is the Government's flagship policy following the vote to leave the European Union aiming to encourage economic growth and opportunity across the country. It was first published by the Department for Business, Energy and Industrial Strategy (BEIS) as a White Paper in January 2017. This was followed by a Green Paper in November 2017.

2. The Government has also committed to reviewing Local Enterprise Partnerships (LEP) and has tasked the Cities and Local Growth (CLoG) unit with making recommendations as to how they can be improved.

3. The Secretary of State for Business, Energy & Industrial Strategy, alongside officials from the LEP Review, have been invited to attend the meeting. At the time of writing their attendance is unconfirmed.

4. This paper sets out the key announcements for counties in the Industrial Strategy, CCN's response and details the advocacy we are undertaking to ensure that the views of member councils are heard. It also sets out analysis of the recent LEP survey undertaken by CCN and how we will take this forward with officials. We invite views on the next stage of our advocacy.

Industrial strategy – key policy announcements

5. The Industrial Strategy proposes policies that will help businesses to create better, high paying jobs in every part of the United Kingdom, with investment in the skills, industries and infrastructure of the future.

6. The White Paper outlines five foundations for a transformed economy, which link to the key policy announcements. These foundations are:

    - Ideas – focussed on building the world's most innovative economy
    - People – good jobs and greater earning powers for all
    - Infrastructure – a major upgrade to the UKs infrastructure
    - Business environment – the best place to start and grow a business
    - Places – prosperous communities across the UK.

7. Key policy announcements for CCN members include:

- Increasing the National Productivity Investment Fund to £31 billion, supporting investments in transport, housing and digital infrastructure.
- Local Industrial Strategies that build on local strengths and deliver on economic opportunities. These will be led by Mayoral Combined Authorities, or by LEPs. The first strategies will be in place by March 2019.
- A new Transforming Cities fund that will provide £1.7 billion for intra-city transport. This will fund projects that drive productivity by improving connections within city regions.
- Launching the next phase of the Industrial Strategy Challenge Fund investing a further £725 million over the next four years.
- New sector deals – partnerships between Government and industry aiming to increase sector productivity. The first sector deals are in life sciences, construction, artificial intelligence and the automotive sector.

Response

8. Alongside our formal response to the Industrial Strategy Green Paper in April 2017, CCN has remained engaged with both BEIS and CLoG as the Industrial Strategy was developed.

9. Following our advocacy, we believe the Government has responded to the concerns raised by CCN that original proposals were too focused on growth in city regions. The strategy sets out that a placed-based emphasis must ensure "every part of our country realises its full potential" whether cities, towns and rural areas, with a national framework that reflects and makes the most of these economic opportunities and challenges.

10. Whilst we welcome the place-based narrative that the Industrial Strategy sets out, we have concerns the approach outlined prioritises investment in city-regions, while proposals for developing and delivering local growth initiatives may fall short in counties. In particular, the proposals for LEPs to lead on local industrial strategies outside of mayoral combined authorities has raised some concerns, with mixed views amongst our member councils.

11. However, it is clear that Government remains firmly committed to LEPs, although they will be reviewing their role, remit and geographies to ensure they are more effective, accountable and transparent, with the intention to publish a clear set of objectives for reform over the coming months.

12. The Industrial Strategy Green Paper committed to reviewing the roles and responsibilities of LEPs, and stated that this would bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries. Whilst no formal consultation has taken place, the team at the Cities and Local Growth unit have engaged in regional roundtables and have established an advisory panel as they are keen to ensure that all interested parties have the opportunity to input into the review. Counties are represented on advisory panel via the LGA People & Places Board.

13. The terms of reference for the review includes: defining LEPs role in driving growth and productivity; business leadership and corporate governance; accountability; geography; and organisation and reporting consistency. The next two advisory panels are being held in February, and it is expected that the review's "final output"

will be in April. It is anticipated that implementation will be completed by March 2019, with no intention to put recommendations out to consultation.

14. CCN will continue to make the case that counties, as strategic authorities, must be at forefront of local industrial strategies and ambitious devolution deals. It is imperative that CCN work constructively with LEPs and focus on influencing the outcomes of the review to maximise the role of county authorities, and ensure our local communities benefit from the proposals outlined in the White Paper.

Next Steps

15. Over recent weeks CCN have engaged officials overseeing the LEP review to ensure that CCN member views are heard. Officials from BEIS and CLoG have also attended several CCN member meetings, including our officer Policy & Strategy Advisory Group meetings in December 2017 and January 2018. CCN have also provided briefings to county members of the BEIS Advisory Panel providing steer to minsters on reform.

16. In November 2017, CCN sent a survey out to its members to collect views on the effectiveness of and collaboration with Local Enterprise Partnerships. This was done in the context of both the LEP review currently being undertaken by the Cities and Local Growth Unit, but also for our ongoing advocacy around local growth, county economies and the Industrial Strategy. The survey was sent to all 37 of CCN's member councils and a response was received from 26 of them. This gives a response rate of 70%.

17. Appendix 1 provides a full analysis of the survey results. The key findings to inform our advocacy were;

    - 85% of respondents stated that the relationship with their LEP was either good or very good, with the majority stating that it was very good. Around 8% stated their relationship was average, with another 8% stating that it was poor or very poor.

    - Most member councils believed that the priorities of their LEP were well aligned with their own with 43% stating that the alignment was very good, with a further 35% stating good. 15% thought the alignment was average, with 8% stating it was poor.

    - In terms of boundaries, many member councils agreed that LEP boundaries should be reviewed to make them co-terminous with county boundaries – 72% strongly agreed with this, and a further 12% agreed. 8% felt neutral about this whilst 4% disagreed and 4% strongly disagreed. Members were also strongly in favour of reviewing LEP boundaries to reduce or remove overlapping boundaries with 50% saying they strongly agree and 31% agreeing.

    - Most members disagreed that all district councils should have a direct member level representation on LEP boards, and also with the prospect of the role and remit of LEP's in economic growth being extended and strengthened, and to include transport. Members strongly disagreed that LEPs should lead devolution for their areas.

- Many members agreed or strongly agreed that LEPs lack sufficient devolved funds, are under resourced and lack capacity and that they lead to inefficient use of public money.

