

Growth and opportunity for all: Local solutions to national challenges

The LGA's submission to the Autumn Statement 2016

10 October 2016



'Righting wrongs. Challenging vested interests. Taking big decisions. Doing what we believe to be right. Getting the job done. Because that's the good that government can do', Prime Minister, Theresa May, 5 October 2016.

The Prime Minister outlined her vision of a Britain "that works not for a privileged few, but for every one of us". As the Government gears up for the Autumn Statement – its first major chance to lay the foundations for realising that vision – local government stands as a willing partner to help drive growth and opportunity for all.

Local government is central to the delivery of locally tailored solutions to national public policy challenges, whether it is building more homes, securing the infrastructure and inward investment essential to economic growth, equipping people with the skills they need to succeed or providing sustainable and effective care to vulnerable children and older adults. This is the good that *local* government can do, helping to build a country that works 'for every one of us' from the bottom up.

This year's Autumn Statement comes at a crucial time as the Government seeks to negotiate the UK's exit from the European Union, develop an Industrial Strategy fit for a world leading economy and pursue its commitment to public service reform.

Despite the funding challenges that we continue to face, local government has a proven track record of providing high quality, efficient services that are valued by residents¹. Councils bring an unrivalled track record to the task of building a society that is inclusive, cohesive and promotes the life chances of all.

To deliver on these agendas, we have set out how the Autumn Statement can draw on the unique strengths of local government to achieve a 'society that works for everyone' by pursuing three broad objectives:

1. Creating the conditions for change: maintaining momentum on devolution and putting councils on a sustainable footing.

Decades of centralised control over funding and service delivery has distanced residents from the decisions that affect their everyday lives. With greater control over local decision-making, councils and fire and rescue authorities (FRAs) have proven they can improve services for their residents and make savings to the public purse. It is important that, as the UK Government negotiates the departure from the EU, the powers that affect local services are devolved to local government rather than transferred to Westminster. Crucially, we must ensure that none of the momentum behind the devolution agenda is lost. Government

¹ LGA research, June 2016

must allow the debate to be led by innovation and local ambition seeking to ensure all areas are able to move forward at their own pace, unhampered by a narrow focus on process and national prescription on governance.

This Autumn Statement is also an opportunity to put in place the policies and funding to ensure that councils and FRAs operate on a sustainable financial footing. Fundamental to this is ensuring we make sure business rates reforms work effectively so that councils can boost local economies. To ensure that the new system works, Government must also tackle the growing cost pressures on councils, provide flexibilities to vary business rates and ensure that any new measures do not penalise those areas with less ability to generate revenue. This means enabling 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.

Now that the Government has responded to the LGA's and partners' calls to give a much-needed commitment to secure EU funded regeneration schemes, it is important that it works with local areas to fast track applications to secure the full £5.3 billion promised to those areas until 2020. This is essential for guaranteeing the delivery of local infrastructure projects which will support local communities and economies whilst at the same time, helping to deliver against national priorities. We also believe that the opportunity to design a successor scheme, in partnership with local government, the higher education sector and business, amongst others, should be taken as soon as possible.

The need for financial stability for local government is urgent. Despite receiving a 'flat cash' settlement over the remaining years of this decade local government continues to face enormous financial pressures. In particular, the current crisis in our social care system is hampering councils' ability to support our nation's most vulnerable adults. It is essential that the Government prioritises tackling the funding crisis facing adult social care whilst also ensuring that prevention and early intervention are priorities across government. This means addressing the funding gap of £1.259 billion facing adult care services by the end of the decade, as well as taking action to alleviate the immediate pressures facing the sector, particularly the fragility of the provider market. It is also crucial to speed up the progress with integrating health, social care and public health services to secure the best outcomes for improving people's health and wellbeing, and closing health inequalities.

2. Deliver opportunities for all: ensuring national and local government work together to develop the infrastructure – housing, transport, digital connectivity and skills and employment services – required to ensure each area of the country can contribute to, and benefit from, economic growth.

Local government has a critical role to play in unlocking the productivity potential of the country's economy and councils have a wealth of experience in regenerating their local areas, promoting them as places for investment. Across the country there are numerous examples of what has been achieved and this is a positive platform from which the country can build a successful industrial strategy. For the UK to be a hub for securing international trade and investment, we need a strong infrastructure which includes building more homes and ensuring our roads are in a good state of repair.

The Autumn Statement is an opportunity to remove the barriers – whether it is the limits on the Housing Revenue Account, inefficient use of public sector land, the restrictions on the setting of planning fees and the current Right to Buy scheme – that are limiting local government's capacity to generate economic growth and

harming our ability to meet the collective national ambition to build one million more homes.

We also need to equip our residents with the skills to compete in the global economy. The national approach to commissioning services to support skills development and help people into employment is holding back local economies across the country. This fragmentation also means that these schemes, managed by different Whitehall departments and agencies, fail to focus on the wider needs of people.

3. Support everyone to contribute and benefit: supporting other vital local government services that allow councils to continue taking care of their communities.

Councils work hard to improve public services and create opportunities for all our residents. They do this in a number of ways, such as by supporting school improvement and promoting and protecting the welfare of children and young people. However, the demographic pressures on children's services are increasing as is the demand for school places, whilst at the same time the money available to councils through grants has reduced. It is essential that the Government signals its intention to meet these challenges by ensuring that local government has adequate powers to properly discharge their duties to provide sufficient school places and protect the interests of all children but in particular our most vulnerable children. We have set out how the Government can meet some of the pressures facing children's services, including commitments to reverse the cut in the Educational Services Grant and fund any new burdens.

