“the case for Cornwall”
#standupforcornwall
We have the ambition

“We seek your support for the Case for Cornwall – a package of bold measures which support Cornwall Council’s new strategy to create a prosperous Cornwall that is more resilient and resourceful.

We need to be able to make our own decisions. Working with Central Government and with the commitment of one and all, we believe we can decide in Cornwall how we spend our money and deliver services to the people who live and work here. Cornwall has a proud record of standing up and fighting for what it believes in and we are determined to take advantage of this moment and shape our own future.

Our Strategy provides a clear route to improving the quality of life in Cornwall. We have the ambition, we have the skills, we have the determination and the ability.

We want to work with the Government to unlock Cornwall’s potential, improve the economy and be less reliant on funding from Europe. We are seeking the commitment of Government to fulfil their promise to deliver greater devolution and match our ambition by committing to deliver all aspects of the Case for Cornwall.

These are exciting times; we must seize the opportunity and forge a new settlement between Cornwall and the Government which makes us both stronger.”

John Pollard
Leader of Cornwall Council
We are ready, willing and able

This moment is a vital one for the future of Cornwall. We have long campaigned for Cornwall to have greater autonomy from UK Government. We believe that Cornwall has demonstrated that it is ready to fulfil that ambition.

The time is right on many levels.

Firstly, the Government has signalled a clear commitment to devolution supported by the announcement of a Cities and Local Government Devolution Bill.

Secondly, the status quo is not an option - doing things differently is an imperative. Cornwall faces unprecedented financial challenges with the need to save £196m over the next four years. We accept that no magic wand will restore public spending to previous levels. We are already working with partners to adapt and innovate so that public spending is as efficient as present constraints allow. Our devolution proposals are designed to ease those constraints.

Thirdly, our peripherality and distance from London means that Cornwall needs to be more self-sufficient with new modes of delivery, funding and administration.

A devolution deal can deliver a more self-sufficient and sustainable Cornwall – a prosperous place that is resilient and resourceful, and less dependent on Government and European Union funding.

Cornwall provides the opportunity to develop a devolution deal which will provide a blueprint for other areas. We want to work with Government to develop a governance model which will strengthen local accountability, ensure democratic decision making and provide greater transparency to reconnect communities with public services.

This is no short term fix. We are serious about a different approach to economic growth and social strength. We understand Cornwall, how it works, our challenges and our opportunities. We understand the interdependencies which impact on our economy, affect our people and shape our environment.

This understanding has shaped our proposals and is why we are eager to secure a devolution deal for Cornwall.
A simple and defined geography

Cornwall Council is the largest rural unitary authority in the country, serving a population of just over half a million.

Cornwall has a strong identity and the benefit of a straightforward, single geography with the majority of our key public sector partners focused exclusively on serving the people of Cornwall.

Crucially, Cornwall functions as a single economic entity which negates the need to establish a Combined Authority as the vehicle for devolution.

One Council

One functional economic area

One Clinical Commissioning Group

One Local Enterprise Partnership

One Health and Wellbeing Board

One Local Nature Partnership

One Voluntary, Community Sector and Social Enterprise Board

One clear identity and sense of place
Recent history supports the case for devolution

This timeline shows a number of the key decisions and achievements that provide the foundations for greater devolution to Cornwall and make our case all the more compelling ...

1999 • **Objective One programme of £350m EU funding** to improve prosperity following recognition of Cornwall as a single economic area

2007 • **European Regional Development Fund Convergence Funding** awarded to Cornwall

• **Cornwall as one of five councils** selected by the Government to move from the two tier structure to a single purpose, unitary authority

2009 • **Cornwall Council established** creating the largest rural unitary authority in the country

2010 • **Four year Medium Term Financial Strategy** agreed to save £170m as a result of the 30% reduction in Government funding

• **Wave hub at Hayle fully connected** to cement Cornwall’s reputation for innovation in marine energy technology

• **Roll out of Superfast Broadband** to make Cornwall one of the best connected regions in the world

2011 • **Cornwall & Isles of Scilly Local Enterprise Partnership** established, reflecting our status as a functional economic area

• **Cornwall named as one of three ‘can do councils’** by Eric Pickles

2012 • **Enterprise Zone status** awarded to create an Aerohub at Newquay Cornwall Airport

2013 • **Cornwall Health and Wellbeing (shadow) Board** established – one of only a handful nationally

• **Awarded Pioneer status** for our plans to join up health and social care services – one of only 14 areas selected across England

• Selected by Government as a one of the **country’s first new Local Nature Partnerships**

• **Ratification of Cornish language** under European Charter for Regional or Minority Languages
• Transformation Challenge Award funding granted to integrate ‘blue light’ services within a new Community Fire Station

• Four year Public Service Obligation for Newquay Airport confirmed by the Government

• Government agreement for Cornwall and the Isles of Scilly Local Enterprise Partnership Growth Deal

• Council secures £10million to improve sea links between Cornwall and the Isles of Scilly

• Recognition of the Cornish as a national minority

• Council secures £146.6m rail investment

• Cornwall held up as leading the way on the Localism Act by the Government

• Selected for the Government’s One Public Estate programme

• Integrated Territorial Investment status agreed by Government to enable Cornwall and the Isles of Scilly to use EU funding more flexibly

• Government go ahead for Cornwall Council to carry out much needed improvements to the A30 on behalf of the Highways Agency

• Four year strategy, business plan and budget set to protect essential services for people in Cornwall within reduced levels of Government funding

• Council secures £1m from the Government’s Transformation Challenge Award to work with the voluntary and community sector to improve the lives of local people
Strong and visible governance

Cornwall’s geography and political infrastructure provides a strong bedrock for devolution. Our unitary status sets us apart from other areas and provides strong, visible and democratic governance.

The visibility of the organisation creates a strong sense of accountability.

Cornwall’s coherent public sector structure lends itself to integration both in terms of service delivery and co-location - public sector leaders already have a proven track record of working effectively together.

We are already working closely with Cornwall’s town and parish councils to ensure that our services are devolved to enable greater local control and accountability where this provides the best outcomes for communities. Cornwall has a vibrant community and voluntary sector which has a growing role to play in the delivery of public services.

