

Appendix A

Local Government Association Submission to call for evidence from RSA Commission on Inclusive Growth

1. As one of the funders of the RSA's Commission on Inclusive Growth, the LGA City Regions Board (chaired by Sir Richard Leese) welcomes the opportunity to submit information to the Commission's formal call for evidence.
2. The publication of its final report in Spring 2017 presents a timely opportunity for the Commission to make a solid set of recommendations on how our public institutions, guided by strong local leadership, can best drive Inclusive Growth.

INTRODUCTION

3. The LGA City Regions board has been pleased to support the work of the Commission which has concentrated its efforts on finding new solutions to social and economic inclusion, primarily through devolution to cities. The Board has used the questions outlined in the Commission's prospectus of inquiry to guide this submission and has included additional detail in relation to early years provision, housing, education and welfare that will give a more rounded assessment of factors it believes contribute to inclusive growth.
4. The LGA recognises that the benefits of economic growth are not always felt widely and that there is a growing need to ensure economic prosperity reaches our most deprived residents and communities and contributes directly to reducing poverty and economic inequalities. There is a consensus within the local government sector social and economic policy development needs to be entwined and there needs to be a shift from a system of fragmented policy development nationally (that is difficult to align locally) to one where local leaders have the ability to respond to local need and design local services accordingly.
5. We are clear that a lack of inclusive growth affects children, families and entire communities. It is well documented, for instance, that the most disadvantaged children growing up in poor housing conditions and with parents who have low or no skills and are unemployed (or in low paid work) are often less likely to achieve their academic potential, secure employment and gain a sense of future financial security for themselves in the future. This perpetual cycle of disadvantage is not only damaging to individuals but can also undermine efforts to create sustainable vibrant communities, longer term growth and positive social outcomes. As well as ensuring that economically successful areas maintain momentum, the LGA is clear that efforts must focus on raising growth in areas that have not fared so well in comparison.
6. Local government stands as a willing partner to help drive inclusive growth and opportunity for all our communities. However, this aspiration, it must be recognised, will be increasingly challenging given the worsening financial context in which we are

working. Council budgets have been reduced by 40 per cent¹ over the last Parliament and rising cost pressures mean local government is delivering and commissioning essential services under extremely difficult circumstances; with many authorities close to breaking point.

7. For instance, there is a desperate need for the Government to take action to tackle the £2.6 billion adult² social care funding gap faced by the elderly and disabled. It is clear to the sector that extra council tax-raising powers will not bring in enough money to alleviate the pressure on social care and councils will not receive the vast majority of new funding in the Better Care Fund until the end of the decade.
8. The Government cannot ignore this crisis and its repercussions on the sector's ability to deliver essential services, tackle poverty, social isolation and economic inequality in our communities.
9. In addition to the funding crisis facing many councils highlighted above this submission outlines a number of additional areas that the City Regions Board would like the Commission to reflect to ensure that local government is better placed to deliver inclusive growth for all residents.

Creating the conditions for change: maintaining momentum on devolution

10. The LGA is clear that devolution offers one of the best opportunities to ensure that local solutions to meet local needs can be developed. Whilst early deals have rightly focused predominantly on growth policy, we are encouraging devolution areas and combined authorities to pursue wider public service reform more strongly in emerging and subsequent deals. This would offer a real opportunity to align economic and social policy interventions more effectively; ensuring greater focus on inclusive growth.
11. The English economy is complex in terms of both sectors and geography. Every industry has a base and it is around place that industrial policy should be developed. Measures focussed on creating more inclusive economies will need to properly account for the comparative strengths of different sub-national economies, while retaining an enabling national framework focused on driving higher productivity and providing investors and businesses with the confidence to locate and invest.
12. Currently, local leaders across the country can struggle to access the levers of growth and, in turn, match the economic performance of their global competitors. Government policy must place a stronger emphasis on the unique contributions different local areas can provide to address this challenge, by significantly boosting the devolution of powers and responsibilities in support of inclusive economic growth. If momentum on devolution is lost, billions of pounds worth of economic growth, hundreds of thousands of jobs and homes on offer through greater local leadership will be lost with it.