This submission to the Autumn Statement explores each of these stages in turn. It sets out local government's offer to Government and identifies some of the associated requirements for making that offer practical and viable. It is not an exhaustive list of what local government will be looking to the Government to deliver, in partnership, over the years ahead, nor the entirety of what it can offer in return. But if progress in these priority areas is made then we are confident that local government can help turn Government's vision into reality.

1. Creating the conditions for change

Britain's vote to leave the European Union provides an opportunity to pass power from Brussels to local communities, from Whitehall to council leaders, putting new powers in the hands of people and places across the country, to revitalise democratic involvement, strengthen the bonds that hold our communities together and sustainably address the financial challenges facing local public services.

Having greater control over decision-making in recent years, councils and fire and rescue authorities (FRAs) have shown that they can improve services and make financial savings and have proven that they are best placed to deliver a 'society that works for everyone', one that is the sum of the communities we serve. And there is clear evidence that people trust local government to take these decisions that affect their local area². But to do so, devolution needs to go further, secure financial sustainability through greater local freedom and ensure that existing EU funding commitments are honoured.

Devolution already has strong roots, both in theory and in practice; financial sustainability is achievable through the local government vision for planned reforms to business rates; and the Government has already provided partial certainty on EU funding.

² LGA research, June 2016

Working together, central and local government can ensure that the right foundations are put in place that will deliver opportunities for all.

1.1 Devolution

‘When the British people voted in the referendum, they did not just choose to leave the European Union. They were also expressing a far more profound sense of frustration about aspects of life in Britain and the way in which politics and politicians have failed to respond to their concerns’, Prime Minister, Theresa May, 9 September 2016.

Local government is uniquely responsible for numerous aspects of public life and provides or commissions more than 800 local services. In recent years, devolution has enabled councils to lay the groundwork to reform these services for the better – ensuring improvements to service delivery, greater connection with residents and savings to the public purse.

However, the environment we are in today is markedly different to the environment in which the deal-led process of devolution has played out in since 2014. The EU Referendum has exposed a sense, amongst some, of feeling distanced from decision-making, disconnected from the political process, and dissatisfied by the perceived inequality of access to opportunity. At the same time, the UK’s departure from the EU should prompt fundamental questions about where additional powers should sit when they are transferred from Brussels, and the implications of Brexit for our economy – particularly the possibility of a skills shortage that will hamper growth.

It is easy to package these up as national issues yet they are inherently local. By implication, resolving them will require a solution that starts from a deep understanding of the frustrations, aspirations and possibilities of our communities – something which local leaders specialise in. Devolution must therefore now go further; the big project for meeting the different needs of different communities in a country increasingly defined in ‘local’ rather than ‘national’ terms. To deliver this, local government will work in partnership with national government to:

Maintain the drive on devolution so that it becomes the primary vehicle for change. Devolution must be a customisable response to national and local priorities, reflecting the Government’s new agenda while remaining grounded in the pursuit of place-based outcomes through place-based leadership. This will require Whitehall ‘letting go’ in some cases, but embedding flexibility in this way will encourage innovation in how local areas deal with the big issues facing our communities.

Sign new devolution deals in non-metropolitan areas. Our towns, villages and rural areas are just as ambitious as our cities. However, their needs and opportunities are different and Government must work flexibly with councils if we are to deliver the benefits of devolution to communities and businesses across the country. This means allowing for new arrangements such as local non-mayoral deals, and engaging in an honest debate about what is best achieved nationally and what is best achieved locally.

Open the door to a discussion on fiscal devolution. If we are to provide a truly new approach to delivering local public services, working in partnership with various parts of the public sector under local government coordination, then we also need a new approach to the funding of services. To properly unlock the capability of local partners to cooperate it

is important to ensure freedom for public resources to be used more flexibly. If the localisation of business rates can be proven to work well, the principles underpinning it could spur on further devolution of taxation.

1.2 Financial sustainability

'We don't just believe in markets, but in communities. We don't just believe in individualism but in society. We don't hate the state, we value the role that only the state can play', Theresa May, 11 July 2016.

The Prime Minister's belief in communities, society and the role of the state aligns entirely with councils' core business. But for local government to maximise its potential it must be made financially sustainable. That is important not just for ensuring the continued provision of essential services but also for community cohesion. A continued rationing of services witnessed in recent years has amplified the feeling amongst some members of the public that their needs are overlooked or that they are less of a priority. Linked, community safety services in councils have seen a minimum of a 60 per cent reduction in funding since 2010. Whilst councils will continue to do all they can to build cohesive communities, this will inevitably impact on their efforts to counter extremist activity and tackle those seeking to increase community tensions. And councils have also had to reduce or cut teams working on building up community cohesion so where issues are identified it will be more difficult for councils to respond on the ground. Financial sustainability, allied to strong engagement with residents – a hallmark of councils' experience – is therefore part of the solution for building cohesive communities.

Local government has long called for reform of business rates and so welcomes the Government's intention to allow councils in England to retain more rates both collectively and locally. The Government's own rhetoric of business rates reform supporting 'self-sufficient local government' is entirely in keeping with the sector's own position. However, a truly self-sufficient local government, one that can boost local economies, should be empowered to address its own financial instability through these reforms. Whatever final form the new business rates system takes, the Government should also commit to not making changes to business rates – as a tax – that impact on local government. We would also welcome the opportunity to discuss with Government how phased retention before 2019/20 could help tackle the pressures facing councils in the remaining years of the decade.

Adult social care

The 2015 Spending Review announcements for adult social care (the council tax precept and additional funding through the 'improved Better Care Fund') were welcome, and a helpful recognition from Government of both the importance of adult social care and the significant pressures facing the sector.

