

Submission to the 2017 Spring Budget

20 January 2017



Introduction

The United Kingdom is one of the most centralised countries in the developed world and in recent times an over-reliance on the machinery of Whitehall has characterised the approach of governments of all colours in tackling their issues of the day. Yet the organisations best able to address and resolve these issues sit closer to the citizens the Government is in place to serve: local councils provide vital services, like roads, transport and refuse collection that support all citizens and businesses as they go about their daily lives, as well as targeted and complex services to support those with the greatest needs. The significant change our country is now experiencing, along with the serious social and economic challenges we face, mean isolation is no longer an option: central government cannot continue to go it alone and must instead turn its attention to ensuring that local councils are properly funded and freed up to help address these challenges.

Theresa May's vision of a 'shared society', with its emphasis on 'community, citizenship and strong institutions', provides a positive indication that the Prime Minister agrees that solutions to today's challenges do not sit just with central government. But turning that vision into reality cannot be achieved without local government. In turn, this requires action from Government to ensure that all types of council have the funding and financial stability they need to maximise their full potential. On this test the indications are not positive at all.

Whilst December's Provisional Local Government Finance Settlement (LGFS) provided partial help to address some of the immediate challenges councils face it failed to provide any additional new funding. Instead Government put forward two solutions: a redistribution of money already in the system and an underlining of the idea that local residents, via council tax, should resolve the national crisis in adult social care. These two announcements – put forward very clearly as 'solutions' – offer no new money and leave 201 district councils and 57 upper tier councils worse off. Therefore, local government continues to face a funding gap of £5.8 billion by 2019/20, pressures across the full spectrum of council services remain, and progress with key priorities continues to stall.

As a matter of urgency, the Government must therefore use the Spring Budget to reverse the current funding outlook for local government and secure its financial sustainability. This is not a call for resources as an end in itself for inward looking councils. Nor is it a call to protect one type of council, or one area of the country, over another. Rather it is a call for the funding that all councils require to provide the full range of services that support their local communities and contribute to a bigger national picture.

If central Government acts then local government will deliver. Councils are the most efficient, transparent and trusted part of the public sector and have a track record of providing quality services innovatively and in partnership backed up with a clear democratic mandate. If Government does not act then, as they have done

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in recent years, councils will continue to work tirelessly to protect frontline services, innovate, and do more with less.

But we should be under no illusion: the sheer scale of both the funding reductions to date and the pressures facing councils going forward mean those efforts will not be enough to maintain, let alone enhance, services to residents. The state, as the aggregate of local councils of all types, will be undone.

To prevent this, and to support the Government's aim of building a post-Brexit Britain that provides a 'better deal for ordinary working people', progress on three key areas – vital in their own right but also interlinked – is required. New government funding is needed so that people can be supported to live independent, fulfilling lives, in quality homes that meet their needs, and in communities that are more economically prosperous.

Social care: It is essential that genuinely new additional funding is invested in adult social care. Incremental solutions offered in the 2016 Provisional LGFS are some recognition of the challenge but do not go far enough and are problematic. The late reallocation of New Homes Bonus funding in 2017/18 to create the Adult Social Care Support Grant simply moves money from one set of council budgets to another. It leaves over 200 councils having to deal with an unexpected gap in their budgets late in the budget setting process. Even in social care councils, those the measure was intended to help, more than a third are worse off as a result of this shift. The precept flexibilities offer some potential for additional funds in the short-term but overall councils will be no better off in terms of annual income by 2019/20. The Government has paved the way for meaningful change to happen with its new review of care and health. This must identify long-term solutions and resist the temptation of providing further incremental short-term fixes. The scale of the pressure facing adult social care, and its implications for older and disabled people, demands bold thinking.

Pressures on children's social care are even greater in many areas than adults, due to growing pressures in child protection and the growing number of children living with serious disabilities. Whilst councils have protected these vital statutory services as far as they can, these growing pressures increase the strain on all other local services.

Housing: Whilst it may not have the same national profile, the crisis in housing is just as serious as the crisis facing adult social care. It is vital that central and local government work together to tackle the mounting pressure on temporary accommodation budgets and the increasing risk of homelessness. Housebuilding must be prioritised, aided by reforms to Housing Revenue Account borrowing rules, full flexibility for councils in using Right to Buy receipts to build new homes, an end to government directives about rent levels for social housing, and a planning service in which councils are allowed to set planning fees locally.

Brexit: In a year in which Government will necessarily be preoccupied with negotiating the UK's departure from the EU, local government has provided a full and impartial assessment of the risks and opportunities of Brexit. The process must be used as an opportunity to accelerate growth, secure greater fiscal autonomy for councils, and pave the way for a replacement EU regional aid scheme that dovetails with business rate reform and the national industrial strategy.

If progress is made on these priority areas our country can move forward confidently, best able to turn challenges into opportunities that fit with the aims of both central and local government.

Local government funding – the context to the crisis

The Autumn Statement and Provisional Local Government Finance Settlement

The Autumn Statement and Provisional Local Government Finance Settlement have done very little to alleviate the overall pressures on council funding. In respect of the priority issues of adult social care and housing the solutions are inadequate in both design and quantum.

New Homes Bonus/Adult Social Care Support Grant: Planned savings of £241 million from the New Homes Bonus (NHB) to create the new Adult Social Care Support Grant (ASCSG) will provide some assistance to the majority of councils with social care responsibilities in 2017/18. But this ultimately remains an inadequate solution for the following reasons.