Cornwall is recognised as a place where ‘localism’ is flourishing, with a dedicated team working with communities to devolve public assets, develop neighbourhood plans and influence local service delivery.

We are committed to the idea of double devolution; many of the increased powers and freedoms that we are seeking will allow us to work with partners to empower local communities to address their needs.

Whilst our defined geography provides a natural functional economic area and a basis for clear governance, in no way do we seek to isolate ourselves from the rest of the UK.

We are already working with partners beyond Cornwall and will continue to do so when it is in our best interests to do so.

Cornwall’s natural resources and growing reputation for new technology in sectors such as construction, energy, manufacturing and processing gives us a unique opportunity to marry the two and share that knowledge with other local authorities, LEPs and academic institutions to develop partnerships based on opportunity and not just the coincidence of geography.

Robust financial and risk management

We have a strong and proven track record of strong financial management; a record of un-qualified statements of accounts and audit opinions; the highest level of audit approval for our accounting policies, estimates and judgements; and an AA+ credit rating.
We have demonstrated a responsible and planned approach to reductions in government funding with a robust four year Budget and Business Plan. This has led to significant transformational change across the organisation delivering £170m in savings over the last four years, with the vast majority of this coming from efficiencies and management savings to minimise actual service cuts.

A strong sense of place and identity

Not only is Cornwall and the Isles of Scilly already a defined functional economic area, it also has a distinct identify and heritage which the Government has recognised under the Framework Convention for the Protection of National Minorities.

This will give the Cornish parity with the Welsh, Irish and Scottish; parts of the UK that already benefit from devolved administrations.

Our sense of place and belonging is evidenced through high levels of community engagement – Cornwall compares favourably with other parts of the country in terms of electoral turnout and rates of volunteering.

We understand what Cornwall needs

Working with our partners, the Council has recently agreed a long term Strategy that provides a clear direction for the organisation to follow, with eight ambitious aims that we will pursue over the coming years to create a more sustainable Cornwall.

Cornwall is faced with four fundamental challenges: our population is changing and growing; our economy is still underperforming in some areas; our geography and settlement pattern places strain on the public purse; and the cost of living is increasing inequality.

Our Strategy aims to address these issues by focusing on the areas that are holding Cornwall back, low wages levels for example, by capitalising on the areas where Cornwall is best placed to excel, such as the development of renewable energy and technologies.

The Strategy sets out our commitment to championing Cornwall with elected members working with partners and communities to improve local wellbeing; being ambitious for Cornwall, spearheading social and economic change as well as protecting and supporting the most vulnerable; and crucially, creating a leaner, more resourceful organisation that delivers essential services in the most efficient and effective way.
Challenges and opportunities

Improving Cornwall’s connectivity is crucial – road, rail, air, sea and digital links are the arteries of our economy. Our ports, harbours, airport and investment in broadband infrastructure are key components of our economic vision of Cornwall as an outward-facing, modern place to do business.

Our natural resources and geology gives us amazing opportunities to lead on the development and deployment of renewable technology including wind, wave and geothermal power.

Cornwall’s population is amongst the fastest growing areas in the UK. There is increasing pressure on care and support services requiring a new delivery model partnership for health and social care.

Improving skill levels and training opportunities is vital. Although we have seen improvements, over a fifth of the economically active population have no qualifications.

In some neighbourhoods over a quarter of the working age population are claiming out of work benefits. These areas suffer from high levels of worklessness, low educational achievement and lower life expectancy which the Council and partners are determined to address.

Providing affordable and decent housing is a key priority given the gulf between average property values and earnings; this is fuelled by competing uses such as demand for holiday and second homes. Despite recent growth in Cornwall’s economy we are still beset by low earnings on one side and high house prices, high levels of fuel poverty, the highest water bills in the UK, and high transport costs on the other.

Stimulating private sector investment is a key priority. Cornwall has many great businesses but many others who have yet to realise their full potential. Affording Cornwall greater powers and freedoms will help us reduce worklessness and unemployment, improve productivity and build on our recent levels of growth – this is good for Cornwall and good for the Government.

We’ve shown what we can achieve when conditions are right. We need further empowerment to translate that ability into improving productivity, tackling low wages and being creative about using digital communications to maximize markets and links.

Between 2014 and 2020 over £1 billion of public and private sector funding will be invested in Cornwall’s economy. It is in the interests of the Government to ensure this growth is sustainable and tackles inequality.
**Fairer funding and new fiscal models**

Financial pressures are a significant challenge across the public sector, with the Council alone needing to save £196m in the period up to 2018-19 due to reductions in funding and steep increases in demand and inflation led pressures.

Whilst we are working proactively to meet these challenges our situation is made harder still by existing funding arrangements which severely disadvantage Cornwall. We are providing services to a greatly dispersed population across the length and breadth of Cornwall, from Bude on the North Devon border to Land’s End in the far west; the same distance as Birmingham to Manchester.

The Government’s current funding formula fails to give sufficient regard to the actual characteristics of rural areas like Cornwall. The Council receives £49.5m less than it would if funded in the same way as an average urban council.

However, we recognise the wider economic pressures facing Government and that solving the funding model is complex, albeit we are encouraged that the Government has already announced that the allocation of funding to schools will be changed to take account of the unique financial challenges facing rural schools serving sparsely populated areas.

We want to work with Government to achieve a fair and equitable solution by gradually adjusting the funding formula, whilst at the same time developing alternative means of generating income which suit the local context. For example, Cornwall’s economic profile, with a prominence of micro businesses, means that the financial benefits to be achieved from the existing business rate retention scheme do not provide the same incentive for economic growth in Cornwall as in other areas.

We have identified a number of potential opportunities, such as the retention of a share of VAT generated by tourism industry, the local retention of an element of stamp duty and a rural earnback approach whereby Cornwall can retain and reinvest an element of any uplift in taxes and welfare savings that result from growth.

We would like to work with the Government to explore these ideas as well as other options.
Proposals

We have developed a series of devolution proposals which have been shaped through our work with partners and engagement of local communities. These focus directly upon tackling the challenges which Cornwall faces and unlocking the opportunities that exist to improve our economy.