In our 2015 Spending Review submission we included an estimate of the funding gap created solely by core demand and inflation pressures and some of the pressures posed by both the National Living Wage and the National Minimum Wage. We made clear this £2.9 billion gap was an 'absolute minimum' and that the calculation of its component elements was 'intentionally cautious'. Furthermore, the figure did not include other cost pressures within adult social care, such as Deprivation of Liberty Safeguards.

Since our Spending Review submission there have been a number of important developments. Of particular note, the 2016 ADASS Budget Survey has provided new estimates on the cost of the National Living Wage, demography and 2015/16 overspends. And the precarious position of the provider market has become an

increasing concern, with more intelligence shared on the state of that market, such as at the summit the LGA hosted between local government and providers. The Government itself has also recognised this as a serious issue.

This backdrop – allied to the back-loading of the additional money in the improved Better Care Fund and the impact of wider council funding pressures on adult social care – has made the foundations of our adult social care system extremely unstable. In the six months to July 2016, 48 councils experienced at least one provider ceasing trading in the homecare market, and 77 councils experienced at least one provider ceasing trading in residential/nursing care.

Building on the developments outlined above, the LGA is carrying out some further analysis to estimate the degree of underfunding in the provider market. Although it is difficult to quantify the pressures without detailed work, it is clear that there is an urgent and immediate need for funding as well as a need to address longer term pressures. The use of ‘fair price of care’ calculations developed by provider organisations suggests that the scale of the immediate challenge could be in the order of at least £1.3 billion³. This is purely indicative of the gap between what providers say they need and what councils are currently able to afford; it is an illustration of the size of the gap that needs to be urgently addressed to put the provider market on a sustainable footing. This is complex work and it is therefore helpful that the Department of Health is engaged in similar activity. Therefore, central and local government should work together to:

Analyse existing evidence further and conduct new analysis to understand the true costs of meeting different levels of need to quantify the genuine financial challenges facing the provider sector. This work is urgent given the growing number of providers moving out of the publicly funded market. The funding in scope would be purely to sustain current levels of demand and would not fund any future pressures, unmet need, or enhanced support for those people receiving only minimal services. Stabilising the care market and ensuring social care is on a sustainable financial footing is vital to ensuring that councils can meet the essential and critical care needs of elderly and vulnerable people, and it is also critical to reducing pressure on hospital beds and to the delivery of NHS Sustainability and Transformation Plans. Local government would welcome the opportunity to discuss with Government how best to ensure that any such additional funding would reach providers where it is needed.

Bring forward £700 million of the ‘up to £1.5 billion’ additional funding for social care through the improved Better Care Fund by 2019/20 as announced in the 2015 Spending Review. Whilst this will not solve longer term pressures of sustainability, this money is urgently needed to help tackle known immediate challenges within the care and support system. This includes pressure on the provider market as outlined above and costs associated with Deprivation of Liberty Safeguards.

Future outlook

The need for financial stability across local government is urgent. Despite receiving a ‘flat cash’ settlement over the remaining years of the decade local government remains 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.

³ See annex for technical details

Table 1: Financial challenges facing local government, 2016/17 to 2019/20

All figures in £m	YEAR			
	2016/17 baseline spend	2017/18	2018/19	2019/20
Adult social care – forward cost projection	14,380	15,444	16,629	17,833
Children’s social care and education services (including services funded through the education services grant)	11,142	11,419	11,762	12,092
Homelessness	345	377	432	512
Other services funded from Core Spending Power	18,109	18,555	19,105	19,634
Specific pressure: Apprenticeship Levy		207	207	207
Total cost projection	43,976	46,002	48,135	50,277

Council tax: adult social care precept	393	821	1,290	1,804
Improved Better Care Fund		105	825	1,500
Other elements of core spending power	43,087	41,970	41,111	41,014
Education services grant	496	275	117	117
Total funding	43,976	43,171	43,342	44,435

FUNDING GAP (all services)		2,831	4,793	5,842
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**This takes account of the ringfenced nature of the improved Better Care Fund and the adult social care precept.*

Table 2: Breakdown of projected funding gap by 2019/20

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

Within this total funding gap the costs associated with homelessness and temporary accommodation, and children’s and adult services are particularly acute.

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 and councils have seen a 60 per cent increase in the number of children requiring child protection plans since 2008. 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. If this gap is not plugged we are likely to see more care providers leaving the market, cuts to care services, and risks to the safety and quality of care.

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. To achieve this, central and local government should work together to:

Enable 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. This reflects what we have already said in our response to the business rates retention consultation. Once these existing pressures have been fully funded any remaining business rates income should be geared towards assuming responsibilities linked to driving economic growth.

Implement the new business rates system in a way which balances rewarding councils for growing their local economies, but avoids areas less able to generate business rates income suffering as a result. The reset mechanism will play a key part in achieving this balance.

Design the new business rates system in such a way that appeals do not pose such a risk to authorities as they do today. There are currently almost 300,000 unresolved appeals, and further appeals can be expected with each revaluation. National provision for appeals, funded through the central list, would prevent councils from having to make their own provision. Local government currently has £2.5 billion set aside for this purpose.

Give local government full flexibility over council tax setting. As part of the devolution agenda, this will allow councils to take financial decisions which are right for their local area, invest in local priorities such as growth and infrastructure and allow local flexibility whilst retaining accountability through the ballot box as elected members. Business rates reforms

provide an opportunity to achieve this and full flexibility should include removing the requirement to hold a referendum on council tax increases above 1.99 per cent, and the local application of discounts, including those that are national, such as the single person discount.

Ensure that local government has the ability to set local fees at full cost recovery level for all licences, permits, and consents. This would help ensure consistency for business and fiscal neutrality for taxpayers.