- The grant is for 2017/18 only, it is not new money and is instead a redistribution of funding already promised to councils.
- All district councils will be worse off as a result of the redistribution.
- Early analysis suggests that 57 social care authorities (for whom this was meant to be a solution) might also be worse off because they will lose more in NHB payments than they gain in ASCSG, when comparing to the indicative 17/18 figure for the NHB published in the 16/17 settlement.
- Money designed to incentivise new homes and economic growth will now be taken away from councils at a time when the Government has made both issues a priority.
- The introduction of a 0.4 per cent threshold for NHB rewards, which is higher than the 0.25 per cent the government consulted on, will be a source of concern to many authorities, particularly unitaries, shire districts and those with lower housing growth.

For the above reasons, and given the scale of the crises in adult social care and housing, this is not a viable solution. Therefore, the Government must:

- **Reverse the reductions in the NHB for 2017/18 and finance the ASCSG from new government funding.** This would ensure some short-term support to social care councils, avoid councils having to identify significant last minute savings due to unexpected loss of NHB, and be much better aligned with a four-year settlement, which 97 per cent of councils signed up to.
- **Commit to no further increase in the NHB threshold.** The potential for future increases in the threshold is a concern for councils and potentially removes NHB payments from more councils. A commitment to no further increases would provide much-needed certainty.

Flexibility with the social care precept: The further flexibility announced for the precept does not change the total allowable increase to 2019/20 and unfairly shifts the burden of tackling a clear national crisis onto councils and their residents.

Future outlook

The need for financial stability is urgent if the full range of council and fire and rescue authority services are to operate on a sustainable footing. As councils will not receive any increase in funding over the remaining years of the decade they will remain under enormous financial strain. Any cost pressures arising up to the end of the decade will have to be offset by further savings; conservatively we

estimate that the overall funding gap will amount to £5.842 billion by 2019/20. Within this total funding gap the costs associated with homelessness and temporary accommodation, and children’s and adult social care are particularly acute.

Gap components	2019/20/£m
Children’s services	1,894
Adult social care	1,259
Apprenticeship Levy	207
Homelessness	192
All other services	2,290
TOTAL FUNDING GAP	5,842

Homelessness acceptances now stand 36 per cent above their low point in 2009/10. The vast bulk of the recorded increase over recent years is attributable to rents rising sharply above household incomes. This reflects a reduction in housing benefit and a lack of affordable housing. Homeless placements in expensive temporary accommodation have risen by 40 per cent in the last four years and homelessness services face a funding gap of £192 million by the end of the decade.

Looking after our children is one of local government’s most important statutory duties and councils have sought to protect spending on children’s social care where possible. However, demand continues to rise. Councils have seen a 60 per cent increase in the number of children requiring child protection plans since 2008 and an increase in the number of children with learning and other disabilities. Indeed, for many councils the gap they are facing for children’s services is bigger than the gap they face in adult services. The transition to new school funding arrangements and the introduction of the Apprenticeship Levy are also adding further pressures in many areas.

It is wrong to allow such an unsustainable pressure to build up on a service that protects our most vulnerable children. Currently, councils spend £11.1 billion a year of unringfenced funding on children’s social care and education services. Based on increasing demand and decreasing Government grant, we estimate that this set of services will account for £1.894 billion of the overall local government funding gap by 2019/20.

In adult social care, inflation, demography and the National Living Wage create a funding gap that accounts for £1.259 billion of the overall £5.842 billion shortfall by the end of the decade, even with the additional funding from the council tax social care precept and additional funding through the improved Better Care Fund announced in the 2015 Spending Review.

Adult social care funding is not just a problem for the end of the decade and in particular the strain on the provider market is severe. LGA analysis of providers’ own ‘fair price of care’ calculations suggests that at least £1.3 billion could be needed immediately to stabilise the provider market and put it on a sustainable footing. This is separate and in addition to the estimated funding gap of £1.259 billion facing adult social care by the end of the decade. It is also a recurring cost meaning the total gap by 2019/20 is likely to be in the order of at least £2.6 billion.

Adult social care is the single biggest service provided by unitary and upper tier councils. This means that it will unavoidably be affected by the pressures on wider council services. Therefore, even if councils seek to protect adult social care relative to other services, if they are faced with making significant savings to tackle remaining funding pressures elsewhere, a significant proportion of those savings may fall on adult social care, thereby exacerbating the problem. This is

why local government funding overall – and not just funding for particular services – needs to be put on a sustainable footing. Therefore, the Government must:

Allow councils to use newly retained business rates to address the £5.842 billion funding gap facing local government by 2020 before any further responsibilities are considered. Once these existing pressures have been fully funded any remaining business rates income should be geared towards assuming responsibilities linked to driving economic growth. All the evidence suggests that if local government is handed responsibility and funding for additional services, they use these resources more effectively and efficiently in a way that is aligned with local needs and aspirations. Skills and employment services would be one such opportunity and localising them could maximise their relevance to local economies, skills gaps and employer needs.

Commit to a concerted effort to make the best use of all resources for instance by extending and building on the One Public Estate (OPE) programme. One enabler for local growth in housing is freeing up public land. This has been identified by Government as a priority and the OPE programme has already made important progress in this respect¹.

A note on the timing of announcements

Local authorities are dependent on the announcements in the annual local government finance settlement when planning their spending and council tax decisions. It is therefore disappointing that the settlement is announced so late in the calendar year, leaving councils with little time to adjust plans if there are unexpected shifts (for example, the shift from the new homes bonus to the adult social care support grant in the December 2016 settlement).

One of the factors in the timing of the settlement is the timing of the preceding major fiscal event. As a result, the Government should move the Autumn Budget up on the calendar to leave more time for local authorities to plan their budgets appropriately and with certainty.

Social care

The commissioning and provision of social care to children, working age adults and older people is a vital council service that, quite simply, can transform people's lives. Yet both children and adult services are experiencing deep and challenging pressures; together they account for well over half of the total funding gap facing councils by the end of the decade.