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Governance principles

Introduction

This paper covers:

1. the Council’s overarching governance requirements for the Case for Cornwall;
2. our representations on why the Mayoral model is not a good fit;
3. the current Cornwall governance context and our ability to deliver; and
4. a summary of our current Case for Cornwall programme governance.

The governance considerations and proposals for the individual work streams are set out in the specific policy papers.

1. Overarching governance requirements

Although there is work yet to be done on settling the detail of the overarching governance arrangements associated with the Case for Cornwall and each of the individual strands, options are being developed and there are some fundamental principles the Council is keen to ensure are embraced:

1.1 Whichever body or bodies achieve ownership of and responsibility for individual strands of the Case, it is important that the democratically elected Members of the Council retain an appropriate degree of control and influence in relation to each of the strands of the proposals. The importance of democratic accountability to Cornwall cannot be overstated but it is important that the arrangements are fit for purpose and reflect the evolving public sector landscape whilst still meeting the needs of the communities we serve;

1.2 Whatever arrangements are put in place for the various strands of the Case for Cornwall it is critical that there is clear accountability and, as part of that, clear and effective democratic representation and accountability. This will require not only representation by Cornwall Councillors on any boards, groups or partnerships that are established but also sufficiently broad and effective powers to ensure strategic and operational scrutiny and influence;

1.3 Fundamentally, the Government’s response to the proposals need to be cost neutral to the Council (and other stakeholders) at the outset and on an ongoing basis. The bottom line is that we don’t want anything devolved to Cornwall that will cost us, and so the taxpayer, or our stakeholders more locally and so any additional costs at a local level need to be met from central funds on an ongoing basis. The cost neutrality is addressed further in the Financial Principles paper;

1.4 Identified resources, e.g. budgets, systems, staffing, etc., will need to come with the functions and assets that are devolved, funding streams
will need to be protected on an ongoing basis and the Council will expect indemnities from central funds on an ongoing basis;

1.5 The Council, and other relevant stakeholders, must be provided in advance with full details of any known or anticipated risks or other factors that might impact on local delivery of that which is granted in response to the Council’s submission;

1.6 The transitional arrangements, whatever the response to the Case for Cornwall and whatever the ultimate governance model will be, need to be as simple, proportionate and cost-effective as possible. We want to avoid wasting public money in convoluted or intricate arrangements if simpler transitional arrangements are possible. We welcome discussion on these arrangements once the direction for Cornwall becomes clearer;

1.7 Work is ongoing in relation to the risks associated with the individual work streams and the broader proposals. Whilst acknowledging that there will inevitably be risks associated with the implementation and ongoing delivery of the proposals for Cornwall it is imperative that the risks faced by the Council and other stakeholders who may absorb greater responsibilities are not greater than can realistically be tolerated at a local level. This will undoubtedly also be a consideration for the Government in both the central and local context;

1.8 To contribute to the broader need to ensure the delivery of services to the communities of Cornwall the Council will require extended powers of holding others to account, whether through Full Council, its Scrutiny Committees or otherwise, in a cost-effective and low bureaucracy manner, whether they are public or private sector providers, e.g. energy providers;

1.9 We fundamentally want to avoid creating a layer of governance or pockets of governance that are unnecessary in the context of the Council’s existing governance arrangements and those in the wider public sector in Cornwall. To do so will lead to avoidable cost and bureaucracy, both at the outset and on an ongoing basis;

1.10 In relation to those areas where there is to be an accountable body that could be the Council in default of another body being sufficiently well-placed to discharge that function. Where the Council is the accountable body it should be empowered to delegate the function, with the corresponding direct accountability, to other public sector bodies in Cornwall in relation to discrete areas of funding. Under such delegation the Council would be able to hold the other bodies to account but not be directly responsible for the delegated accountabilities, reflecting the need to ensure that there is a proportionate and equitable spread of the risk burden throughout the public sector in Cornwall. Appropriate mechanisms will need to be put in place to facilitate this delegation, whether through clear principles being agreed in any funding arrangements or otherwise. It is not anticipated that this is an issue to be addressed through legislative intervention but central support for the principle is sought; and

1.11 The Local Enterprise Partnership will rightly be expected to play a key role
influencing such of the proposals as relate to the economic prosperity of Cornwall, perhaps with an extended role which we can explore once there is a clearer understanding of how the deal evolves in response to the Case for Cornwall. The involvement of the LEP is seen as most likely being limited to those strands of the Case for Cornwall that are within the LEP’s remit. The planning ask addresses strategic infrastructure planning and the LEP can inform the economic considerations of that, the LEP may well be best placed to lead on the employment and skills ask through its Employment and Skills Board, the workforce and economic growth projections, aspirations and knowledge the LEP has can help inform other strands of the Case for Cornwall such as the needs to be met under our housing programme for a growing or more affluent workforce, increasing demands on the public transport infrastructure as a result of a growing and mobile workforce and how we might deliver our ambitions under the energy ask. Any extension of the LEP’s role must be matched with a corresponding increase in their accountability which we acknowledge may require a reconfiguration of the status and governance of the LEP.

It is anticipated that the Government will give effect, without any delay, to any legislative changes required to give effect to the proposals and to remove any barriers to their implementation, including in relation to the required governance arrangements. Detailed consideration remains to be given to this but it would be premature to do so at a local level until there is clarity around what a deal for Cornwall might look like. In any event, we assume that at least some of the likely legislative changes have been identified centrally as a result of the development of city deals elsewhere in the Country and so there should be a sound knowledge base from which to work.

In addition to the above, if the Council receives sufficient additional responsibilities to justify an increased number of Cabinet Members, the Council wishes to explore a legislative change to permit the Council to have a larger Cabinet of up to 15 executive Members to share the additional executive burden. This need not be a change common to the wider local government sector and could be restricted to those authorities the Government determines would benefit from this concession because of their additional or enhanced responsibilities.