1.3 EU funding

'I want to see...more economic growth not just in the south-east of England but across the whole country to help more people get on', Prime Minister, Theresa May, 9 September 2016.

Councils are ambitious about driving growth throughout the country but need to feel confident in the viability of projects that can help transform our communities and in turn certainty of funding. EU structural funding for English councils is worth £5.3 billion to 2020 and is vital to regeneration and growth-boosting projects in local areas across the country. The assumption of continued investment underpins devolution deals, local economic development programmes, major infrastructure projects and private sector investment. However, an LGA snapshot from August 2016 revealed only 25 per cent of some local areas' 2014-2020 funding allocations had been legally committed.

We are pleased that the Government has accepted our call to provide some much-needed further guarantees around EU regeneration funding. It is also encouraging that the Government has pledged that local areas with existing EU funding arrangements signed off by the time the UK leaves the EU will receive replacement funding once the UK has left. However, the vast majority of EU regeneration funding remains tied up in thousands of proposals which are yet to receive government approval.

Any loss of EU funding would severely disadvantage communities across the country and could lead to businesses and residents most in need of support losing out on vital projects such as employment, apprenticeship and skills schemes, and tourism-boosting initiatives. For example, the South East Creative, Cultural and Digital Sector project is worth £7 million including match funding but has yet to receive Government approval. Failure to secure this investment will jeopardise support to 1,065 businesses and 40 entrepreneurs in this sector, 170 new enterprises, and 120 jobs. The North East Local Enterprise Partnership area has received £90 million of its total £437 million EU funding allocation committed to projects planned to run until 2020. It put forward £104 million worth of projects to Government before the EU Referendum, which in total will assist more than 7,400 businesses, support almost 30,000 people into work, and help up-skill people in work. To ensure that communities are not disadvantaged, central government should work in partnership with local government to:

Urgently fast track proposals that are currently in development and at the cusp of being agreed.

Guarantee that councils across England will receive their full share of EU funding by 2020. This level of certainty will prevent flagship infrastructure projects from stalling and will provide a more empirical basis for considering infrastructure funding beyond 2020.

2. Delivering opportunities for all

If our diverse and unique communities are supported to thrive individually then together they will help build a country that continues to retain its status as one of the world's leading economies. Achieving this requires a resilient economy in which success is measured as much by local growth and a sense of connection to the benefits that growth delivers, as it is by national output and productivity figures.

This is not a simple project and nor is it one that can be solved by national government acting alone. An economy that reflects local as well as national priorities will prove stronger and more flexible for the coming decade. And cohesive communities must be built on genuine engagement between residents and those that serve them locally.

Local government therefore has an essential role to play in realising this goal. Councils are the trusted voice of all communities, have unparalleled expertise delivering public services that underpin local and national economic success, have the ear of businesses both big and small, and have a strong track-record of using community engagement to underpin service design. Using these strengths, and the sector's ability to move quickly, local government can help create the market confidence our country needs to help secure investment.

It is time to do things differently and the Government's Industrial Strategy is an opportunity to develop a framework that is relevant both nationally and locally. Beyond this, councils are ready to work with Government to lead the development of the local infrastructure required to ensure each area of the country can contribute to, and benefit from, local economic growth.

2.1 Infrastructure: housing

'We need to build more homes of every single type and not focus on one single tenure', Housing Minister, Gavin Barwell, 13 September 2016.

Our housing crisis demands action now to fix a system that is not working. Local government shares the ambition to build one million new homes but that will only be achieved with strong national and local leadership working together. This is a deeply ambitious target, particularly given the current composition of the private developer market, and historical levels of housing building.

The Government's recent announcement of an additional £5 billion investment in the form of loans to private sector organisations and for building homes on surplus public sector land is a welcome step. However, councils are also well placed to bridge the gap between housing need and future building levels and are keen to see – and support – delivery at speed. They are providing local leadership and seeking new approaches to financing and supporting house building directly and in partnership with developers.

Record numbers of houses are also being granted planning permission – 261,000 in the year to March 2015 – today almost nine in 10 applications are approved. Councils' willingness to support house building and do things differently must be at the centre of a renewed effort to deliver homes of various tenures to meet the needs of their communities, including the young who want to access the housing market and an older population who need homes that meet their particular needs.

Housing provides a safe investment with rapid returns for local economies with every additional £1 of investment in construction generating an extra £2.84 of economic output and 56p of tax revenues. Housing construction can be 'shovel

ready' more rapidly than other forms of infrastructure investment, it adds to Gross Domestic Product more rapidly, and is less reliant on imported materials.

Investment in housing would also have much wider benefits for individuals, communities and the funding of public services. It would help redress the rising gap between housing costs and household income; generate savings, as weekly housing benefit payments are on average £20 lower in the social rented sector than in the private rented sector; enable future generations to benefit from Right to Buy, and; help better meet the needs of vulnerable people (such as the homeless, and older and disabled people) in ways that both reduce costs and promote life chances.

Therefore, central and local government should work together to:

Commit to urgent talks to consider how councils can rapidly build homes as a critical element of infrastructure that generates long-term financial returns. Government must view housing investment in the same way that local government does: as a fundamental part of infrastructure that adds to our asset base and expands our economy. We therefore need an open discussion of options that free councils from restrictions on their borrowing to build homes, such as removing Housing Revenue Account (HRA) borrowing from contributing towards national public debt. This would allow local government to rapidly contribute new homes in the market, meet a wide range of local need and generate significant medium- and long-term financial returns for public services.