Our focus on adult social care reflects the urgency of the crisis in this sector, particularly the instability of the provider market. The almost daily coverage of adult social care in the national media also reflects this, and is rightly driving a growing concern for the service amongst the public. National politicians are also increasingly voicing their fears about the stability and sustainability of care and support, echoing what local government and the wider care sector have been saying for some time.

These stories frequently focus on elements of the 'crisis', such as growing unmet need, provider viability or risks to quality. These are the consequences of underfunding and they are worrying in their own right. Yet when viewed as a whole they pose a serious risk to that which binds them together: the Care Act.

¹ The One Public Estate programme is one example of councils working collaboratively with Government to free up public land. See Annex A for further information.

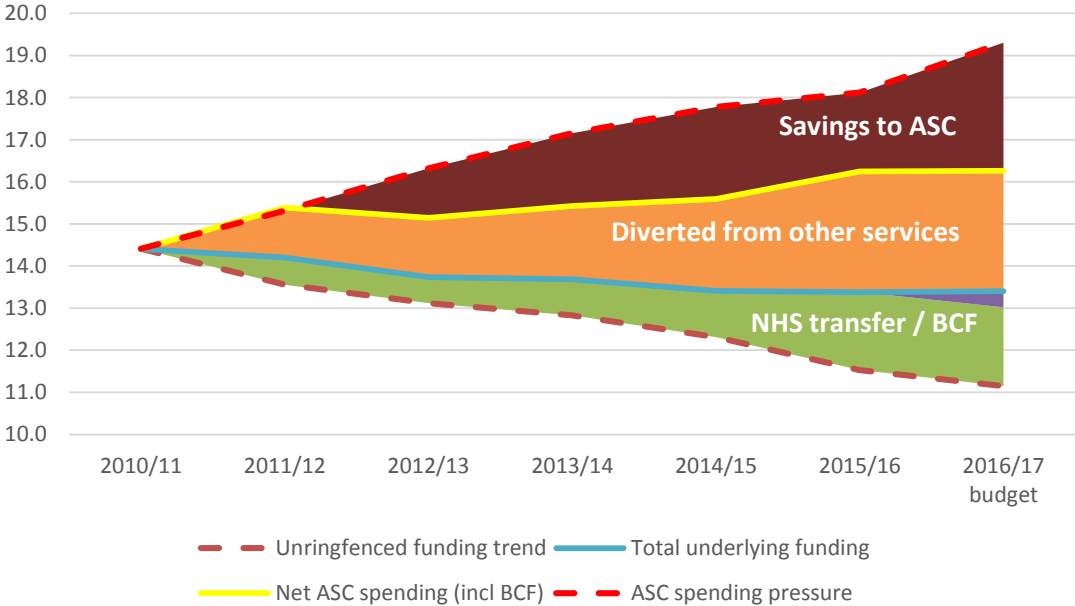
It is therefore time to be more radical. Without bolder action the Government will need to re-evaluate its offer to residents and consider whether the set of legal rights and responsibilities contained within the Care Act are appropriate and achievable.

The case for more investment in adult social care

Managing spending: as Figure 1 below shows, adult social care spending has been kept under control through a mix of service savings, disproportionate reductions to other services, the NHS transfer/BCF and, most recently, the social care precept.

‘ASC spending pressure’ is what we estimate councils would have had to spend if they had not made efficiency savings. The difference between this and ‘Net ASC spending (including BCF)’ is the amount councils have had to save from adult social care budgets to maintain spending at roughly 2010/11 levels. However, this is only one side of the picture. ‘Unringfenced funding trend’ shows how much money councils would have had available to spend on adult social care if they had spread unringfenced funding reductions equally across all services. It is therefore clear that the gap has in fact been met through a combination of the NHS transfer/BCF and disproportionate savings from budgets of other council services. In other words, councils have clearly prioritised adult social care and support services but this is inevitably and unavoidably to the detriment of other local services. Every council will have made their own decisions in this process but it is safe to assume that the services that had to deal with deeper reduction to funding would have included things like libraries, leisure, and bus services. These, of course, are preventative in the widest sense and contribute to wellbeing.

Figure 1: Managing adult social care spending, 2010-2017 (£bn)



A trusted and reliable sector: As above, the announcements for adult social care in the Provisional Local Government Finance Settlement (the Adult Social Care Support Grant and further flexibility with the social care precept) are some recognition of the pressures facing the sector. But they are not enough and the Government must therefore urgently inject genuinely new money into the system.

Local government has a proven track record of providing services that offer optimum value for money and could therefore be trusted to make best use of new resources. Latest Adult Social Care Outcomes Framework (ASCOF) data (October 2016) demonstrates how councils have managed to preserve outcomes whilst dealing with funding cuts and new pressures. For example:

- In 2015-16, 85.4 per cent of service users in England reported that the services they received helped make them feel safe and secure. This is a statistically significant increase compared to the 84.5 per cent reported in 2014-15
- The proportion of people who use services who say they have control over their daily lives has remained stable (76.6 per cent in 2015/16 compared to 77.3 per cent in 2014/15)
- Overall satisfaction of people who use services has remained stable (64.4 per cent in 2015/16 compared to 64.7 per cent in 2014/15)

Interaction with health: Such achievements are all the more remarkable given that local government overall has seen a 40 per cent reduction in its funding from central government over the previous Parliament. This reduction contrasts markedly to funding for the NHS. Health revenue spending increased by almost £14 billion, or around 6 per cent in real terms over the same period. Despite this, providers within the health service continue to report significant deficits. Latest financial information from NHS Improvement for the six months ending 30 September 2016 shows that the NHS provider sector's position included a deficit of £648 million². Trying to compare approaches to budget management between health and social care is difficult given the operational differences between each side; for example, trusts can set deficit budgets whereas local authorities are required by law to set a balanced budget. But it demonstrates that councils have had to make tough decisions, innovate, and drive efficiencies far beyond the experience of most people in the health service. We are keen for that learning to be shared.