¹ 40 per cent real terms reduction to core government funding - [A Shared Commitment The Local Government Association's 2015 Spending Review Submission](#)

² 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 billion. Another £1.3 billion will be required by 2019/20 to fund the additional pressures brought about by an ageing population, inflation, and the cost of paying the National Living Wage.

13. The Government must also be more flexible in its negotiations and recognise that not all deals need to follow the same governance framework. This is vital to get more deals agreed quickly and to spark the widespread transfer of powers and responsibilities to the whole of England that can boost the economy and improve people's lives.

Creating system change through fiscal devolution

14. 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 the services; one which helps local leaders to address fragmented service provision. Residents and businesses expect their local leaders to have the tools to help local businesses flourish and to drive local economic prosperity. Coordinating and leading a place-based approach to inclusive growth and prosperity will mean bringing together business organisations such as the LEP, sub-national transport bodies and Whitehall and its agencies.

Localisation of Business Rates

15. To properly unlock the capability of local partners to cooperate and plan for the future of our services it is important to unlock freedom for public resources to be used more flexibly. As such, the LGA supports the Government's intention to allow local authorities in England to retain more business rates.
16. We are pleased the Government has recognised the need to ensure existing responsibilities and any newly devolved responsibilities will be funded under the new system. At the outset, it is important to emphasise that newly retained business rates must be used to address the projected funding gap facing local government by 2020, before any further responsibilities are considered. Our estimate of this gap amounts to at least £5.8 billion in 2019/20, including a shortfall for adult social care alone of £1.3 billion.³
17. Once existing pressures and responsibilities have been fully funded, we believe the remaining business rates income should also allow councils to be funded for responsibilities linked to driving inclusive growth in local areas. Handing over responsibility for skills and transport services is the most logical fit as it would allow local areas to close skills gaps, improve public transport and boost local inclusive growth.
18. It is important for the new system to be implemented 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; which would undermine efforts to achieve inclusive growth. (The LGA considers that the new retention system should be designed in a way so that appeals do not pose a risk to authorities as they do at the moment. One way of doing this could be through a national provision for appeals, funded through the central list, so that councils do not have to make their own provision.

³ [The Local Government Autumn Statement 2016 submission](#)

19. The current system does not incentivise growth and should be reviewed, including mandatory rate relief for charities and empty properties. This would allow authorities to help target incentives in a way that would incentivise growth and reduce avoidance.
20. The LGA would like to see the proposal for combined authorities through their mayor to be given the ability to raise an infrastructure levy widened to all councils. This new power would help local areas target support in particular areas, industries or above or below a certain rateable value.

Wider reform of public finances

21. Building on the momentum of the work to localise business rates, Government should review more broadly how public services are financed. The public finance system should reflect local demand, should be buoyant and should allow taxpayers to hold decision-makers accountable for expenditure in their local areas. It should also allow for flexible deployment across boundaries of public services and providers, both for capital projects and day-to-day spending on social infrastructure. Local assignment of taxes, if done well, would provide areas with incentives to strengthen the local economy as well as create a more diverse funding base, less dependent on central government decisions. It would also allow public sector partners to make collaborative decisions on stewardship of local public funds.
22. For example, local services across an area, currently funded by national government, could be funded through a localised portion of national taxation, such as income tax or VAT. The creation of clearer links to the local economy and a break from central control of funding would allow public sector partners to make joint decisions, based on the local need of local public funds.
23. One way to achieve this would be to assign each local area a proportion of nationally collected taxes paid by citizens in a given area. It would be for local politicians in partnership with local providers to decide on priorities and the allocation of funding.
24. To ensure our national finance system creates an environment conducive to spurring on inclusive growth it will need to accommodate the ambition for devolution, which encompasses the full range of public services delivered at the local level.
25. The Government must look 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.⁴ 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 inclusive growth that is relevant to local people and their needs.