Provide local areas with the powers to replace every council home that is sold as quickly as possible. In return for building new homes councils should be able to retain up to 100 per cent of Right to Buy receipts and the receipts from the sale of high value council houses, which should become voluntary. If councils were enabled to replace every home sold through Right to Buy they would be able to build an additional 60,000 homes up to 2020.

Provide flexibilities on the tenure of homes built from national investments and programmes and through local Section 106 agreements. A shift towards tenure flexibility would enable councils and housing associations to pump prime new development in ways that deliver more homes over the short term and better meet the diverse needs of communities. Starter Homes could be an important part of the local housing market but councils could maintain the flexibility to ensure the right mix of affordable housing products through Section 106 agreements.

Ensure effective land supply. Land markets are critical to enabling house building and councils are playing a leading role in working with public and private landowners to bring forward development. With Government support, councils could continue to develop their and their partners' capacity and willingness to release land, and better understand land availability.

Permit planning fees to be set locally by councils who should have tools to incentivise the delivery of housing sites with planning permission. Planning departments are significantly under-funded. Developers, builders and councils are united in their call for adequately resourced planning departments that can deliver housing growth through active planning, and locally set fees will enable this.

2.2 Industrial Strategy

'We are developing a proper industrial strategy to improve productivity in every part of the country, so more people can share in our national prosperity', Prime Minister, Theresa May, 7 September 2016.

Local government shares the Prime Minister's ambition to enable every part of the country to contribute to, and benefit from, improved productivity. If the Government's Industrial Strategy is the vehicle for achieving this then it must be based on recognition of the different needs of our local economies across the country; failure to create space for solutions that reflect different sectors, geographies and populations will impede the Strategy's progress from the outset. Local government is therefore committed to working with national government to ensure the needs of Durham and Devon, and everywhere in between, are factored into national thinking.

The Industrial Strategy is also a real opportunity to bring together fragmented funding for maximum impact. In 2016/17, £23.5 billion of planned government growth-related expenditure is spread across 70 funding streams. Outside of devolved areas there is very limited or no local influence in well over half of these funding streams (55 per cent). In areas with devolution deals the figure is only slightly better at 48 per cent. By providing local leaders with greater powers over growth-related funding the Government can therefore go further than previous governments and cement its credentials as a force for local growth that is relevant to local people.

Local government's value in this area is unquestionable. From ensuring young jobseekers have the right skills to make progress in a global marketplace, to reversing decades of underinvestment in housing to sustain rural and urban economies, councils have the experience of establishing devolved approaches to economic growth. However, local leaders across the country can struggle to access the levers of growth, hampering their ability to match the economic performance of global competitors. Therefore, central and local government should work together to:

Ensure that default responsibility for any future government funding for local growth, such as the Local Growth Fund, rests with combined authorities and councils. This would enable business leaders of Local Enterprise Partnerships to focus on providing hard-edged strategic business advice and influencing national economic strategy.

Agree a successor to EU structural funds scheme following the UK's exit from the EU. This is vital for supporting local economic and skills development activity beyond 2020 and preventing areas of the country being at a disadvantage in global competition. This should be at least equal in value to the current quantum of £5.3 billion, which is England's current notional allocation via the 2014-20 European Structural and Investment Fund (ESIF). Far more being a challenge this is an opportunity to develop a new growth programme that is better suited to local need, by being designed and delivered locally.

Any rebalancing within industrial strategies continues to recognise the UK's comparative advantage in services. In 2015 the balance of trade in goods stood at -6.7 per cent of nominal GDP. In contrast the services balance was in surplus at 4.8 per cent of GDP. In its recent economic review the ONS has said that the UK's net trade position is more dependent now on traded services than at any time in the last two decades.

2.3 Infrastructure: transport and digital

'I want to see...the whole economy firing. And a plan to help not one or even two of our great regional cities but every single one of them' Theresa May, 11 July 2016.

Transport has always been an essential element of successful economies but in today's world digital connectivity is as important as physical connectivity when it comes to developing solutions that bring businesses, customers, employees and suppliers together effectively and efficiently.

Local government is an important partner for Government on this policy agenda. But councils' contribution will only be maximised when national and local ambitions for our transport networks are better aligned and are driven by a focus on 'place', a better balance of funding, and clearer links to overall local economic policy and priorities.

Over the remaining years of the decade Government will invest over £1.1 million per mile in maintaining national roads, which make up just 3 per cent of all total roads. This level of investment contrasts starkly with the £27,000 per mile investment in maintaining local roads, which account for 97 per cent of England's road network. This disparity puts the country's businesses at a competitive disadvantage and provides poor value for money. And as virtually every 'national' journey starts and ends locally it further embeds the sense that the state is not working for people in their corner of the country.

The tensions caused by funding disparity are exacerbated by funding rules. While Highways England and Network Rail have certainty of funding from Government and can therefore plan ahead, councils have to navigate through several routes to deliver effective local transport networks. Conditions, ring-fencing, bidding and subsidies all lead to uncertainty, wasted bureaucracy and poor value-for-money. Therefore, central and local government should work together to:

Apply the principle of devolution to devolve funding for transport bodies, building on the precedent set by the 2015 Spending Review to devolve Greater London Authority Transport Grant funding through retained business rates. All transport bodies should benefit from receiving fixed funding through grant in the same way that Transport for London will. Recent LGA research identified eight transport funding streams worth a total of £1.7 billion to local areas in 2016/17. Pooling and devolving this funding, along with the proportion of the £2 billion per annum Local Growth Fund spent on transport projects, would give councils the means to develop transport infrastructure that works better for local areas.

Clear the £12 billion backlog of road repairs. This can be achieved by putting the funding of local roads on the same footing as funding for the Strategic Roads Network, with 2p per litre of existing fuel duty devolved to councils. This would generate approximately £1 billion per year and help ensure that our industries have access to well-maintained roads.