Such examples serve to reinforce the point that, despite aims for closer working between care and health, the way each side is funded could not be more different. For instance, councils have stripped back local services to plug a 40 per cent reduction in funding and the NHS continues to overspend. Yet, it is clear from places that have really progressed with health and care integration that investment in the community, social and primary service infrastructure can reduce both pressure and spend in acute hospitals and more expensive care services. The real terms increase in resources has been sucked into the hospital system and this is simply the wrong place to invest for a sustainable and integrated health and care system in the future.

Furthermore, whilst availability of adult social care is often cited as a cause of pressure on the NHS, the opposite is also true: what the NHS does or does not do can have an important impact on adult social care. Incontinence treatment, stroke rehabilitation, NHS Continuing Care, district nurses – reductions in all these areas represent 'cost shunts' that increase pressure on adult social care. Without investment in primary, community and social care services the vicious circle will continue - ever increasing pressure on hospitals as a result of lack of investment in other service meaning that new funding goes to address the pressures where they present rather than tackling the problem at source. Therefore, the Government must:

² 'Quarterly performance of the provider sector as at 30 September 2016', NHS Improvement, https://improvement.nhs.uk/uploads/documents/Quarterly_performance_of_the_provider_sector_as_at_30_September_2016_-_Full_report.pdf

Tackle the cause of the pressures on hospitals and budgets not just treat the symptoms. Provide sufficient funding for social care and ensure greater investment in primary and community health care, to ensure that overall resources are used to best effect, seeking to prevent or minimise need through early intervention and the provision of early support information and advice.

Enable the continued transformation of care and health through further investment. Since the transfer of public health to local government council teams across England have seized new opportunities to make health everybody's business. They have done this despite funding pressures, including the £200 million in-year cut to public health in 2015/16 and a further £330 million reduction in funding by 2020/21. By joining up the valuable contribution from councils of all types on care, health, planning, housing, transport, welfare and education, local government has made positive strides in tackling the social determinants of health and wellbeing from early childhood and throughout life. But more can and must be done. New funding for transformation, focussed throughout the life-course, would enable some double running of new investment in preventative services alongside 'business as usual' in the current system until savings are realised and reinvested back into the system.

The value of local political leadership: councils also play a key role as democratically accountable leaders of place and have a long history of strong local leadership. This is particularly important in the realm of place-based approaches, which are essential for making the best use of collective resources. Care and health integration is a case in point and it is recognised that "an essential starting point is a shared vision and commitment from a leadership coalition"³. As the learning from health devolution in Greater Manchester shows:

"The role of political leadership has been vital in Greater Manchester. In particular the support of the 10 Greater Manchester council leaders in supporting the Healthier Together consultation took a degree of political bravery and sends a clear signal that there is political ownership of the health challenges."⁴

With the above in mind it is worth reflecting that Sustainability and Transformation Plans are a possible opportunity that we are in danger of missing out on as the planning process fails to engage with local politicians to a level that is line with their expertise and importance in representing the wishes of local communities.

Health and wellbeing boards are a key part of the local leadership architecture for health and care and although still in relative infancy they are already making important progress. For example:

- Under the direction of the health and wellbeing board, Plymouth has advanced the integration agenda. Over £460 million of council and CCG

³ 'The Journey to Integration', LGA, April 2016, http://www.local.gov.uk/documents/10180/7632544/L16-49+Journey+to+integration_v05+amend+pg+9.pdf/5b2e8a96-f1ac-4894-9031-b93459193cee

⁴ 'Charting Progress on the Health Devolution Journey: early lessons from Greater Manchester', LGA, March 2016, <http://www.local.gov.uk/documents/10180/7632544/L16-64+Charting+progress+on+the+health+devolution+journey/0970a7de-8e8a-4536-9fde-144d511d0531>

budgets have been pooled and an integrated community provider is providing a range of health and care services to residents.

- In Southend-on-Sea, the health and wellbeing board sponsored activity to become the first site in the UK to have the ability to link and share data between health and social care for the purposes of risk stratification and commissioning.
- The Suffolk health and wellbeing board oversaw the rollout of the 'Connect' project, which deployed Integrated Neighbourhood Teams to provide integrated, person-centred care to residents.
- In Wigan, the health and wellbeing board is working with GPs on a new model of primary care that is based around GP clusters, allowing for place-based budgeting and for health and care to be tailored to local need.⁵

The above examples demonstrate what local areas can achieve, even in the most testing of financial circumstances. The key is that these examples are 'local', continuing a long and pioneering municipal tradition. Therefore, national-level calls for all areas to replicate what the perceived 'best' areas are doing are too simplistic and fail to capture the point that local councils, who know their areas and populations far better than national government, can and must be trusted to deliver.

Driving social infrastructure: the strengths of adult social care outlined above, and local government more generally, combine in communities across the country to help drive an important overall shift in our care and health system: from acute to community, cure to prevention, and welfare needs to economic contribution. We know from the Government's consultation on the Work, Health and Disability Green Paper that only 32 per cent of people with mental health conditions are in employment and that those with common and preventable mental health problems, such as depression and anxiety, make up 49 per cent of those on Employment Support Allowance (ESA). Innovation, strong local leadership and good interaction with health helps the development of meaningful social infrastructure – the coming together of community, primary, acute and social care to help deliver better solutions and outcomes. This is better for individuals, provides better value for money, takes further pressure of the NHS and contributes to the sustainability of our overall system.