EU funding

26. It is equally important that the Government guarantees it will protect vital EU regeneration funding to avoid essential growth-boosting projects stalling and local

⁴ [Shared Intelligence - Is the grass greener...? Fragmented Funding for Growth 2016/17](#)

economies across England being stifled. There is much more to be done to align the finances and institutions that local residents need to help their communities thrive.

27. The LGA recommends 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 (LEPs) to focus on providing hard-edged strategic business advice and influencing national economic strategy.
28. The LGA also recommends that Government agrees a successor 'regional aid' 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 £5.3bn, which is England's current notional allocation via the 2014-20 European Structural and Investment Fund (ESIF).⁵ Far more being a challenge, this is an opportunity to develop a new inclusive growth programme that is better suited to local need, by being designed and delivered locally.

Greater alignment of economic and social policy interventions

29. It is essential that national and local government work together to develop both physical and social infrastructure, including early intervention services, education, skills and employment services, welfare support and the housing required to ensure everyone can contribute to and benefit from inclusive economic growth. The following section makes a number of recommendations in relation to key areas of public sector policy development:

Prevention and early intervention

30. People are more likely to be able to contribute to and benefit from growth if they have the capacity and self-belief to identify and capitalise on opportunity. Central government, councils and politicians from all parties have rightly recognised that a child's experiences during pregnancy and their first five years have an enduring impact on both their physical and emotional development, and on their long term prospects and outcomes. Economic and financial exclusion can lead to detrimental environmental factors such as poor housing and nutrition, with impacts on health and wellbeing. Poverty can also be both a symptom and a cause of family breakdown and parental conflict, with similarly crucial impacts on mental health and emotional development and longer term life chances.
31. The former Prime Minister, David Cameron announced the development of a Life Chances Strategy in January 2016, building on of the Welfare and Work Act. Primarily a reframing of the Government's aspirations on child poverty and social mobility, his speech, and the Act, shift the emphasis beyond financial and material deprivation towards worklessness and educational attainment. Theresa May has returned to a similar theme with her aspirations to improve outcomes for 'struggling families'. However the strategy has still to be published, and we do not yet know what measures and proposals it will contain; the most concrete piece of work to be linked

⁵ [European Regional Development Fund and European Social Fund: UK allocations 2014 to 2020](#)

to strategy so far has been the Early Intervention Foundation's (EIF) Government-commissioned research into supporting parental relationships. This work builds on research that demonstrates the detrimental impact of parental conflict on early development. The LGA is working with EIF and councils to explore whether local government can and should develop their own local approaches to relationship support. However, we have also been clear that Government must do more to understand and alleviate the pressure on relationships from key stressors including low income, unemployment, housing insecurity and welfare reform.

32. The complex interplay of factors that result in poor outcomes for some of the country's most disadvantaged families will only be tackled through better integrated public services at a local level providing support to improve financial and economic inclusion through employment and education.
33. The LGA would like to ensure that the benefits of a devolved and integrated approach can be implemented more widely. Local government as a whole is committed to finding more efficient and effective ways of working. Councils can and should play a central role in integrating services around the needs of low income families.
34. Public health commissioning responsibilities for children aged 0-5 transferred from NHS England to local government on 1 October 2015. The main programmes to transfer to local government are the 0-5 Healthy Child Programme (HCP) and the Family Nurse Partnership (FNP). Health Visitors are central to the delivery of 0-5 HCP, providing a vital link between primary care, early years, public health, young children and families. There is good evidence of Health Visitors' effectiveness in identifying and treating post-natal depression and offering parenting and attachment support.
35. One of the fundamental opportunities within the transfer is to better embed the HCP in a wider approach to the social determinants of health, for example housing and green spaces. There is clearly scope here to link inclusive growth more effectively with reducing health inequalities.
36. However, funding for both early intervention and public health has been reduced, with further reductions planned over the remainder of this Parliament. Reductions in early intervention funding have seen a number of councils take difficult decisions to close children's centres and reduce the range of services they provide. A 2015 report by the National Children's Bureau and the Children's Society estimated that early intervention funding fell from £3.2 billion in 2010/11 to £1.4 billion in 2015/16.⁶ The Government has confirmed a £331 million reduction to public health budgets between 2016/17 and 2020/21. This is on top of £200 million in-year reductions announced in October 2015.⁷