Devolve the £250 million Bus Service Operators Grant to councils who are best placed to target this funding on services that most need subsidising and help join up local infrastructure.

Fully fund the cost of the statutory English national concessionary travel scheme which is currently subsidised by council funding that is diverted from other services.

Establish a 'duty to cooperate' so that Highways England and National Rail engage with councils and account for the impact of their spending on local areas. This will help ensure that this national investment has explicit links to local economies and takes account of local priorities and needs.

Ensure that public investment in flood risk management maximises protection for communities and businesses and provides value for money. Capital and revenue funding for flood risk management projects should be devolved into a single, place-based pot to allow local areas to support a more diverse set of outcomes. Permit and drainage consent fees should be set locally and councils' new statutory consultee role for surface water drainage should be fully funded. Funding for local flood risk management should be boosted by extending precepting powers and investing any surplus Flood Re levy into preventing damage before it happens.

Access to fast and reliable digital connectivity is a necessity for households and businesses in the UK, enabling the use of online services and access to public services. It is also a major driver of growth, jobs and the emerging creative industries and is particularly important to rural communities. Nationwide digital connectivity also underpins the Government's digital ambitions to deliver more services online at less cost and is vital for the increasing number of people who work remotely. This includes Government ambitions for welfare reform, for health to be paperless by 2020, and to grow the digital economy. Councils are well positioned to be key enablers of future digital infrastructure, joining up different sectors to help unlock new opportunities. Therefore, central and local government should work together to:

Ensure the Universal Service Obligation has specific requirements on upload speed, a growing requirement for rural businesses which utilise cloud services and video conferencing and send large data files.

Establish a social tariff, similar to the telephony USO, for those who would face undue hardship from having to pay for broadband services.

Establish the Local Government Digital Programme (LGDP) to enable councils to realise further savings and improve outcomes by moving more services online. The LGDP would provide dedicated resource, technical expertise, leadership and capacity in the sector, to work with contractors and private suppliers to develop and implement more council-focused IT products and solutions. It would also influence thinking across central and local government to maximise the take-up of new or adapted products as well as ensure value for money in procurement. The cost for the LGDP for 2017-20 is £73 million.

Reform public notices. The current legal requirement for councils to publish planning and licensing notices in local newspapers dates back to 1972 and is in effect a state subsidy to the newspaper industry. It disenfranchises millions of people who do not have access to important information about their local area, stifles growth for many small businesses who have to pay to advertise licensing changes and applications in local newspapers, and costs councils £26 million a year on statutory notices. Ending the requirement would not only allow other channels to be used, widening access and participations and helping better engage local

communities in decisions affecting them it would also save councils and businesses significant amounts of money.

2.4 Skills and employment

'We will continue to be a powerful advocate for trade, recognising that with the right investment in training, skills and infrastructure, it can help us to build a fairer economy that works for all', Prime Minister, Theresa May, 4 September 2016.

The type of infrastructure, investment and public works essential for driving growth will not get off the ground without a clear employment system that equips our country's workforce with the right skills required by business – it is no good training a generation of hairdressers when the country needs plumbers. However, our current system is not optimised for this task and is part of the reason why certain communities feel isolated and disengaged. This must change if we are to build a world-class economy that is fit for the next decade and marries local opportunities with the prospects and aspirations of local people.

Currently, mainstream and re-engagement employment and skills funding totals nearly £10.5 billion, yet it is scattered across twenty different national schemes. This fragmentation creates duplication, wastes scarce public resources, and fails to deliver on the scale required. If the Government can end the siloed approach that has characterised this agenda in recent years and devolve the main employment and skills funding to local government, then councils will be able to develop a single, place-based strategy which is based on the needs of people rather than separate institutions. Therefore, central and local government should work together to:

Create a new, coherent and locally relevant public employment and skills service. Our skills system is fragmented, broken and must be fixed urgently. Moving pre- and post-16 skills policy, apprenticeships and careers guidance into the Department for Education creates an exciting opportunity to do things differently. The benefits of a more rationalised approach at Whitehall level must be seized upon to: fully devolve all mainstream skills funding to councils, which business rates reform can help make happen; use the review of Job Centre Plus (JCP) as a further opportunity to co-locate JCP services with groups of councils; localise the Apprenticeship Levy and allow it to be pooled through local hubs to maximise its relevance to local economies, skills gaps and employer needs; support councils to create a 'cradle to grave' skills service by empowering them to broker arrangements between schools, tertiary education and local businesses.

Give groups of councils responsibility for the Work and Health Programme, with fully devolved and adequate funding. The sector adds value by bringing partners together and prioritising resources at need to help ensure that the right level of support is delivered to the right people in a coherent way. For example, the Solent Jobs Pilot for long-term unemployed adults with health conditions secured a 28 per cent sustained jobs outcomes in Portsmouth. Again, the reform of business rates can be the route for achieving this.

Re-engineer the approach to careers guidance by giving groups of councils responsibility for planning and commissioning a careers guidance service for all ages, underpinned by labour market intelligence. Currently multiple agencies deliver this vital service including the Careers and Enterprise Company, National Careers Service, JCP,

councils, schools and colleges. A revitalised service, linked to the business rates reform agenda, would deliver an offer better tailored to the unique needs of local areas.

3. Supporting everyone to contribute and benefit

In seeking to build a 'society that works for everyone' we are collectively duty-bound to recognise, and respond to the fact, that some need more support than others to stay connected to the successes we are working towards, whether that be contributing to them or benefiting from them. Local government provides a vast range of services that do just that, keeping our country running and our residents well. Enabling local government to continue taking care of its communities in this way is therefore an essential element of building a genuinely inclusive society.