The likely consequences of inaction

A failure to provide genuinely new funding will exacerbate a set of alarming trends that have developed in recent years. Many of these were captured in our 2016 'state of the nation' report on adult social care funding⁶ and include:

An ever more fragile provider market: UK Homecare Association research for 2014/15 shows that 50 per cent of providers who were aware of council tender opportunities decided not to bid on the basis of price. This reflects an inevitable squeeze on fee levels in recent years as councils have had to use what limited levers they have for managing cost in the face of unprecedented cuts to funding. It is not just an issue of providers declining to bid. As the 2016 ADASS budget

⁵ Examples taken from, 'Effective health and wellbeing boards: findings from 10 case studies', Shared Intelligence, September 2016, <http://www.local.gov.uk/documents/10180/6101750/HWB+-+Effective+Health+and+Wellbeing+Boards+-+findings+from+10+case+studies/cff1254a-bed2-4909-8d62-d385a93382a3>

⁶ 'Adult social care funding: 2016 state of the nation report', LGA, November 2016, http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ec12

survey⁷ shows, 48 councils have experienced at least one home care provider cease trading in the last six months, with 77 councils experiencing the same within the residential/nursing care sector. Additionally, 59 councils have experienced home care contracts being handed back to them, with 32 councils experiencing the same within the residential/nursing care sector. This is currently affecting thousands of people and will only get worse if pressures on funding remain unaddressed. As important, there is a concern from some quarters, such as the Care Quality Commission, that providers may cut corners on quality as a consequence of the pressures facing the sector.

Forced short-termism: pressures on funding are exposing a tension between prioritising statutory duties for those with high level needs and pursuing activity that aims to prevent and reduce future demand. This is not a position councils want to be in; indeed as the ADASS budget survey shows, directors see prevention as the most important mechanism for achieving savings. However, while spend on prevention has increased this year as a proportion of total budget, actual spend is down 4 per cent in cash terms.

Growing unmet need: as Vicky McDermott, chair of the Care and Support Alliance has said, “An estimated one million older people have unmet needs for care and support in England and research on disabled adults suggests that at least two in five are not having their basic needs met”⁸.

Strain on carers: as unmet need grows so too does the number of informal carers, yet their experience of the system designed to support them is not always positive. A Carers Trust survey as part of its commission on ‘the Care Act: one year on’ shows that 65 per cent of carers had not had an assessment and those that did had to wait, on average, 8 weeks.

An overstretched workforce: recruitment and retention remains an issue amongst the adult social care workforce and the overall turnover rate of 25.4 per cent is only likely to worsen if funding pressures are left unchecked and continue to impact on pay, learning and development and clear pathways for progression. The need to fill an extra 275,000 posts in adult social care over the next decade simply will not happen if the status quo is maintained.

Transitions: councils are experiencing around 3 per cent growth in demand from new service users who have a learning disability or are within the autism spectrum. Almost all of these new adult service users are already known to children’s services and the vast majority will have already been receiving substantial support prior to their transition to adult services.

Continued pressure on the NHS: the importance of social care and support in helping to alleviate demand pressures on the NHS is well accepted amongst senior figures from across the care and health sector. Almost nine in ten GPs believe reductions in social care contribute to the pressures faced in their surgeries and 99 per cent of NHS leaders believe that cuts in social care funding are putting increasing pressure on the NHS as a whole.⁹ Latest data on delayed transfers of care (DTOC, November 2016) shows that just under 35 per cent of

⁷ ‘2016 budget survey’, ADASS, 2016, <https://www.adass.org.uk/media/5379/adass-budget-survey-report-2016.pdf>

⁸ ‘Adult social care funding: 2016 state of the nation report’, LGA, November 2016, http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ec12

⁹ ‘Adult social care funding: 2016 state of the nation report’, LGA, November 2016, http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ec12

delays are attributable to social care, up from just over 31 per cent in November 2015. This increase may well continue if the question of social care funding remains unanswered.

The consequences of inaction set out above, combined with others – such as smaller care packages and personal budgets – will collectively constitute a failure to meet both the spirit of the Care Act and its statutory duties. Just 8 per cent of directors are confident of meeting statutory duties in 2017/18 according to the ADASS budget survey. As the Royal College of Psychiatrists warn, the Care Act may become an “unrealistic wish list of exemplary services that no one ever receives”¹⁰. If this happens it is likely that we will see an increase in costly and lengthy Judicial Reviews. Therefore, the Government must:

Ensure that councils are fully funded to deliver on their responsibilities under the Care Act and set out contingency plans to deal with major market failure.

An urgent national review

The unacceptable reality is that that many, if not all, of the above scenarios are likely to play out to varying degrees if adult social care remains under pressure and underfunded. We therefore welcome the Government’s plan to conduct a review of adult social care and health. Yet, like many, we welcome this development with a degree of caution given the previous failed attempts by governments of all colours to fully answer the adult social care question in recent years. Therefore, the Government must:

Provide an early and clear indication that local government will be an integral part of the review and that short-term incremental change will not be pursued as a solution. Given the scale of the challenge more radical proposals must at least be on the table for discussion. Additionally, although we support a focus on care and health integration, it is essential that adult social care funding is prioritised in its own right. Without this the tendency will remain for the acute sector to soak up any additional resources. This would fail to protect the preventative and community-based provision that must be a fundamental feature of our system moving forward.

Clarity on timescales would also be welcome.