- In terms of Local Industrial Strategies, there were very mixed reviews about LEPs being the appropriate bodies to be the lead body producing them. 40% agreed or strongly agreed that LEPs were the most appropriate bodies, and 36% strongly disagreed or disagreed. The remaining 34% were neutral.

- There were also mixed opinions on whether the existing governance arrangements of LEP had led to good decision making. 39% agreed or strongly agreed that their LEP made transparent decision, whilst 43% disagreed or strongly disagreed. 46% of respondents agreed or strongly agreed that their LEPs decision-making is accountable, whilst 33% disagreed or strongly disagreed.

18. Our survey has shown that county leaders generally have good and strong relationships with their LEPs, and that on the whole members agree that the priorities of their local LEP are aligned with the priorities of their authority.

19. However, CCN members clearly have concerns over the role of LEPs in devolution negotiations and some continue to believe that they should not lead local industrial strategies outside mayoral combined authority areas. Most importantly, they overwhelmingly believe that the boundaries of LEPs should be co-terminous with county boundaries, and that overlapping boundaries should be removed or reduced.

20. The LEP review, development of the 'common devolution framework' and wider CCN advocacy provides the opportunity to advocate for specific reforms to the LEPs and also the positioning of counties as Strategic Authorities, as advocated in *A New Deal Counties*.

21. Following the discussion on the survey results at the Executive Meeting, CCN will develop a short paper to be submitted the LEP Review. In particular, CCN will focus on providing detailed analysis to inform the review on the roles, responsibilities and geographies of LEPs, while promoting the significant positive role counties play in supporting LEPs and wider regional growth.

22. Counties are already acting in this strategic role, supporting the executive and delivery role of LEPs and underpinning many of the nationally significant growth initiatives outlined in the Strategy, including the Midlands Engine and Cambridge–Milton, Keynes–Oxford corridor. CCN believe more needs to be done to promote the role of counties in LEPs by central and local government.

23. Moreover, reports by IPPR, Oxford Economics, Localis and now Respublica have outlined the specific economic opportunities and challenges facing county economies as recognisable economic areas. This research has shown that county geographies present a practical solution to achieving strong institutional leadership, spanning the functional economic area, providing the basis for economies of scale and strong links to LEPs and businesses, and maximising the potential for co-terminosity.

24. Local industrial strategies will require strong local leadership, and ability to bring together fragmented partners across appropriate geographies. CCN believe that county authorities, working closely with their LEPs, would provide strong, locally-led

and accountable institutions as well as the appropriate geographies for a place-based industrial strategy. CCN will therefore continue to make the case for counties in leading local industrial strategies and being to appropriate body to devolve powers to outside the city-regions.

25. CCN recently held constructive discussions with the LEP Network, the national representative body for LEPs. CCN has agreed to develop a statement on joint working, including highlighting the crucial role counties play in supporting LEPs and local growth projects. CCN is attending an Officer stakeholder roundtable hosted by the LEP Network.

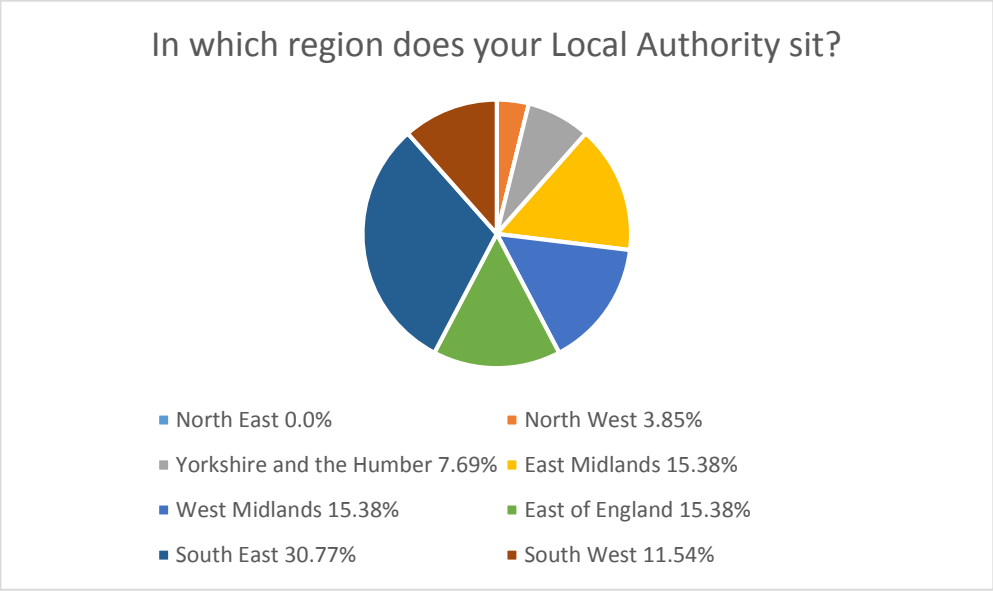
26. CCN will continue to engage the Department of Communities & Local Government over the development of the 'common devolution framework'. Building on the Localis and Respublica reports, making the case for ambitious devolution proposals based around county geographies and positioning counties as 'strategic authorities' in non-mayoral governance and reform options.

27. More widely, CCN will build on the Oxford Economics report on the importance of economies. At last year's annual conference, CCN held a high level roundtable in partnership with Grant Thornton to discuss the impact of the Industrial Strategy on county economies. The roundtable was attended by leaders of CCN member councils, Grant Thornton and CCN. The roundtable focused on a range of topics including the uncertainty and opportunities around Brexit, skills and employment, infrastructure and strategic planning, and how counties can work with LEPs to deliver the best outcomes for economic growth.

28. CCN is continuing our work with Grant Thornton to use the insights that were discussed at the roundtable to prepare a joint report that discusses how counties can make the most of Britain's industrial strategy post-Brexit and provide new insights into county economies via their Place Analytics system. The report will be launched at the March Council meeting.