2. The Mayoral model

The Mayoral model is considered to not be the right model for Cornwall. There is already visible strong and strategic leadership through the Leader and Cabinet model the Council operates. There is no demonstrable benefit from forgoing an established, visible and democratically accountable leadership model which works for Cornwall for another model in the form of an elected Mayor who will be significantly removed from the wider electorate in the communities in Cornwall.

Cornwall is a unique place and its geography, economy and demographic profile distinguish it significantly from cities where a Mayoral model may be appropriate. It is understood that there is generally no appetite for a Mayoral model covering the whole of Cornwall and that there will be community
Resistance to the imposition of that model.

The Council has not been petitioned to change its governance model to a Mayor and Cabinet which is indicative of the appetite that exists in Cornwall for that model of governance.

There are over 210 parishes in Cornwall and the Mayoral model covering the whole of Cornwall would not be a comfortable fit with the geographical spread and the diversity and individuality of the many communities we serve. There are mayors at a local level in some local councils but that is a very different proposition. The community bond that is created by the everyday work that is undertaken by the Council’s Members would risk being diluted by a shift of power to an elected Mayor. The interaction between the central governance structure in Cornwall and local communities has been carefully nurtured and, with the checks and balances in that structure, the representative leadership is inclusive, measured and held to account ensuring that the decisions we make are the right decisions for our communities. That will not be the same with an elected Mayor who will be too far removed from the communities of Cornwall.

With there being a clear commitment to devolution to the lowest possible level there is a tension with the proposition of a Mayoral model in the context of the Cornwall setting, the results we have achieved and those we want to go on to achieve.

There is also concern that this will be an unnecessary burden on the public purse with a new office holder at a likely significant income as well as the likely additional office and secretariat costs.

3. The current Cornwall governance context and our ability to deliver

The Case for Cornwall presents challenges and opportunities in relation to the governance arrangements that are currently in place across the public sector in Cornwall and those that will need to be in place to make the proposals a success. However, we can enter into this in the knowledge that there is a sound governance structure in place in Cornwall already, including particularly the Council.

We can also take comfort from the Council having already demonstrated its ability to drive and successfully implement significant structural and governance changes through the unification of the former County Council, five district councils and single borough council in Cornwall with effect from 1 April 2009. The Council has had a number of major successes in the six years or so since unification including in relation to the rationalisation of the estate, the transition and transformation of the organisational structure, the Aerohub at Newquay Airport, Superfast Broadband, the recently announced rail package, the duelling of the A30 at Temple, the successful establishment of the LEP and Health and Wellbeing Board and the delivery of efficiencies and savings in relation to key services through the establishment of a number of owned and controlled companies including housing management, highways and civil engineering.
The Council has also reviewed its internal governance arrangements on more than one occasion since unification to ensure that they remain fit for purpose, accessible and inclusive. However, we also recognise that there will be further need to review the Council’s governance arrangements and that this might include the possibility of responsibilities shifting from the Cabinet to the Health and Wellbeing Board as well as whether there should be a change in the number of Members of the Council, currently standing at 123. In relation to this latter point, the Boundary Commission has recently contacted the Council as Cornwall has been identified as an area potentially requiring a further boundary review. The Council has positively responded and has invited discussions to progress this. However, there is a concern that even if we start the formal process of a boundary review now it will not be completed in time for the Unitary elections in 2017 and on that basis the Council is going to have to explore with the Boundary Commission whether it is better to postpone the formal review until after the 2017 Unitary elections. Whatever the outcome, we must ensure that there remains adequate democratic representation for all of our communities.

Cornwall Council operates the Strong Leader and Cabinet model of governance with a well-documented and clearly understood separation of responsibilities between Full Council, the Cabinet, the Council’s various committees and officers. The statutorily required committees are in place with terms of reference reflecting the prescribed responsibilities. Through this the Council is the principal community leader in Cornwall with strategic oversight covering the whole of Cornwall, beyond the Council’s own responsibilities.

Visible strong and strategic leadership already exists, not least of all through the Leader.

The Cabinet comprises the full ten Member complement currently permitted and each of the ten Portfolio Holders is supported by a corresponding Policy Advisory Committee. The Policy Advisory Committees are an innovative solution to engaging the wider membership in executive decision-making, through pre-decision engagement, but they remain Committees of the Council rather than the Cabinet. They effectively discharge a scrutiny role early in the decision-making process contributing to the integrity of executive decisions.

The Council’s governance arrangements are sound and position the Council well to take on additional responsibilities within a structured, mature framework.

The Council has clearly demonstrated its commitment to the devolution agenda and is making good progress in its efforts to engage with local councils and the third sector on the devolution of services and assets but we recognise that there is much more that can be done yet. Our devolution offer to those groups has been clearly articulated and communicated and we continue to progress devolution packages as quickly as we can. Together the Case for Cornwall and the Council’s continuing ambition to devolve embrace the notion of double devolution. Getting powers and responsibilities devolved to as low a level as possible, subject to sound governance and delivery arrangements being in place,
demonstrates the common commitment of the Government and the Council to empower communities and ensure true local ownership and accountability.

4. Programme governance

The Council is leading the development of the Case for Cornwall and is coordinating the participation and input of those with a stake in the issues to which the submission relates. Although the Council is currently leading this piece of work it also recognises that the responsibilities for the successful delivery of the individual elements of the Case for Cornwall are likely to fall to a number of other different public service providers such as the health sector or the Local Enterprise Partnership.

The Council participates in the Public Sector Group which is a multi-agency officer level forum chaired by the Council’s Chief Executive. This Group also has representatives from other agencies in Cornwall covering health, employment, police, education, housing, DCLG Local Area Team, Environment Agency, Highways Agency, Homes and Communities Agency and the Skills Funding Agency. With its broad membership this Group is well placed to ensure appropriate dialogue around the Case for Cornwall and, through that, assurance in relation to the proposals that are being put forward, including in relation to the related governance options.