Housing

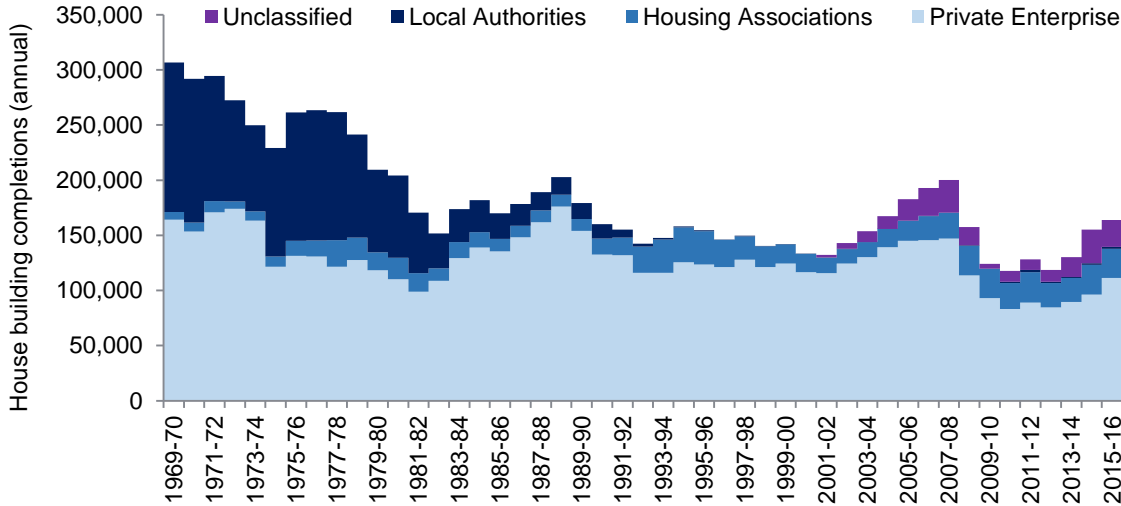
As builders of homes, as planning authorities and place shapers, as agencies of growth and infrastructure, as guardians for the most vulnerable and homeless, and as locally democratic organisations responsible to communities – councils must be at the heart of strategies to resolve our housing crisis.

There is a crisis because housing is unavailable, unaffordable and not appropriate for everyone that needs it. The housing crisis is having a significant impact on our communities and economies; forcing difficult choices on families, distorting places, and hampering growth. Average house prices are now eight times average earnings, renters pay on average one third of their income on rent – the ending of an assured shorthold tenancy is now the greatest cause of homelessness, which is rising.

¹⁰ ‘Adult social care funding: 2016 state of the nation report’, LGA, November 2016, http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ec12

The housing challenges and their solutions are complex, interconnected and vary around the country. Local government shares the collective national ambition to build one million new homes, for instance demonstrated through their leadership in building homes on public land. We believe this will only be achieved with strong national and local leadership working together. It is generally accepted that around 220,000 homes a year are needed just to meet demand, and that 300,000 a year for more than decade will begin to apply downward pressure on prices. The private and housing association sectors - which combined have never built more than 200,000 homes, peaking at 187,000 homes in 1988/89 - cannot achieve this on their own.

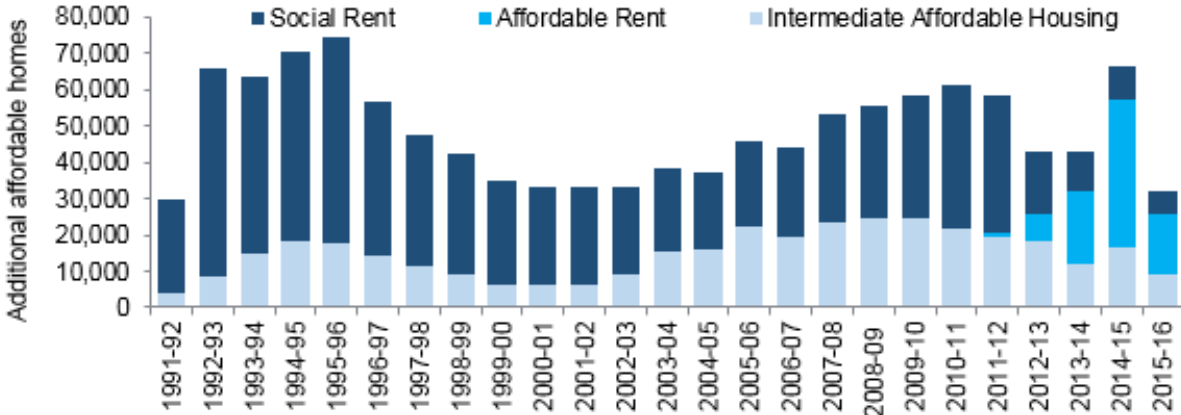
Figure 2: Number of new additional homes completed, 1969/70–2015/16



Source: DCLG Table 209, 120

The need to rapidly build genuinely affordable homes is therefore immediate, however the number of new affordable homes built has fallen (Figure 3) as has the overall stock of social rented homes. All partners must be supported to increase the homes they build, and councils must be at the heart of this. Local government built 40 per cent of the homes (136,000) the last time the country built over 300,000 homes.

Figure 3: Number of additional affordable homes, 1991/92-2015/16



Source: DCLG Table 1000 (Intermediate Affordable Housing includes Intermediate Rent, Affordable Home Ownership and Shared Ownership)

The failure to build sufficient affordable homes over the last few decades has led to increasing demand for household incomes to be topped up with Housing Benefit spending. As a result, overall government spending has shifted dramatically towards resolving the symptoms of the housing crisis through increasing in Housing Benefit spending – up from £10.6 billion in 1997/98 to £22.5 billion in 2015/16¹¹ - and spending less on resolving the causes of the housing crisis by building more affordable homes.

It is local government that is picking up the pieces from the long-term failure to build homes affordable for families, but as demand increases the tools for councils to build affordable homes directly or through the planning system, and to address the gaps between rents and incomes, is decreasing. As a result councils are having to respond to increasing levels of homelessness and placing more families in expensive temporary accommodation (Figure 4), costing councils £3.5 billion in the last five years rising 43 per cent in that time¹².

Figure 4: Number of households in temporary accommodation at year end, 2007/08-2015/16



Source: DCLG homelessness statistics live table 775

In light of these challenges the LGA Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. The final report of the Commission sets out a wide range of recommendations for how local and national government can work together to build the right homes in the right places that meet the diverse needs of communities.