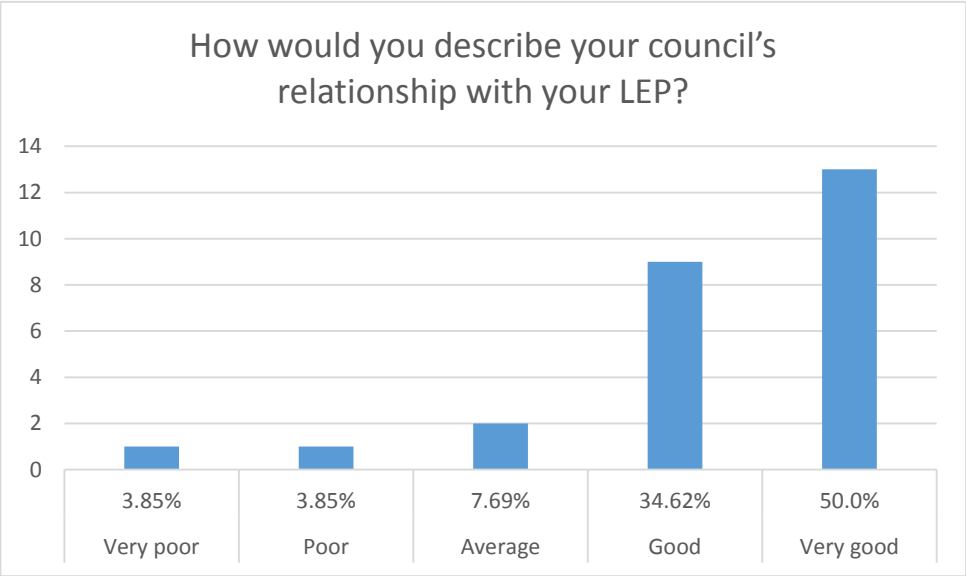
Appendix 1 -LEP Survey

29. The survey was sent to all 37 of CCN's member councils and a response was received from 26 of them. This gives a response rate of 70%. The responses were from a good geographical spread, as shown in the graph below, although no responses were received from north east authorities.

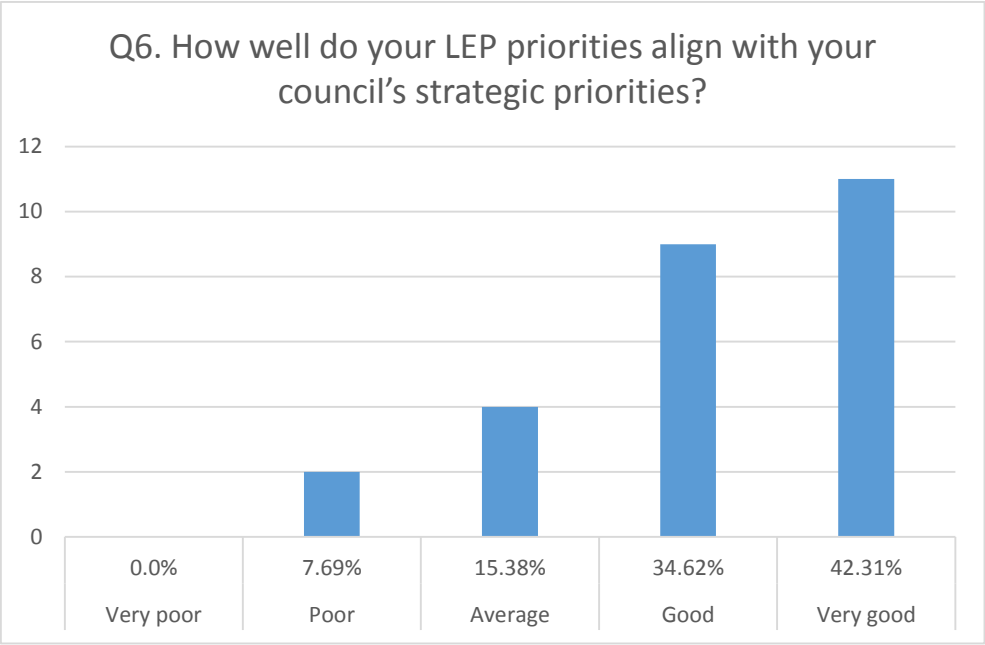


Relationships & Remit of LEPs

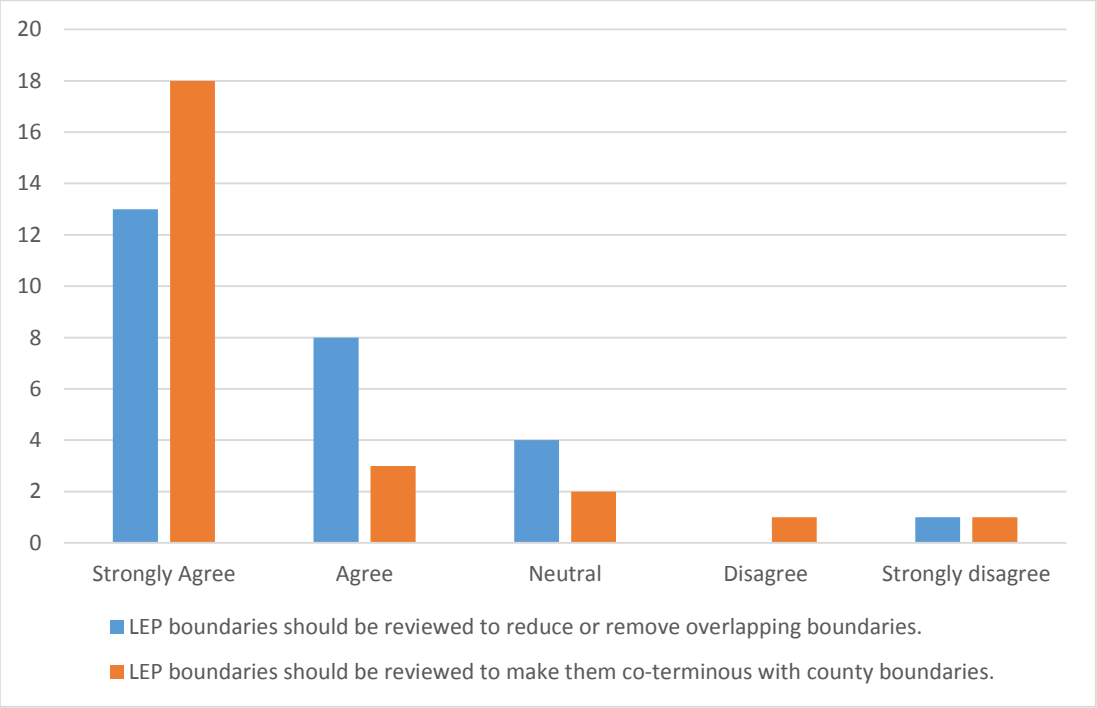
30. Around 85% of respondents stated that the relationship with their local LEP was either good or very good, with the majority saying it was very good. Around 8% of authorities said their relationship was average, with another approximately 8% of authorities saying it was poor and very poor.