Although the Public Sector Group is a robust and capable forum, there is perhaps merit in establishing a corresponding Group of elected Members and other representatives, such as members of the Boards of stakeholders or the Chair of the Local Enterprise Partnership to provide an informed level of scrutiny and oversight, akin to the function discharged by the Council’s Scrutiny Committees but at a higher level. This multi-stakeholder Public Sector Board could be created as a committee of the Council, akin to the governance model of the Health and Wellbeing Board. It is not proposed that this Board would have the power to call in executive decisions which would remain the prerogative of the Council’s scrutiny committees.

The Council currently has a team of officers working on the development of the Case for Cornwall proposals, led by the Council’s Corporate Director for Communities and Organisational Development and drawn from relevant disciplines, including programme management, legal/governance, finance, policy and the disciplines aligned to the individual Case for Cornwall themes. We envisage evolving these arrangements into more bespoke project teams as we move further along the journey from refining the proposals to preparing for implementation.

We are also ensuring that there is ongoing engagement with the wider membership through briefings, dialogue with the Cabinet and updates to the Policy Advisory Committees, providing the wider membership with an opportunity to comment on the developing proposals albeit with a focus on that which is within the remit of each of the Committees.
**Financial principles**

Set out below are the Principles that Cornwall will adhere to in its negotiations with Central Government. This will assist the development and securing of the powers and freedoms through a Case for Cornwall.

1. **Fiscal neutrality**

The freedoms and powers represented as the ‘asks’ in the Case for Cornwall will lead to overall fiscal neutrality for both Cornwall and HM Treasury.

Cornwall will identify the investment, one off and recurring, that it is putting into Cornwall, as well as the equivalent requirements from Central Government as part of the overall deal.

As part of the development of a deal for Cornwall any identification of resources currently utilised by Central Government in undertaking that current activity, that will be required by Cornwall under the new freedoms and powers granted, will transfer over in either resource form or equivalent recurrent funding; meeting the principle of fiscal neutrality.

2. **Treasury’s Green Book**

In working up business cases on the ‘asks’ we will have mind to HM Treasury requirements. Most notably these will be around, but not limited to, accountability, governance and transparent finances and will result in binding agreements.

3. **Five year / Medium term funding settlements**

A fundamental principle will be that any devolution also brings funding certainty. Cornwall must be able to understand and plan service priorities and spend in the context of the funding streams available to it over the medium term.

4. **Accounting regimes and principles**

There are potential barriers to devolution that need to be reviewed and potentially changed. We will work with our colleagues in HM Treasury and HMRC on identifying and resolving these.

We have so far identified the following - Accounting Regimes and Codes:

- **Capital receipts:** We currently do not have the freedoms to be able to release the full potential of bringing the Cornwall public estate together. We need to be able to realise capital receipts generated under one public body to the greater good of potentially another public body within the Duchy. In addition we would also like to have the flexibility to decide how and where we spend capital receipts prudently i.e. to spend on revenue transformation of services.
• **VAT:** There are currently differing existing VAT regimes with respect to the various public bodies in Duchy; any impact on these will need to be dutifully considered.

• **Borrowing powers:** Local Government currently has the power to borrow for capital investment and we recognise it is necessary to invest in infrastructure as an enabler for growth. However these powers will need to continue or extend to cover all public service responsibilities in any deal, as well as being flexible to prudently borrow for short term revenue transformations.

• **State Aid:** We need to be mindful that any agreement or ask meets the tests around state aid.

5. **Double devolution**

Just as Cornwall is asking to receive more powers and freedoms from Central Government so it in turn will continue the principle of devolving controls down to a local level within the Duchy. For this to be enabled at a local level a principle that Council Tax referendum powers, so far not enacted at Town and Parish level, remain not enacted at that level to empower them to take control at a local level.

6. **Health and social care integration**

Any freedoms and powers granted under the Health and Social Care integration ask will not generate additional savings over and above those already outlined by Central Government and those forecast to be delivered by Cornwall’s health stakeholders. There are numerous risks associated with this ask dependent on the how and if of freedoms granted, and these will have a significant bearing on the financial principles that will be further developed under this area.

7. **Transitional and transformational funding**

In developing the business case we will capture the transitional cost for each ask. As defined under the fiscal neutrality principle we will look to secure resource transfer if this cost is recurrent.

Where the cost, or resource requirement, is identified to be transitional then this will be sought to be recovered through one off transitional funding. This will also cover any additional costs around the establishment of governance arrangements.

In addition where asks identify requirements to transform service provision, transformational funding will be sought to ensure the deal is effective and meets its outputs for the people of Cornwall.

8. **Fairer funding and new fiscal models**

As detailed earlier in this document, we will continue to explore with Government how we can work towards achieving fair and equitable funding for Cornwall.
Health and Social Care

Transforming health and social care in Cornwall

The way we commission and provide health and social care today was designed over 60 years ago. It has to change because we have different needs today and will have different needs in the future. People are living longer with more complex long-term medical conditions. Demand for services is increasing beyond our ability to meet the costs. We need to redesign services to serve our population today and in the future.

This opportunity comes at an early stage in developing our transformation programme. This paper sets out Cornwall’s strategic ambitions to move to a more sustainable model for health and social care provision. It describes a move towards a single, ring-fenced, place-based budget and an integrated approach to the commissioning and provision of health and social care coordinated around individuals, their carers, families and communities.

This paper has been developed in collaboration with NHS Kernow and in consultation with the wider health community.

Key messages:

By 2020, People in Cornwall will be experiencing improved quality of health and social care as a result of the right care, at the right time, in the right place. We will have reduced health inequalities and improved healthy life expectancy. Organisations across health, social care and the voluntary sector will work collaboratively so that people experience seamless services.

- **Cornwall will have achieved an innovative and sustainable model for joint commissioning and procurement.** We will have brought together the functions of commissioning across health and social care, under a simpler governance framework, with a focus on commissioning for outcomes. Cornwall will have also developed options for new and innovative governance that combines the existing budgets for health, social care and welfare totalling circa £2bn

- **We will have reconfigured the provider landscape** to deliver more seamless, efficient and high quality services

- **We will have implemented new models of care** with local communities and the voluntary sector key contributors to a more sustainable health and care economy.