Education

37. Providing an excellent education to our children and young people is clearly a huge factor in maximising employment prospects and social inclusion. We need to ensure

⁶ [The Children's Society, NCB, Children & Young People Now - Cuts that cost, 2015](#)

⁷ [Public Health Grants to local authorities 2013 - 2016](#)

30 January 2017

that young people are leaving school with the skills and qualifications employers want and need, by tailoring school curriculums, listening to local business, and helping to align future local need with emerging skills provision. Councils and councillors are passionate about ensuring the children and young people in their communities get the best possible education and have the expertise and knowledge to hold schools to account and act to drive improvement where necessary.

38. The Government's education reform agenda has focussed on the legal status of schools, firstly with the *Educational Excellence Everywhere* White Paper, with its proposal, later withdrawn, for all schools to become academies and, more recently, the *Schools that work for everyone* Green Paper, which includes proposals to create new selective schools. The LGA is clear that the Government should instead work with councils, teachers and parents on the quality of education being provided, and that any reforms should be supported by a strong evidence base.
39. We are concerned that some of the reforms that have already been enacted make it increasingly difficult for councils to help school standards improve. For example the Education and Adoption Act has given the Secretary of State – but in practice her Regional Schools Commissioners (RSCs) - parallel powers with councils to intervene in council-maintained schools. The Act also places a duty on the Secretary of State to make an academy order to convert a maintained school to a sponsored academy if it is judged as Inadequate by Ofsted.
40. These changes enormously enhance the powers of Regional Schools Commissioners. Their powers 'trump' those of councils and the statutory guidance says that councils must now first check with the RSC before they use any of their powers to issue warning notices and intervene in failing maintained schools.
41. Research undertaken on behalf of the LGA shows that councils are among the country's most effective education leaders with 89 per cent of council maintained schools rated by Ofsted as Good or Outstanding.⁸ The evidence clearly demonstrates that councils are education improvement partners, rather than barriers to delivering the high quality education that our children deserve. They are also best placed to link education, skills and economic growth strategies locally.
42. The same research also shows that nearly half a million pupils are in academies that have been assessed by Ofsted as either inadequate or requiring improvement since conversion. 45 per cent of sponsored academies are still awaiting their first full Ofsted inspection. Regional Schools Commissioners are responsible for academies and free schools; today's report reveals that council-maintained schools outperform academies in every RSC region of the country.
43. There are currently just eight RSCs responsible for almost a quarter of schools in England, totalling more than 5,000 academies and free schools. Each RSC is currently working with, on average, nearly 100 academies that are rated less than good, or around one in six of the inspected schools they have responsibility for. This is in addition to those schools currently unrated.

⁸RSC Academy Performance Table

44. We do not believe that RSCs have the capacity to take up the role that councils currently play in holding local schools to account and intervening in underperforming maintained schools.
45. The Chancellor announced plans in the Spending Review last year to cut the Education Services Grant which supports councils and academies by £600 million, or 75 per cent.⁹ At the time it was said these 'savings' would be achieved by ending the council role in school improvement and removing their statutory duties to hold local schools to account for education standards. The LGA has been in discussion with the Department for Education and impressed upon them the need to provide clarity on the council role in school improvement, which can only be achieved by removing statutory duties and funding or leaving both in place.