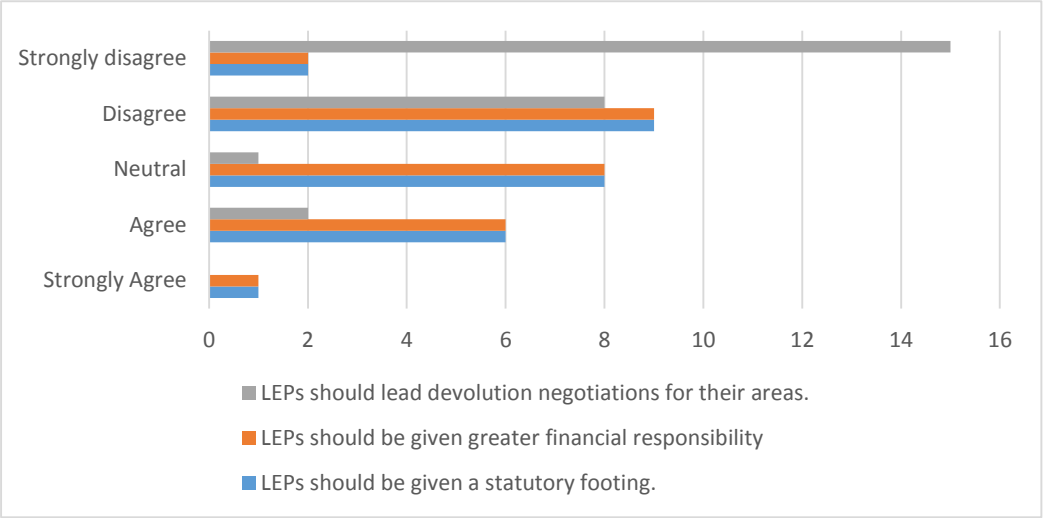
31. When asked how well the priorities of the LEP aligned with those of CCN member councils, around 42% thought the alignment was very good, with a further 35% stating good. 15% said that the alignment was average, with 8% stating that it was poor.



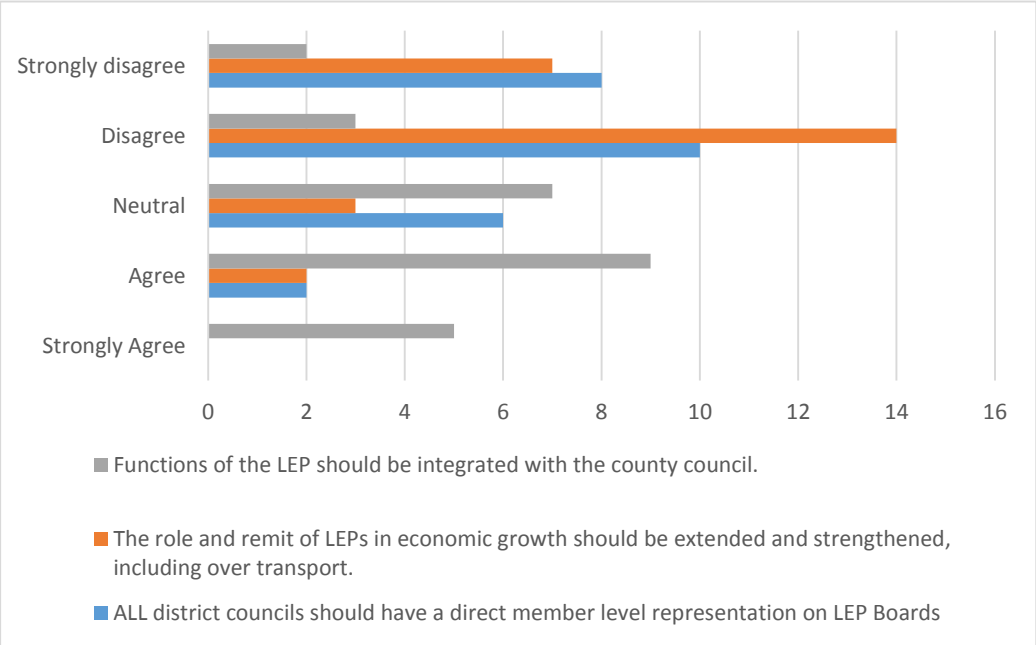
32. The survey asked members councils their views on various reforms to LEPs that may be recommended by the LEP review. The strongest view was that LEP boundaries should be reviewed to make them co-terminous with county boundaries, and that boundaries should be reviewed to reduce or remove overlapping boundaries. Members also tended to agree that the functions of the LEP should be integrated with the county council.



33. Most members disagreed that all district councils should have a direct member level representation on LEP boards, and also with the prospect of the role and remit of LEP's in economic growth being extended and strengthened, and to include transport. Members strongly disagreed that LEPs should lead devolution for their areas.