Our ambition for Cornwall

The ambition of Cornwall’s health and wellbeing strategy is that *People in Cornwall will live longer, happier, healthier lives and good*
health and wellbeing will be everyone’s responsibility¹. For Cornwall this means that all agencies are aligned to achieving the following three outcomes:

1. Helping people live longer, healthier lives
2. Improving the quality of people’s lives
3. Fairer life chances for all

As a result people will be able to live the lives they want to the best of their ability in their communities. This ambition is driving our redesign of care and support in Cornwall.

To deliver the ambition we also need to overcome the major issues facing our health and social care services today. Without this, the standards of care to which people are entitled as set out in the NHS Constitution and Care Act are compromised. We have also, therefore, adopted the triple aim of improving health and wellbeing, improving people’s experience of care and reducing the cost of long term care and this is already informing our strategies and change programmes.

Cultural and behaviour change of individuals, communities and organisations is a key component of this on the path to long-term sustainability. Local ownership of decision-making around a place-based budget has the potential to act as a catalyst to people and places taking greater responsibility and accountability for their own health and well-being. This involves local public services working together to deliver better value services by focussing on joint working and reducing waste and duplication. With local ownership comes local knowledge of complementary community resources increasing the totality of resource available. Improved health and well-being at all stages of life will enable us to better manage demand for health and social care services.

¹ Joint Health & Wellbeing Strategy
Context

Cornwall’s demographics’

Cornwall’s rural and coastal environment offers opportunities for healthy lifestyles, but we face the following challenges which our 2020 ambition is designed to address.

- **Cornwall and the Isles of Scilly have a total population of 545,335** (as of 2014). The population of Cornwall contains more residents over the age of 75 than the average for England with rates in the upper quartile of all local authorities across England and Wales. The number of those aged 75+ is set to grow significantly and very quickly with a 32% increase by 2024. It is the group most at risk of multiple long-term conditions. If there is no change to current practice, numbers in the 75+ age group will exceed our capacity across health and social care to provide care for them. Family and friends providing care are also growing older.

- **Cornwall has above average life expectancy but only average healthy life expectancy.** This suggests that people in Cornwall live longer but spend more years, on average, living with disability and in poor health. Life expectancy has continued to increase in Cornwall from 79.2 to 79.5 years for men and from 83.3 to 83.5 years for women (08-10 compared to 09-11). The inequalities gap for life expectancy is closing, down from 5.9 to 5.3 years for men and from 5.2 to 4.4 years for women (08-10 compared to 09-11). Cornwall is ranked 46th out of 150 local authorities for premature deaths. Overall, inequalities are estimated to cost Cornwall’s economy £610 million each year and rising.

- **We have some of the most disadvantaged neighbourhoods in the country.** In Cornwall, one in ten live in the 20% most deprived areas in England. These areas are home to 53,000 people. 15,100 children (under 16) live in poverty, 22.8% of
households are in fuel poverty and more than 30,000 people are on health related benefits. People in our disadvantaged communities are at higher risk of living with at least one debilitating condition and for more of their lives. Of those claiming Employment Support Allowance and incapacity benefits 46% report a mental health problem as their primary diagnosis.

- **Children under 19 living in poverty in Cornwall stands at 17.6% and is ranked 8 out of 20 of south west region councils.** Poverty matters and has a major impact on the health and wellbeing of our population both in the short and long term. The diagram below articulates cohorts of vulnerable young people requiring more intensive complex support.
• **We have a higher prevalence of a range of diseases.**

The most common diseases in Cornwall and Scilly are listed in the adjacent table and those marked `*` are higher than their prevalence in England overall.

Mental health problems are estimated to be the commonest cause of premature death. Suicide deaths in Cornwall are higher than road deaths. At least 75% of drug and alcohol service users have a mental health condition; more than 40% of mental health service users have a substance misuse problem; 30% of people with a long-term physical illness also have a mental health condition. Many people with mental illness need support from a range of agencies and could benefit from more integrated care.

<table>
<thead>
<tr>
<th>Most prevalent diseases</th>
<th>Number</th>
<th>%</th>
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<tbody>
<tr>
<td>Hypertension</td>
<td>81,725</td>
<td>14.8</td>
</tr>
<tr>
<td>Depression*</td>
<td>56,959</td>
<td>12.7</td>
</tr>
<tr>
<td>Obesity*</td>
<td>51,105</td>
<td>11.1</td>
</tr>
<tr>
<td>Asthma*</td>
<td>36,502</td>
<td>6.6</td>
</tr>
<tr>
<td>Diabetes Mellitus</td>
<td>24,827</td>
<td>5.5</td>
</tr>
<tr>
<td>Chronic kidney disease</td>
<td>22,558</td>
<td>5.0</td>
</tr>
<tr>
<td>Coronary heart disease*</td>
<td>22,454</td>
<td>4.1</td>
</tr>
<tr>
<td>Hypothyroidism</td>
<td>20,514</td>
<td>3.7</td>
</tr>
<tr>
<td>Stroke or Transient Ischaemic Attacks*</td>
<td>12,451</td>
<td>2.3</td>
</tr>
<tr>
<td>Cancer*</td>
<td>11,043</td>
<td>2.0</td>
</tr>
<tr>
<td>Atrial fibrillation</td>
<td>10,274</td>
<td>1.9</td>
</tr>
<tr>
<td>Chronic Obstructive Pulmonary Disease*</td>
<td>10,036</td>
<td>1.8</td>
</tr>
<tr>
<td>Cardiovascular disease Primary Prevention</td>
<td>5,901</td>
<td>1.1</td>
</tr>
<tr>
<td>Heart failure*</td>
<td>5,147</td>
<td>0.9</td>
</tr>
<tr>
<td>Epilepsy (18+)*</td>
<td>3,789</td>
<td>0.8</td>
</tr>
<tr>
<td>Dementia *</td>
<td>3,752</td>
<td>0.7</td>
</tr>
</tbody>
</table>

• **Cornwall experiences low wages and seasonal employment.** We have the second weakest economy in the country – earnings were 19% below the national average in 2011. Cornwall also has unique challenges;

  o Most businesses are small, around 14% of the working age population is self-employed compared to a national average of 9% and the skills profile in Cornwall continues to be weak despite improvements

• **A combination of higher cost of living and lower than average earnings.** A Cost of Living analysis for Cornwall shows that there are a number of higher costs for the average household in Cornwall compared to the national average or to other parts of the UK – this includes water & sewerage charges, costs of energy & transport fuels & mortgages. Costs of living in Cornwall are set in the context of lower
than average annual earnings & higher than average house prices.