Employment and skills

46. Councils, working in partnership with neighbouring councils and their LEPs, want to create strong local economies in which all residents contribute to, and benefit from, economic growth. Strategic planning for jobs and skills is crucial to achieving this. They want a more inclusive, joined up system that allows providers to address the challenges faced by different groups: from young people, skilling up for today's workplace, to people returning to the labour market after years of unemployment, to older people who need to be reskilled.
47. However, in the main, funding for mainstream and re-engagement employment and skills interventions continues to be controlled by Whitehall's national departments and agencies, amounting to £10.5 billion, scattered across 20 different national schemes (2016/17).¹⁰ This is fragmented and complex system resulting in duplication and competing interventions, which also fails to gear public funds to local economic needs, or to make sustained impact on peoples' lives.
48. The LGA's commissioned analysis in 2014 revealed that the national skills system fails to address employers' skills gaps and shortages. It predicts if we do not increase average qualification levels from five GCSEs to three A Levels (or equivalent), a skills gap will emerge by 2022 which will hinder local growth, creating a shortage of high skilled labour and an oversupply of low skilled labour.¹¹ Further analysis also revealed that the system fails to train people for jobs needed. Construction related recruitment demand increased from 29,050 in 2013, to 44,690 in 2015, yet the numbers trained declined, with apprenticeships falling by 58 percent since 2012/13.
49. The EU referendum revealed many areas and communities feel disconnected from the benefits of economic growth, and national politicians were clear more must be done to reconnect with local communities. The LGA, in turn, is clear that to achieve real inclusive growth which makes a difference to people's lives we must equip residents with the skills to compete for jobs now and in the future. Whitehall cannot do this from the centre but councils are ideally placed to broker this but must have the levers and funding to do so.

⁹ [Chancellor George Osborne's Spending Review and Autumn Statement 2015 speech](#)

¹⁰ [Shared Intelligence - Is the grass greener...? Fragmented Funding for Growth 2016/17](#)

¹¹ [Realising Talent: employment and skills for the future, Centre for Economic and Social Inclusion, July 2014](#)

50. The case for making limited resources go further to achieve better outcomes has never been more compelling than in today's fiscal climate. Whitehall simply cannot afford to do business as usual and operate silo policy and funding approaches. Nor should it take a piecemeal approach to devolving employment and skills while retaining a degree of central prescription.
51. The LGA would press upon the Commission to reflect the need to end departmental silos, and take a whole systems approach to employment and skills; devolving all major employment and skills funding and responsibility, including European Social Fund and its replacement (post 2020) to combined authorities and councils. There should be no national prescription and CAs or groups of councils should be provided with one budget, so they can develop a single place-based strategy, and commission integrated provision, working with their business and voluntary partners locally. This provision should include:
- 51.1 Preparing every child to get the best start in life through the education system (school readiness, early intervention, early years, family support and childcare).
- 51.2 Preparing people for the world of work and transitions through a fully devolved and coherent mainstream skills system. All funding - 16-18 year olds, further education, adult education budget, apprenticeship levy contributions – are geared to help people of all ages enter and progress in current and future projected jobs. This should include activity to address the gaps in the way further the education system educates and prepares the potential workforce for the world of work; an issue that has been highlighted consistently by numerous employers and Councils. It should also include work with universities and developing high level skills;
- 51.3 Underpinning this must be a coherent careers guidance strategy which makes sense to a place; and;
- 51.4 Reconnecting people who require extra support to enter, get back into, or progress in work through a **locally responsive engagement system**. This includes services currently provided by Jobcentre Plus and prime providers but should also include other services people need including social security safety net, homelessness, troubled families, financial capability and advice. Employment support must be delivered hand in hand with health and skills interventions and aligned with other local support.
- 51.5 **Adequately resourcing and fully devolving the Work and Health Programme.** In designing the WHP, the LGA is concerned that Whitehall risks repeating the mistakes of its predecessor Work Programme. We urged the Government to use the Autumn Statement to take stock of the employment challenges ahead, and ensure that the WHP is adequately resourced. Currently funded at £130 million a year - 20 per cent of the funding of its predecessor, the Work Programme – it means that either the right level of support will not be delivered or few numbers of disadvantaged claimants will be supported. We cannot afford these compromises.
- 51.6 The Government's devolution of financial responsibility for the Work and Health Programme to London and Greater Manchester, which we note is conditional on co-investment, is a positive development. However, we are disappointed that the

Government has not sought to extend devolution of the WHP to all areas across England. If groups of councils were given sufficient influence over the WHP national programme to tackle worklessness and help reduce the disability employment gap, many would have also co-invested local resources with WHP.