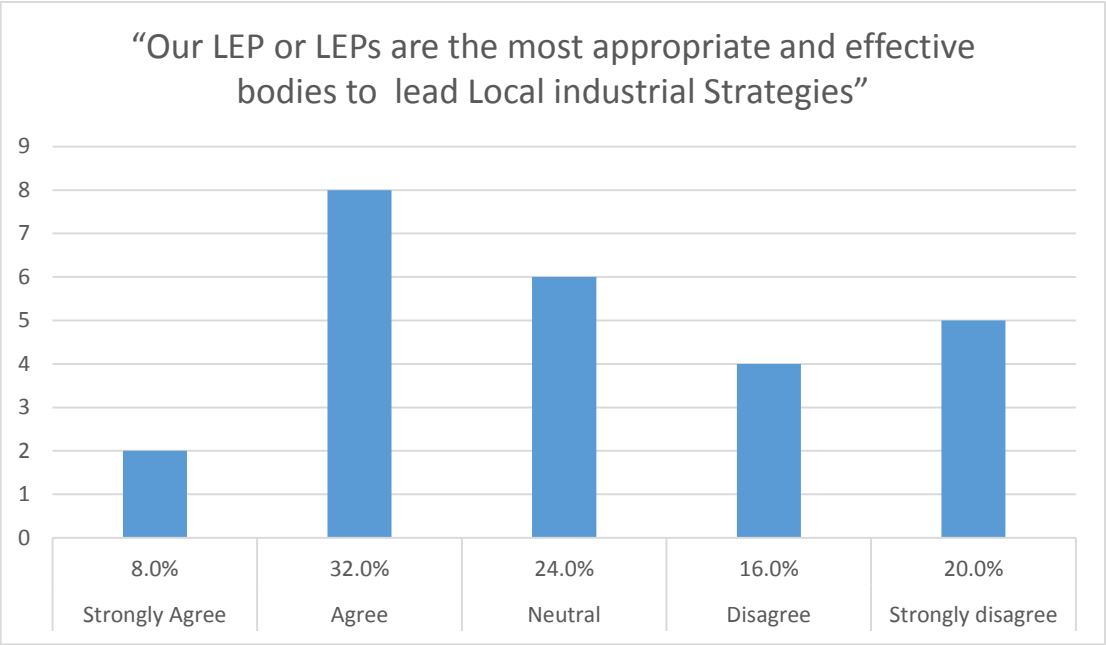


34. Finally, members tended to either be neutral or disagreed to potential recommendations which would give LEPs a statutory footing, and that LEPs should be given greater financial responsibility.

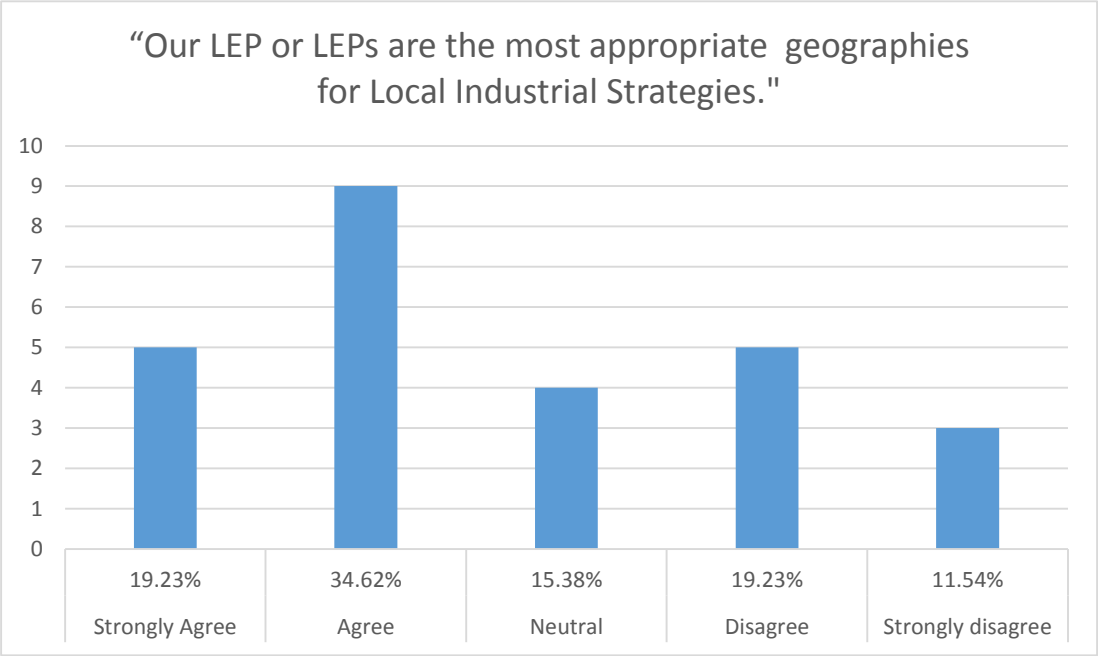


Leading Local Industrial Strategies

35. We asked member councils their views on whether they believed their LEP is the most appropriate and effective body to lead Local Industrial Strategies, as outlined in Government's recent White Paper. The answers were mixed with approximately 19% strongly agreeing, 35% agreeing, 15% feeling neutral, 19% disagreeing and 11% strongly disagreeing.



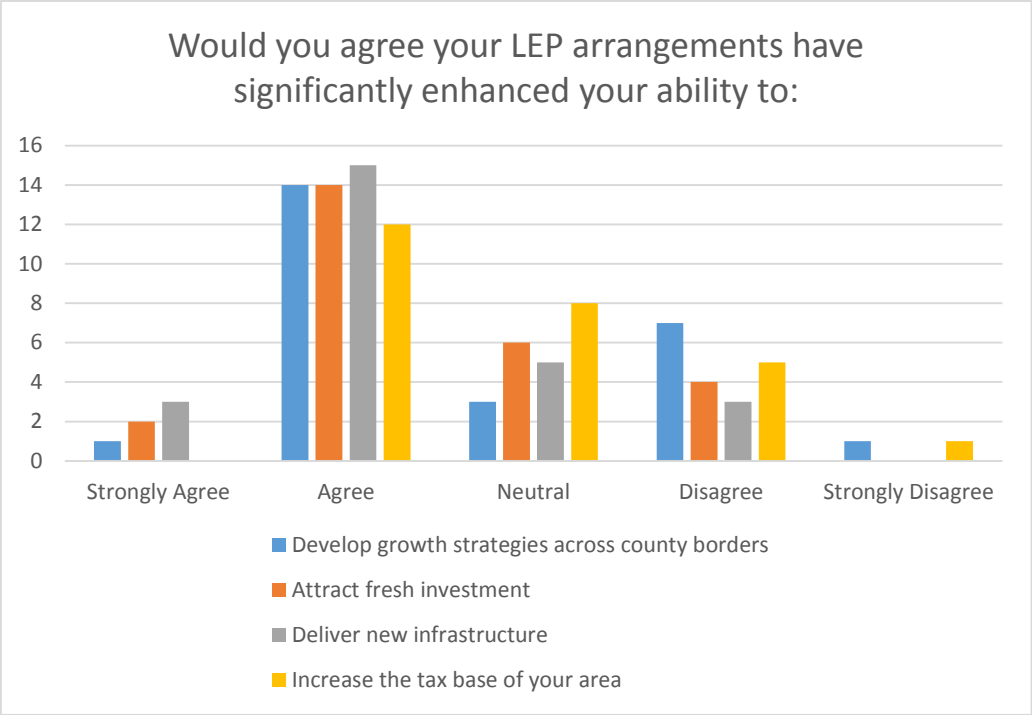
36. When asked if LEPs are the most appropriate geographies for Local Industrial Strategies over half, 53%, either agreed or strongly agreed. 15% were neutral, and around 31% either disagreed or strongly disagreed.