- **Transport links between main towns are variable.** (Source: CIOS LEP Evidence Base). We know young people in rural areas experience particular difficulties with transport to get to education, work & maintain a social life. Travel infrastructure affects the timeliness and availability of services and the cost of care.

- **Domestic abuse continues to present a high overall risk to communities in Cornwall** and reported incidence of domestic abuse is higher locally than the average for similar areas elsewhere in the country. (Source: Safer Cornwall Strategic Assessment 2014/15).

- **The number of single households and rural isolation is increasing.**

We are seeking to achieve long-term sustainability of health and social care in the context of rising demand and increasing complexity of need that is placing increasing pressure on system performance with the delivery of key performance targets falling below national expectations.

There are long-term structural issues (deprivation and rural isolation) and behavioural issues (alcohol abuse and obesity) that have a significant impact on the health and well-being of Cornwall’s population and lag on the wider economy and productivity of Cornwall. We need to improve the health and well-being of Cornwall by connecting wealth creation with health creation, at all stages of life to counter rising demand for public services by:

a) Addressing the structural issues (Further information on how we propose to address these issues can be found in other elements of Cornwall’s case in relation to transport, housing and employment and skills)

b) Addressing behavioural issues at every opportunity but especially through the promotion of local ownership of health and well-being

c) Transforming how we provide health and social care

**Cornwall’s health and social care system**

Cornwall benefits from co-terminous commissioning boundaries on the mainland between the Council (a unitary authority) and NHS Kernow and a relatively contained health and social care economy. It offers a unique testbed to trial re-configuration of our health and care system at pace because it is relatively uncomplicated compared to other regions. For a high proportion of Cornwall residents services are provided by:

- 68 GP practices
- 1 mental health trust
- 1 GP federation
- 1 Community services provider
- 1 acute NHS provider
- 1 Health and Wellbeing Board
- 1 private sector NHS provider
Approximately 20% of residents are supported in their care by Plymouth and Devon based health organisations. NHS Kernow also commissions health services for the Isles of Scilly.

**Developing Cornwall’s new model for health and social care**

Our proposals are based on working within the existing architecture for Health and Local Government with both the Council and the Clinical Commissioning Group retaining their existing statutory responsibilities whilst moving to a single, place-based budget for Cornwall.

The NHS is a national institution with standards set out in a national constitution to ensure everyone has access to the same standard of care. That will not change.

At the moment care and support is purchased on behalf of local people by the Clinical Commissioning Group and the Council. They purchase it separately and monitor performance separately but it could be for the same people. Other public sector agencies may also be purchasing or providing services for the same people e.g. welfare benefits. People experience disjointed provision of services and delays and duplication are built into the way they are provided.

Cornwall’s transformation plan to address this is made up of the following three programmes of change (the sequencing and timescales of which can be found in the transformation roadmap in the appendix):

1. **Cornwall will move to an innovative and sustainable model for joint commissioning and procurement.** We will bring together the functions of commissioning across health and social care, under a simpler, constituted governance framework, with a focus on commissioning for outcomes.

   In the first instance the domiciliary care and care at home budget will be unified and commissioning will be led by NHS Kernow from 1 April 2016. The budget for Children’s Community services will also be unified and commissioning led by Cornwall Council from 1 April 2016.

   Appropriate governance that represents our stakeholder interests and incorporates our constitutional and democratic responsibilities will be jointly agreed. The governance arrangements are currently complex and the challenge that rationalising those arrangements presents is understood.

   The unification of the remaining budgets and commissioning functions will be determined during year 1 of the programme as part of the
development of the commissioning strategy.

The Better Care Fund has already provided a formal mechanism through which Cornwall can accelerate its ambition for the integration of commissioning and improving person-centred provision of services.

Cornwall will also develop options for new and innovative governance models to enable the unification of the existing budgets for health, social care and welfare.

In developing the proposal to date NHS England has provided an indication of the value of its directly commissioned services as applied to Cornwall’s population. With respect to Primary Care the declared direction of travel towards full delegation of responsibility towards the Clinical Commissioning Group would be supported by the Case for Cornwall. There remain opportunities for making a stronger local contribution towards the development, local retention, or, if necessary, reconfiguration of specialised health services in Cornwall. These proposals offer a strong local platform for sustaining and progressing service change balancing local advocacy with financial and clinical sustainability.

2. **All partners in Cornwall will work together to reconfigure the NHS provider landscape to deliver more seamless, efficient and high quality services.** There will be a focus on promoting collaboration between providers in Cornwall and evaluation of new models of care to move towards the restructuring that is necessary to achieve long-term service and system financial sustainability.

The organisational models as described within the NHS England five year Forward View would be used as the basis for our evaluation and help us to determine the most appropriate provision model for Cornwall.

Providers will work with commissioners to optimise flexibilities available under the procurement, patient choice and competition regulations and to maximise the flexibilities available under the FT provider licence and Payment by Results.

In a subsequent phase the Council with the NHS providers will develop its approach to the aligning of social care provision and the integration of assessment and care management.

Experience from other regions that have integrated demonstrates how the establishment of integrated health and social care teams helped to facilitate the development of a wider range of intermediate care services, reduced the use of hospital beds, lowered rates of emergency hospital admissions for those aged over 65 and minimised delayed transfers of care; all critical requirements for Cornwall.

3. **We are committed to developing new models of care** for the commissioning and provision of a range of services including:

   a) Universal and preventative provision as set out in the Children and Families Act and the Care Act 2014

   b) Integrated communities of care – based on our pioneering work on integration of care and support across health, social care and the
voluntary sector in collaboration with local communities, which has given us an early advantage in testing a new model of locally led community-based provision.

c) Redesigning provision to meet both general and complex care needs

Cornwall will utilise current change programmes such as Troubled Families, Headstart & Living Well to seed mainstream change.