- 51.7 **A locally relevant public employment and skills service.** The LGA sees real opportunities to provide better outcomes for jobseekers and make efficiency savings by reviewing the role of Job Centre Plus in 2018 when its estate contracts expire. For instance it should be locally accountable, its boundaries should be made co-terminus with groups of councils, performance measured by off-flows to sustained employment, maximising co-location and integration, work better for local economies and employers, more efficiently integrate with other services, and rolling out the excellent work that council-JCP collaborations like [MyGO in Suffolk](#) have achieved for young people.

Skills

52. The movement of skills policy - both pre and post 16 funding, apprenticeships and careers guidance - into the Department for Education (DfE) has the potential to make the whole system more coherent. However, we believe further significant challenges need to be addressed.
- 52.1 We need to build on steps taken by BIS to make skills more responsive to large employer needs. Indeed it must go further and connect with smaller employers, and make the system flexible enough to adapt to the skills challenges of local economies cited in LGA research. For this to happen, the pace of devolution needs to quicken.
- 52.2 Given the work already in train to devolve Adult Education Budget (AEB) to councils, the Government should **use the merger to end fragmentation of the Education and the Skills Funding Agencies**, which each service learners according to age. This can, and should, be commissioned by groups of councils.
- 52.3 **Apprenticeships** - Councils are right behind ambitions to improve the number of good quality apprenticeships but the public sector annual apprenticeship target of 2.3 per cent and the levy will put further funding pressure on councils. **The Levy could be used far more effectively if public funds were pooled locally through local hubs, rather than run nationally through the Digital Apprenticeship System.** This would allow local areas to spend the money on creating skilled apprentices that target plugging local skills gaps and meet employers' needs and plan to meet the needs of future local growth sector priorities.
- 52.4 **Careers Guidance** - We need to end the chaotic approach to the way careers guidance has developed. Currently multiple agencies deliver it including the Careers and Enterprise Company, National Careers Service, Job Centre Plus, councils, schools and colleges. **Groups of councils should be able to plan and commission a careers guidance service for all ages, underpinned by labour market intelligence.**

Welfare

53. The Government is continuing an extensive programme of welfare reform. Many of those reforms have seen reductions in working-age benefits, based on the premise that households can reduce their reliance on social security by increasing their income (from employment) or reducing their outgoings (primarily through reduced housing costs and better financial planning). Greater scope for councils to address the undersupply of affordable housing, and to support households to enter and remain in employment is therefore crucial to the success of the reforms.
54. Alongside significant reductions in spending on working age benefits the Government has also devolved responsibility for a range of discretionary and preventative welfare support including crisis loans, community care grants, discretionary housing payment, council tax support and support for disadvantaged Universal Credit claimants to local authorities, landlords and the voluntary and community sector. 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:
55. **More effectively recognise and fund local welfare and approaches to increase resilience.** The Government should fully devolve responsibility and sufficient funding to local councils to provide the local safety net alongside its own, more clearly defined, role in benefits administration under Universal Credit.
56. **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 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.

Housing

57. Achieving inclusive growth will mean that our citizens and their families have affordable, healthy homes in which to live. If we are to stand any chance of solving our housing crisis, the Government's strategy for housing must give councils the powers and funding to become as a major builder of affordable homes.
58. 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.
59. The Government's recent announcement of an additional funding and tenure flexibility for the Affordable Homes Programme, Housing Infrastructure Fund, and

loans to private sector organisations and for building homes on surplus public sector land are welcome steps. However, only councils can 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 to create locally responsive and tailored markets that remove the over-emphasis on profit that is the focus of private developers.