At the time of submitting, we look forward to publication of the government’s housing white paper and to exploring in detail how national and local government might work together to deliver our shared ambitions. In advance of this discussion our Budget submission focuses on six priority proposals:

1. **Enable local government to rapidly build more homes in support of the government’s target of 1 million new homes by 2020 and reduce demand on Housing Benefit**, by freeing councils from restrictions on their borrowing to build homes and establishing a stable long-term financial framework enabling councils to invest, such as removing Housing Revenue Account (HRA) borrowing from contributing to public debt. Private developers and the

¹¹ Benefit Expenditure and caseload tables, Department of Work and Pensions, 2016.
¹² Crisis, November 2016.

housing association sector simply will not build the number of homes needed alone. We therefore need an open discussion of options that free councils from restrictions on their borrowing against the value of their housing stock to build homes, as a fundamental part of infrastructure that adds to our asset base and expands our economy. This would allow local government to rapidly contribute new homes to the market, meet a wide range of local housing need, and generate significant medium- and long-term financial returns for the economy and public services.

2. **At a minimum, refocus recent housing reforms on enabling councils to replace every home sold through Right to Buy**, by allowing councils to set their own rents, to have flexibilities to borrow against their stock and future rents, to recycle a 100 per cent of sales receipts to replacing homes sold, and by making the planned forced sale of higher value council properties voluntary. Furthermore there are a range of minor reforms that would enable councils to deliver more homes. For instance councils should be granted the flexibilities to count the full value of their own land as part of the cost of building new homes, to combine receipts with Homes and Community Agency funding, and to pass receipts to housing vehicles, and to use to build a mix of affordable products, or to acquire land or fund infrastructure.
3. **Resource an efficient and responsive planning service able to proactively deliver the right homes in the right places**, by allowing councils to set planning fees locally and reversing planned reforms to the New Homes Bonus by finding a sustainable alternative for funding adult social care into the future. An effectively resourced planning system is crucial to delivering homes, and to building positive places that resolve wider public service challenges. The national limit on local planning fees restricts this, generating a shortfall of around £450 million over three years¹³ at a time when developers, builders and councils are united in their call for adequately resourced planning departments to deliver housing. Furthermore, recent proposals to reduce New Homes Bonus will further limit investment in the planning system and move away from its policy intention to help deliver housing growth, while doing very little to address the crisis in adult social care.
4. **Restore local planning powers allowing councils to deliver housing with infrastructure**, by giving councils powers to deal with unimplemented planning permissions, making it simpler to raise funding for infrastructure through the Community Infrastructure Levy (CIL), and exploring routes for capturing land value uplifts to fund infrastructure. It is important to deliver when communities say 'yes' to development but up to 475,000 homes could be built on unimplemented planning permission¹⁴, it is important that councils have tools to lever financial and other incentives that encourage faster build out rates. There also needs to be a clear, transparent and robust viability procedure, and simpler means to implement CIL to deliver the infrastructure and services that communities expect with development. Local government also wants to test new models for capturing the uplift in land values resulting from planning permission to forward fund infrastructure.
5. **Reduce the risk of homelessness and the pressure on local authority spending on temporary accommodation**, by lifting the freeze in Local Housing Allowance rates while working with local government to increase the supply of affordable housing for low income households. Tackling the demand

¹³ Building our homes, communities and future, Preliminary findings from the LGA housing commission, July 2016 <http://www.local.gov.uk/lga-housing-commission>

¹⁴ Building our homes, communities and future, Final report from the LGA housing commission, December 2016 <http://www.local.gov.uk/lga-housing-commission>

for Housing Benefit will be the most effective and sustainable way of reducing spending on Housing Benefit long term. Reforms that have reduced household incomes while rents continue to rise has led to landlords reducing housing options for low-income households. The ending of an assured shorthold tenancy is now the greatest cause of homelessness, rising 92 per cent since 2011/12¹⁵. As a result more councils are having to house more families in temporary accommodation (TA), research suggests TA has cost councils £3.5 billion since 2011/12, rising by 43 per cent in that time to £850 million in 2015/16¹⁶.

- 6. Integrate housing with health and social care in ways that reduce future demand on council and NHS budgets**, by implementing reforms that increase the supply of supported housing, enable the building of homes that support healthy communities and positive ageing, and sufficiently fund councils to adapt existing homes that reduce the incidents of health crisis. There is a distinct and urgent need to better provide a range of housing options to meet the needs of our ageing population; up to 2039 74 per cent of household growth will be made up of households with some aged 65 or older¹⁷. The impact of poor housing on health is similar to that of smoking or alcohol, costing the NHS at least £1.4 billion each year¹⁸. Government must working with councils to develop a renewed focus on creating homes and neighbourhoods integrated with health and care services that support health and well-being and positive ageing.

On this last point, the LGA is working with Government to help develop the future funding of supported housing. The Government's consultation evidence review recognised that councils in England currently contribute an indicative £1.3 billion towards the cost of supported housing, over a quarter of the total estimated cost of £5.1 billion, £3.49 billion of which is from housing benefit. Around 33 per cent of this contribution is from adult social care, 28 per cent from housing departments and 20 per cent mainly from other council sources. Only 5 per cent is from the NHS, including social care partnerships. The average estimated cost of a person in supported housing for a week is £122 compared with an average cost of £2,800 in hospital for a week.

The ability for councils to continue to contribute towards a quarter of the cost in light of on-going and significant cost pressures is questionable, and any future localisation of funding must be sufficient to maintain and grow the sector, meeting, as set out in the Government's consultation, its "obligation" to "protect the most vulnerable" and support "hundreds of thousands of the most vulnerable people across the country". The building of new supported housing this past and future financial year has stalled, putting this obligation at risk as well as the Government's commitments under the Transforming Care programme. To kick-start the building of supported housing, additional investment is needed now to prevent the industry collapsing under the uncertainty as we wait for what the future funding landscape could look like in 2019/20.