Benefits of LEPs

37. The survey asked members on the benefits that their LEP has bought to their area. The majority of respondents agreed that their LEP has supported the creation of new enterprises; developed growth strategies across county borders; supported local SMEs; reduce unemployment; increased training opportunities available to young

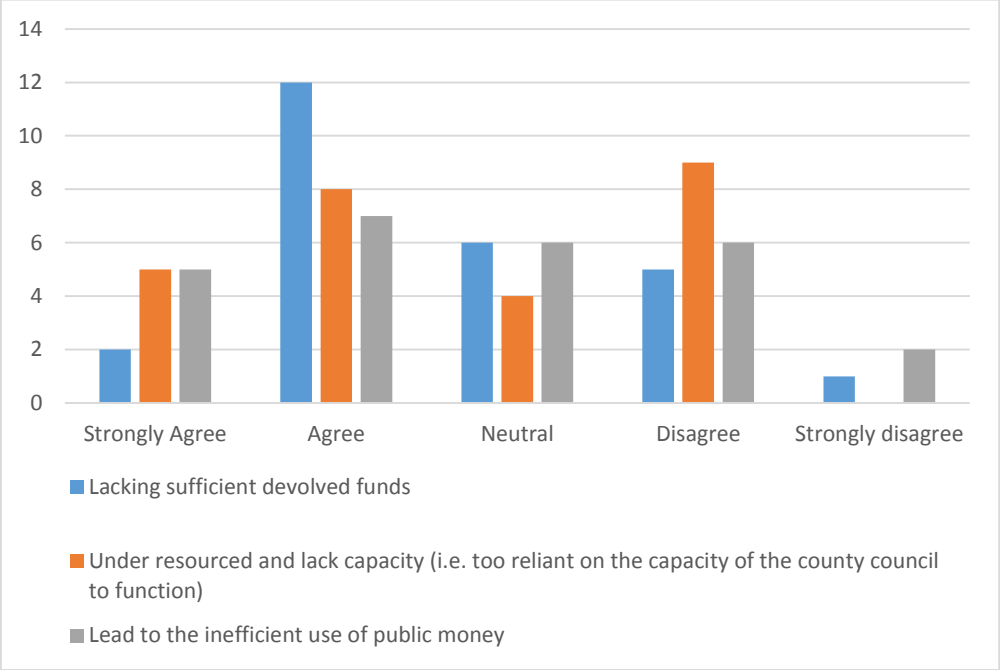
people; attracted fresh investment; delivered new infrastructure and increased the tax base of their area.



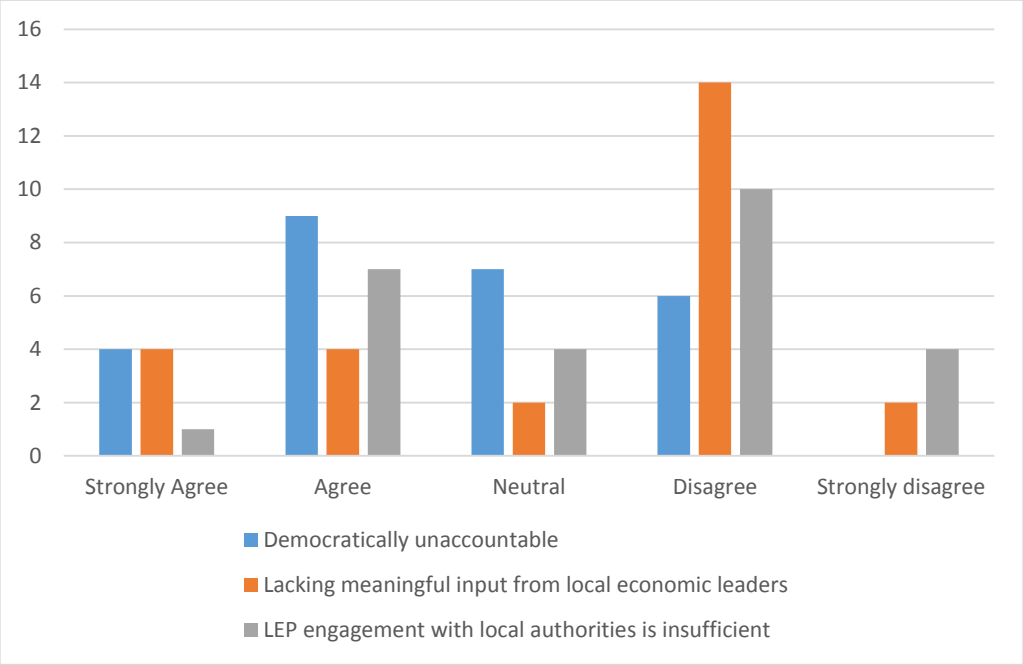
38. The majority of other respondents were either neutral or disagreed that their LEP had has these benefits, particularly in relation to ensuring that all communities can grow.