60. 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.¹² Councils are committed to supporting house building, and doing 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.
61. 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.¹³ 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.
62. 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 sector¹⁴; 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.
63. More people than ever before also live in private rented housing. In many areas of the country, the private rented sector is booming and councils have a stake in making sure that tenants are secure and have access to housing that is safe, clean and affordable.
64. The current legal and regulatory system governing the private rented sector is out of date and requires reform to match the reality of the current private rented housing market. The sheer volume and complexity of regulations governing the sector can be confusing for landlords, tenants and councils. The Government should review and modernise the framework to support councils’ ability to meet the expectations of their residents.
65. Therefore, central and local government should work together to:

- 65.1 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

¹² [Department for Communities and Local Government: Live tables on planning application statistics](#)

¹³ UK Contractors Group (2011) Making the economic case for construction: An examination of the economic impacts of the construction sector on the English regions, Scotland, Wales and Northern Ireland. London: UK Contractors Group

¹⁴ [DWP Xplore](#)

government does: as a fundamental part of infrastructure that adds to our asset base, expands our economy and contributes to inclusive growth. 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.

- 65.2 **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 2020.¹⁵ However it should be noted that this policy is likely to be more successful in areas of the country where property values are higher and that in some areas RTB does not generate the financial return required to build/buy a replacement property.
- 65.3 **Enable councils to end homelessness by bringing relevant partners together to focus on prevention.** 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.
- 65.4 **Enable 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 decade¹⁶ 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.
- 65.5 **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

¹⁵ Based on LGA/Savills analysis on the forecast rate of Right to Buy sales at 1 per cent of stock each year

¹⁶ [English Housing Survey data - 19% \(4.3 million\) of all households were rented privately in England in 2014-2015.](#)

flexibility to ensure the right mix of affordable housing products through Section 106 agreements.

- 65.6 **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.
- 65.7 **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.

Civic and Democratic engagement

66. The LGA is clear that if we are to achieve inclusive growth and deliver on local ambitions then the skills and knowledge in communities, the voluntary and community sector, town and parish councils and businesses will all play an important role in informing and shaping systems and the design of services locally.
67. Although there is much work to be done in this area, it is apparent there already exists a solid foundation of trust between local communities and councils on which to base future work. Recent polling conducted by the Local Government Association found that seventy two per cent of respondents said they trusted their local council the most (compared to 'the government') to make decisions about how local services are provided in their local area.¹⁷
68. Seventy one per cent of respondents said they trusted local councillors the most (compared to 'members of parliament', 'government ministers' or 'none of these') to make decisions about how services are provided in their local area which is a great base from which to build.
69. The commission may wish to note and indeed promote [a range of tools that the LGA has produced](#) to help councils engage more effectively with their communities. A further set of resources have also been developed in partnership with the New Economics Foundation specifically aimed at supporting councils in combined authorities engage citizens in devolution. These can be found on the LGA's [DevoNext Hub](#).

¹⁷ [Local Government Association - Polling on resident satisfaction with councils July 2016](#)

Measuring and understanding the impact of inclusive growth

70. The LGA recognise that the current method of measuring economic growth, Gross Value Added (GVA), is not really suitable for understanding the true local impact. GVA for instance can improve overall but does not give an accurate depiction of who the beneficiaries of growth are. Also, because GVA is a regional measure of wealth creation in an economy and the data/measure cannot be disaggregated to a very local level a true understanding of the impact of growth cannot be accurately assessed at micro levels. The LGA would therefore encourage the commission to present alternative metrics that complement GVA, by better measuring the quality and inclusivity of growth which include differences between salaries of those that live in city hinterlands compared to local residents.

71. Finally the LGA would encourage the RSA Inclusive Growth Commission to produce a final report that builds on compelling evidence that includes international examples of what inclusive growth looks like and how inclusive economies could interact with each other on a global scale. We would also urge the Commission to present examples of what prevents international examples working in this country with clear recommendations of what should be done to address barriers here.