At the heart of this work must be a very clear commitment to prevention, partnership and protection. This is a two-way street. Councils are well set up to take forward initiatives aimed at preventing those issues which, if left unchecked, can limit a person's life opportunities. They will also seek to do this – and other initiatives – in a way which brings all relevant partners together to maximise the range of assets in their communities. And they will diligently ensure that people are protected when needs escalate or things go wrong as they inevitably do.

But councils cannot do this on their own and national Government has an essential role in all three spheres, prevention, partnership and protection. For too long an ambition for truly preventative public services has been held back by a reluctance to invest up front. Equally, while 'partnership working' is well-embedded in the lexicon of the public sector it is all too often characterised by a hierarchy of partners, rather than a coming-together of equals. And while there is a deeply-ingrained acceptance of the need to provide a universal support structure to protect the most vulnerable members of the public, the safety net is increasingly threadbare.

3.1 Prevention

Councils have a strong track record when it comes to delivering prevention initiatives. From the Troubled Families Programme and the Partnerships for Older People Projects in recent years, to current work on public health and homelessness, councils lead the way in preventing or delaying the point at which an individual's needs warrant a more intensive and costly intervention.

Across this full range of councils' preventative work there is a growing evidence base of what works. Proper, more ambitious, investment in prevention does not therefore require a leap of faith. But in a world of increasingly limited resources, we do need the Government to make a bold statement of intent and move prevention from the margins to the mainstream by:

Transforming health and care by shifting investment away from treatment and towards prevention. 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 care, health, planning, housing, transport, welfare and education, councils have 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. A Prevention Transformation Fund, worth at least £2 billion annually and 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.

Enabling councils to end homelessness by bringing together all partners around a focus to prevent the problem happening in the first place. Effective support preventing homelessness can have significant benefits for individuals and communities and generate savings across health, justice and support services. But in the face of increasing demand, reducing budgets, falling social housing and wide-ranging welfare reforms, councils' efforts are being held back. Legislative change will only deliver on our ambitions if implemented as part of a coherent, workable, long-term national drive to bring all agencies together around a commitment to prevent the problem arising.

Enabling the private rented sector to offer affordable, safe and secure homes to low-income households at risk of homelessness.

The private rented sector has doubled in size over the last decade and the loss of assured shorthold tenancy now accounts for a third of homelessness amongst statutory homeless households. Drops in the availability of social and affordable rented housing is leaving many councils with no choice but to temporarily accommodate some households in the more expensive private rented sector, increasingly at 'nightly rates' at significant and unsustainable cost.

3.2 Partnership

Democratic accountability is a powerful, unique and defining feature of local government. In a range of public policy settings this mandate helps councils act as 'leaders of place', bringing a range of partners together from across different sectors for the greater good.

While this local commitment to partnership working is mirrored at the national level, all too often actions do not match up with reality, leaving local people unfairly and unhelpfully distanced from the decisions that matter. Government should work with local government to:

Improve mental health services by ensuring that councils are acknowledged as a clear component of the system, involved in all relevant decision-making and able to direct funding so that it reaches those who need it. The whole care and health system must be adequately funded in order to improve mental health, but that alone is not enough. We must stop targeting funding solutions and policy interventions at individual agencies in isolation as this will not deliver the improvements in care that are needed and is likely to reduce the ability of the whole system to provide support.

Embed greater freedoms into our care and health system to help create 'deals that stick' locally. NHS bodies need freedom to work up local arrangements with their council partners on their own local terms, not those imposed nationally. Increasing the devolution or delegation of resources and decision-making to local clinical, professional and political leadership will enable system leaders to work together through health and wellbeing boards to drive local health and social care integration and system transformation.

Introduce a national single outcomes framework for health services, public health and social care, with flexibility to enable local leaders to

determine their own priorities and reduce the bureaucracy faced by our care and health systems.

Give councils a clear and strategic role in overseeing local schools systems, accompanied by appropriate resources, powers and flexibilities. This should include powers to direct any school – including academies – to admit pupils, support school place planning, and ensure adequate school places. This type of role would enable councils to support local school improvement and hold schools to account for education standards.

Reverse the planned cuts of £600 million to the Education Services Grant. In recent years approximately £815 million has been spent on the Education Services Grant for councils and academies. The proposed cut will leave councils with little resource to perform their statutory duties: education welfare, school improvement, admissions, HR, early years, exam validation, recruitment and transport are all at risk.

Given councils a stronger role in making sure new schools are fit for purpose, high quality and value for money, including powers to set up new schools in all areas and a stronger council role in decisions about new free schools.

3.3 Protection

Councils take their duties to protect and safeguard their most vulnerable residents extremely seriously. This responsibility plays out in many different settings but of particular importance is the work councils do on welfare and children's services. These are major areas of policy and, certainly in the case of welfare, one that is in the process of major reform.

The Government's programme of welfare reform has significantly reduced the generosity of mainstream welfare benefits. It also seeks to simplify the welfare system and move the majority of interactions online through the implementation of Universal Credit. Discretionary components of the welfare system that take account of personal circumstances, or local socioeconomic factors, have in effect been localised as part of the reforms. However, this has often been done in a piecemeal fashion with little or no commitment to providing adequate and appropriate long term funding for a welfare safety net. Proposals for 'universal support' have been a constant – but inconsistent – feature of the discussion between the Department for Work and Pensions and councils throughout the implementation of Universal Credit, but a genuine commitment to effectively funding the crucial role of councils in supporting claimants with additional needs remains elusive. Therefore, central and local government should work together to:

More effectively recognise and fund local welfare and approaches to increased resilience. Establish a coherent, effective and adequately resourced local safety net to ensure the long-term success of the Government's welfare reforms.