Issues with LEPs

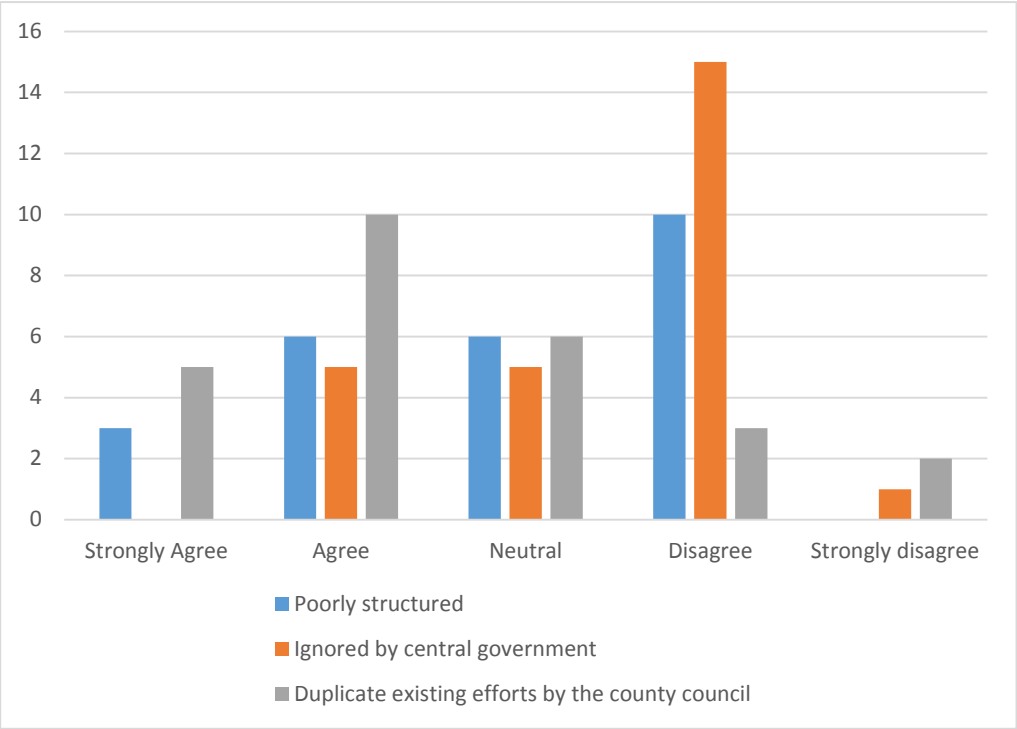
39. LEPs have faced criticism from a variety of sources. We asked member councils whether they agreed or disagreed with these criticisms. Many members agreed or strongly agreed that LEPs lack sufficient devolved funds, are under resourced and lack capacity and that they lead to inefficient use of public money.



40. Members also tended to agree that LEPs are democratically unaccountable. On the whole, members disagreed that LEP engagement with local authorities is insufficient, and that their LEP is lacking meaningful input from economic leaders.

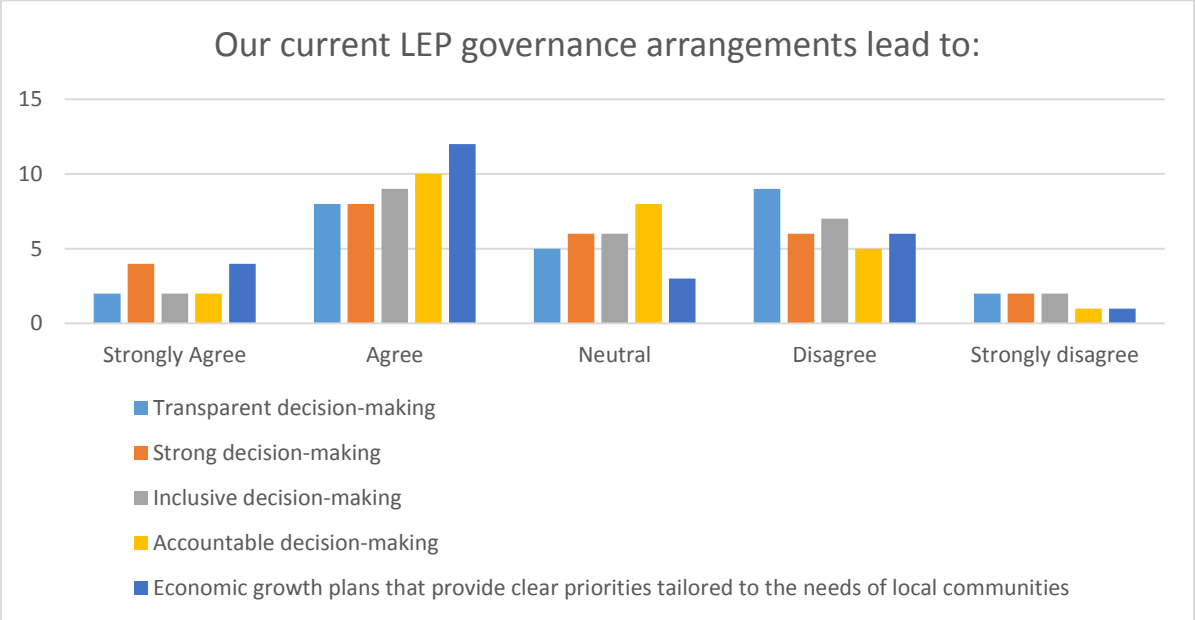


41. The majority of respondents disagreed that their LEP is poorly structured, or ignored by central government. Finally, most member councils agreed or strongly agreed that their LEP duplicated existing efforts by the county council.