Brexit

Local government holds a range of views about the future of Britain's membership of the European Union (EU) which is why the LGA remained neutral during the

¹⁵ DCLG homelessness statistics live table 774

¹⁶ Crisis, November 2016

¹⁷ 2014-based Household Projections: England, 2014-2039, DCLG Housing Statistical Release, 2016

¹⁸ The cost of poor housing to the NHS, Building Research Establishment, 2015

referendum campaign. However, it is clear that the UK's exit from the EU is going to have a significant impact on local government, creating challenges that will need to be addressed, but also opportunities to do things differently. Equally, now that the referendum result is known and councils have taken up their seat at the table, it is important that we are integral in working with the UK Government as it negotiates the departure from the EU.

This submission has been made in advance of the publication of the government's plans for departure, but our proposals reflect what we believe will remain priorities for local leaders and their communities:

- 1. Increase productivity and strengthen national competitiveness**, by devolving skills services and investment to local councils. The referendum gave us messages from those communities that have felt no benefit from growth programmes. Further devolution of the adult education budget is required to tackle this problem. Whitehall's current approach, worth £10.5 billion a year, is costly, fragmented across 20 national schemes, and fails to address the needs of local residents and employers across England. A more integrated and localised approach should be based around groups of councils working with local businesses and partners to create single, place-based strategies tailored to the needs of people and employers. This transfer of funding and responsibility for employment and skills should be part of the move to 100 per cent business rates retention by the sector.
- 2. Secure investment for local growth**, by creating a UK replacement for "EU regional aid" (European Structural Investment Funds (ESIF), Common Agricultural Policy (CAP), Funding for Research and Innovation) based on local rather than Whitehall or Brussel's rules. We have consistently lobbied for much greater local design, management and delivery, and there is now an opportunity to rethink how a future domestic funding regime could break down some of the silos that have been created between EU funding and different national schemes. The government should set out how it intends to ensure that such a replacement fund: maximises integration with other funding streams, is based on local determination and delivery, is easier to manage, complements work on business rate reform and the national industrial strategy and, is at least of equal value to all the domestic and EU programmes it replaces – at least £5.3 billion for England and £1.8 billion for Wales.
- 3. Secure the future autonomy of local government**, by rethinking the way decisions are made in the UK and ensuring local authorities' financial resources are commensurate with their current and increasing responsibilities. The LGA estimates councils will face a £5.8 billion funding gap by 2020. HM Treasury figures indicate a net contribution of £8.5 billion annually to the EU. The government has choices about how these funds are redeployed and should indicate how it will consider the needs of local communities as a matter of priority. Further, post-Brexit Britain will require a new settlement between national government and local communities underpinned by a principle of subsidiarity and greater fiscal autonomy for local government. In order to establish the detail of this approach the government should open the door to a discussion on fiscal devolution.

Annex A

One Public Estate (OPE)

Since 2013 the OPE programme has supported bottom up, cross public sector asset management, through the establishment of local cross public sector partnerships and joint asset management. To date the programme has worked with 188 councils in 42 partnerships and is on track to see 95% of councils join the programme by 2018. OPE councils are delivering over 200 projects nationally which will deliver £415 million capital receipts, £98 million in reduced running costs, 44,000 jobs and release public land sufficient to deliver 25,000 homes that would not otherwise have arisen.

Building on this success, and in the context of ever-growing pressures on public sector budgets, the LGA is calling on Government to extend funding for the programme in order to maximise the benefits of a planned substantial central government surplus land release. Three key opportunities include supporting accelerated release of the MOD estate, supporting better use of the health estate to release surplus estate for new homes, in particular in London and supporting DWP to deliver co-locations with councils post 2018, the end of this current property arrangement.

- **Housing** – The Ministry of Defence (MoD) recently announced plans to release 91 sites across the country through the ‘Better Defence Estates Strategy’ with over 40 references to OPE as an exemplar way of working. OPE will be used to facilitate the smooth release of the sites for development through partnership working. Given the complex nature and scale of the sites OPE partnership working will be essential to ensuring appropriate partnership working between the MoD, local planning authority and infrastructure provider. OPE aims to facilitate the release of 12 MoD sites at an accelerated schedule to those planned. We estimate this will lead to the delivery of land released for 18,000 homes a year earlier than planned by 2021.
- **Health** – To work closely with the NHS, particularly in a partnership approach with existing London Devolution proposals, to enable better use of the health estate to deliver a more integrated health and social care service. To release surplus health and council social care estate for new homes via collaborative working through OPE partnerships. This will support the delivery of an estimated 5,600 homes and enable the estate to achieve utilisation rates of over 80% saving £1.3 billion in costs to build new facilities in London, between 2018 and 2021. On a national level OPE will act as a delivery agent for the land and property element of NHS Sustainability and Transformation Plans (STPs), ensuring a joined up local and central approach to the development of an integrated health and social care estate and care models.
- **Benefits** – The Department for Work and Pensions (DWP) has a vast estate. A 20 year PFI deal expires in 2018, triggering decisions on the future of over 800 offices and Jobcentres across England. We want to support DWP avoid a long term re-leasing, of often poor quality, premises through the co-location of services with councils. Co-location has been seen to offer a cheaper property solution in co-locations to date for example in Nottingham, have saved the adept £500,000 p.a. in running costs. We will support DWP to deliver an additional 25 co-locations per year from 2018 – 2021, delivering a projected £26 million in efficiencies.

Extended funding will also allow further support of OPE partnerships to continue

to develop new local initiatives which support collaborative approaches to the better use, and release, of public land and property given the successes of this approach to date. Focus will be placed on supporting the largest asset owning local authorities, and those with the highest concentration of central government assets. 80 of the top 100 largest asset owning councils are currently on the programme. This will support the continued release of local and central government estate nationally