Lift the freeze on Local Housing Allowance rates and work with local government and the housing sector to address the chronic undersupply of good quality, affordable housing for low income households. Analysis of the savings realised through Housing Benefit reform under the previous government show that it is not possible to sustainably reduce the Housing Benefit bill simply by reducing the generosity of Housing Benefit. Furthermore, there is mounting evidence

that reforms to Housing Benefit in areas where market rents are higher and the supply of social housing is particularly constrained, drives homelessness, rent arrears and overcrowding, placing unsustainable demands on Temporary Accommodation.

Ensure that the recently announced local top up fund for supported housing covers the full cost of supported housing in each locality and that councils are not left with a shortfall from the continuation of the 1 per cent rent reduction to this sector. The announcement that the Local Housing Allowance cap will not be applied to supported housing until 2019/20 and that the additional rents will be financed via a local top up fund is welcome. Now the detail needs to be made workable. Government has committed to not cutting funding from current levels, but funding will need to take into account inflation and the application of the 1 per cent rent reduction to the amount of housing benefit claimants receive needs to be reconciled or it will leave councils with a shortfall in funding.

Build a stronger evidence base on what works in improving the performance of children's services departments. In building its model of intervention, the Department for Education must work with councils to better understand the sector's evidence of what works well in improving performance.

Ensure that new multi-agency safeguarding partnerships are effective in protecting children. All schools, including academies, need to play a role in safeguarding, as part of full participation of all relevant partners.

Provide stronger leadership to the care system so that adoption is not the primary focus. Adoption is not right for every child in the care system with many either fostered, in a special guardianship or living with extended family in the shorter-term whilst overcoming a problem that placed them into care in the first place. All placements to support children should benefit from the same focus that adoption has received in recent years.

Conclusion

Local government is committed to being a trusted partner in delivering the Government's vision of a 'society that works for everyone'. Growing our economy is central to that vision and councils have many attributes in this sphere that make them such a valuable partner in the Government's agenda.

In many ways this is not a new agenda, rather it is an agenda in new times. We therefore already have a lot of the frameworks and policies that are required to turn the vision into reality, as well as the shared aspiration that drives our collective efforts. The job now is to recalibrate these so that they are all geared towards the common goal of building a society that is inclusive, cohesive and promotes the life chances of all.

That is not to downplay the task ahead or imply a piecemeal process that lacks ambition. Far from it. If we can deliver on the proposals set out above we can ensure that the country will move forward confidently, best able to turn challenges into opportunities that fit with the aims of both central and local government.

Annex

LGA's 'funding gap' analysis: period from 2016/17 to 2019/20

Local government faces a 'funding gap' of £5.842 billion by the end of the decade. The analysis takes as its starting point the net service expenditure budgets as reported by councils as part of the 2016/17 RA statistical returns. The analysis is broken down into the following:

- Adult social care;
- Children's services (consisting of children's social care and the part of the education budget that is funded through core spending power and education services grant);
- Homelessness services;
- Spending on all other services from the remainder of core spending power in 2016/17.

For all of these elements, we apply the most recent OBR forecasts of CPI inflation as an uplift. Each specific service category also receives a demographic uplift:

- Adult social care – average annual % growth in people aged 85+ based on the trend of the past three years at individual LA level, plus £520 million per year in terms of National Living Wage (based on the most recent estimate in the 2016 ADASS Budget survey);
- Children's services - average annual % growth in people aged 0-17 based on the trend of the past three years at individual LA level, except for the spending related to the education services grant to which only CPI inflation has been applied;
- Homelessness – average annual % growth in numbers of households supported in temporary accommodation (or where the duty is owed but no accommodation yet provided) at individual LA level of the past three years;
- All other services - average annual % growth in overall population based on the trend of the past three years at an England level.
- The estimated cost of the Apprenticeship Levy is added separately.

The sum of all of these pressures is then compared to total core spending power and education services grant available to English local government in each year until 2019/20.

Service-specific funding gaps were derived using the assumptions above, however core spending power was segmented to reflect that certain elements were ringfenced for adult social care purposes, with unringfenced elements of core spending power allocated pro-rata to the relative size of 2016/17 service budgets. The table in the main document shows the funding totals used for adult social care based on this methodology.

Methodology used to estimate the pressures in the provider market

UKHCA – fair home care rate

- *Minimum Price For Homecare v3.1* (November 2015), http://www.ukhca.co.uk/pdfs/AMPFHC_150719.pdf
- Minimum price for homecare services, for combined NMW and NLW from 1.4.2016 = **£16.70**.
- LGA compared this fair price of care to the hourly 2014/15 home care rate for external services as reported by the Health and Social Care Information Centre at regional level, and applied the differential to the total cost of home care services provided by LAs in the region according to the same dataset. This provided a result of **£265 million**, which is very close to the £278 million figure published by ADASS in the 2015 Budget survey as below.

Laing & Buisson – fair price of residential care

- *Fair Price For Care* toolkit (January 2015), <https://www.laingbuisson.co.uk/MediaCentre/PressReleases/FairPriceforCare-6th.aspx>
- With regards to residential care of frail older people, the ‘floor’ fair price (the bottom line figure weekly required to cover the costs of caring for a care home resident) is **£554 per week** for the year October 2014 to September 2015.
- LGA compared this weekly rate to the 2014/15 weekly LA-level unit costs of externally commissioned residential care for all 65+ LA-supported residents. Where local authority unit costs were lower, spending was uprated to the £554 weekly rate. No reductions were applied where councils were paying more.
- This resulted at a local authority-level pressure of **£1.025 billion**.