Governance arrangements

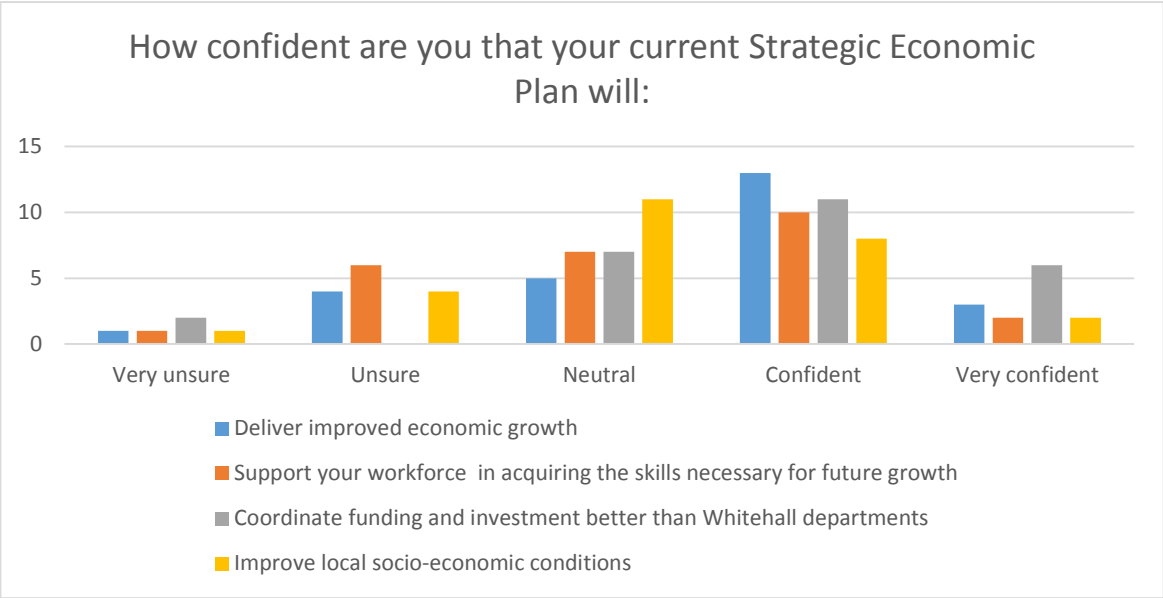
42. We asked members whether the existing governance arrangements of their LEP allows for transparent, strong, inclusive and accountable decision making. On the whole, members agreed that they had. We also asked if the governance has led to the production of economic growth plans that provide clear priorities tailored to the needs of local communities, where again the majority agreed or strongly agreed.



Strategic Economic Plans

43. Finally, we asked member councils how confident they were that their LEP's Strategic Economic Plan could deliver change. Most members were confident that their SEP

would deliver improved economic growth, and support their workforce in acquiring the skills necessary for future growth. Again, members were confident that their SEP could coordinate funding and investment better than Whitehall departments, and finally some members were confident and most were neutral that their SEP could improve local socio-economic conditions.



Further analysis

44. We looked further into respondents that had stated the relationship with their LEP was either poor or very poor. This made up just under 8% of respondents. These respondents tended to answer that the priorities of their LEP were averagely or poorly matched their own. They strongly believed that their boundaries should reviewed to remove or reduce overlapping boundaries, and that LEP boundaries should be co-terminous with county boundaries.

45. These respondents also disagreed or strongly disagreed that their LEP was the most appropriate body to lead Local Industrial Strategies, but a proportion did think LEP geographies were the most appropriate geographies for the LIS, whilst some did not.

46. In terms of benefits of LEPs, one respondent agreed that their LEP had increased training opportunities available to young people. The same respondent disagreed that their LEP had developed growth strategies across county borders, supported local SMEs, and increased the tax base of their area. Another respondent was sceptical of the benefits that their LEP have bought. They were neutral that their LEP has increased training opportunities available to young people, and that it had attracted fresh investment. They disagreed that their LEP has supported the creation of new enterprises, helped deliver new infrastructure and helped to increase the tax base of their area. This respondent also strongly disagreed that they had helped to develop growth strategies across county borders.

47. In terms of criticisms of LEPs, respondents strongly agreed that their LEP duplicated existing efforts of their county, and that it has led to inefficient use of public money. Respondents also agreed that their LEP is democratically unaccountable, under resourced and lacks capacity. They also thought that they lacked meaningful input from local economic leaders and that engagement with local authorities is insufficient. Another respondent agreed with most of these responses, but said that they disagreed that their LEP was lacking sufficient devolved funds, and that they were under resourced and lack capacity.

48. Respondents strongly disagreed that their current LEP governance arrangements have led to transparent, strong and inclusive decision making. One disagreed that economic growth plans provided clear priorities that were tailored to the needs of local communities, and were unsure that whilst another stated that they were confident that their SEP would deliver improved economic growth.

49. For those that described the relationship with their LEP as 'average', the respondents stated that their LEP priorities were either averagely matched or poorly matched to their own strategic priorities. All of those respondents stated that they strongly agreed that LEP boundaries should be reviewed to reduce or remove overlapping boundaries and to make them co-terminous with county boundaries. They also stated that they disagree and strongly disagreed that LEPs were the most appropriate and effective bodies to lead Local Industrial Strategies.

50. All authorities who stated that the priorities of their LEP matched their own authority's priorities very well stated that the relationship with their LEP was either good or very good.

51. All authorities who stated that they agreed their LEP or LEPs (10) were the most appropriate and effective bodies to lead Local Industrial Strategies, stated that the relationship with their LEP was good or very good, and that their strategic priorities aligned well or very well. The majority of those that agreed their LEP was the most appropriate body to lead the LIS stated that they thought business leaders were most responsible for the successful leadership of the LEP, followed by politicians, followed by local educators. From this group there were mixed thoughts around potential reforms. The majority agreed that LEP boundaries should be reviewed to reduce or remove overlapping boundaries, whilst the majority strongly agreed that LEP boundaries should be reviewed to make them co-terminous with county boundaries. Interestingly, 1 respondent within this category stated that they strongly disagreed that LEP geographies were the most appropriate for LIS, whilst most agreed, some strongly agreed and another respondent was neutral.

52. In terms of LEP criticisms, 50% agreed that they were lacking sufficient resources, whilst 20% were neutral and 30% disagreed. People overwhelmingly disagreed that they lack meaningful input from local economic leaders and that they are ignored by central government.

53. Respondents agreed that their current LEP governance arrangements have led to economic growth plans that provide clear priorities. There were mixed views as to whether the governance arrangements had led to transparent decision making. In terms of the Strategic Economic Plan, 60% were confident that it would deliver

improved economic growth, 70% agreed that it would support their workforce in acquiring the skills necessary for future growth.

END OF PAPERS