Working with our Department for Work and Pensions (DWP) partner we want to explore how changes to the benefits system can become part of an integrated approach to supporting individuals needing care and support.

Barriers constraining Cornwall’s transformational change

There are constraints we need to overcome to move forward at pace and ensure resources are used where they are most needed. We want to work with central government departments to identify opportunities to unlock the barriers we currently experience. They include:

- **Providers and commissioners of health and social care are working with significant financial stress in the system and a consequent lack of resilience to potential future risks.**

  We would like to invite Government to work with us to explore a longer-term financial settlement of five years, giving greater certainty over scope for medium-term investment in service delivery changes.

- **We have a poor growth allocation compared with the national average – the joint lowest as a result of the national fair shares funding calculation.**

  We would like to invite Government to work with us to understand the impact of this on Cornwall and opportunities to reflect ‘fair share’ within future allocations.

- **Competing demands between central government departments. For example:**

  - The burden and complexities of multiple national outcomes frameworks and corresponding performance monitoring
  - Differing national and regulatory and legislative frameworks restrict collaboration between commissioning and provider organisations

  The work carried out on Cornwall by Boston Consulting for the Cabinet Office clearly shows the impact on limited resources caused by a fragmented national reporting architecture. We would like to invite Government to work with us to understand the impact of this on Cornwall and opportunities to streamline these both to reduce the impact on limited resources as well as help better inform local operational and strategic decision making.
• Eight different NHS bodies are involved in managing health property in Cornwall and the lack of local control regarding NHS Property Services decisions on capital receipts presents a further obstacle to making decisions that maximise value for money and the best outcome for service provision.

We would like to invite Government to work with us to understand the impact of this on Cornwall and opportunities to make optimal decisions for both Cornwall and government.

• Significant challenges in recruiting and retaining health and social care professionals in a number of key areas resulting in high agency costs and service provision shortfalls.

With increased local decision making about the European Single Investment Programme, we can look to align how these investments can support the care sector, to increase the resilience of the community based care providers.

• Commissioning of health services is split between NHS England, NHS Kernow and Cornwall Council

• There are multiple data systems and information governance frameworks around data systems affecting how quickly information can be shared at the point of care and achieving individual’s ownership of their information.

We would like to invite Government to work with us to understand the impact of this on Cornwall and opportunities to streamline the sharing of information which improves outcomes for services users and the local health services too.
Our “asks” to Government

Devolution will help give Cornwall powers to break down the barriers to whole system integration we are experiencing. To enable Cornwall to move to a more integrated health and care system we ask for the following:

1. Support in developing a devolved ring-fenced place-based health & social care budget with a minimum five year settlement;

2. Local ownership and control of assets. (Please see the ‘property’ theme in the Case for Cornwall document for detail related to this ask);

3. Delegated authority for commissioning of primary care GP Services with the opportunity to explore future delegation of other services important in our community model, e.g. pharmacy, optometry and dental services; and

4. Government to consider a review of the funding allocation formula for Cornwall to ensure it matches the actual needs profile of our population.

We would also like to work with Central Government to explore two opportunities for greater local influence:

(a) To influence design of a single framework for measuring the impact that health and social care services have on the health and well-being of a local population (‘a single outcomes framework’).

(b) To influence how multiple regulators might develop a coordinated approach to a place in order to enable efficient and effective collaboration.

To support this the Council is also seeking transformation funding which is addressed below in the section on Managing the transformation.

Benefits for Cornwall

At a macro level our new model for health and social care will provide Cornwall with a system orientated around person centred care. It will also provide significant efficiencies and savings through simplification of processes between organisations as already demonstrated in some other regions. Moving to a place based budget gives Cornwall the local freedom to be able to shape care and support to take account of the strengths and weaknesses of Cornwall as a place. The micro level benefits attributed to each programme of change described in this paper will be worked up through the detailed business case for each programme.

The support from central government in unblocking the constraints on the system is vital. It would enable the whole health and social care community to make a greater commitment to a programme of
transformational change consistent with NHS England’s *Five Year Forward View*, looking beyond annual horizons.

The commitment to a longer term financial settlement would be a core element of restoring financial security to the local community and securing local accountability to the transformation required. Local ownership of and management of Health property will enable the best decisions on use of the estate to be made in Cornwall, for Cornwall.

**Managing the transformation**

Transforming the system at a time of significant operational pressure is extremely challenging. A phased approach over the next 5 years is needed to ensure that core business for all partners within the health & social care sector is maintained through the transformation process.

A high level transformation road map outlining the timescales and phasing of the different programmes of change described in this paper is provided in the appendix. Further work is required with leaders across the system to develop the detailed transformation plan.

Appropriate programme governance that represents all stakeholder interests will be established. The system will need to establish a multi-disciplinary group to deliver this programme drawn from organisations, involving some of our most experienced individuals, including finance, estates, strategy, communications, Human Resources and legal/governance, supporting experienced transformational leadership.

Similar to the national Vanguard programme we would welcome support from national expertise in developing and delivering our strategic plans.

We are requesting a transformation fund to support this work. £2m per annum over the five year period will provide vital programme delivery resource whilst maintaining business as usual activity. We recognise we won’t have all the skills and knowledge required and therefore funding will also be used to buy-in those resources at appropriate times as required. Additional capital funding will also be required for infrastructure investment in both premises and IT.
### Appendix 1: Transformation roadmap

#### Outcomes for Cornwall

- Improve health and wellbeing
- Improve people’s experience of care
- Reduce the cost of care

#### Transformational road map

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<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td></td>
<td>15/16</td>
<td>16/17</td>
<td>17/18</td>
<td>18/19</td>
<td>19/20</td>
<td>20/21</td>
</tr>
</tbody>
</table>

- **0**
  - Transformation programme governance mobilised
  - Single commissioning strategy developed
  - Constituted accountable governance structure established

- **1**
  - £64m pooled budget through BCF
  - Commissioning responsibility for domiciliary care and care homes transferred to CCG
  - Commissioning responsibility for children’s community services transferred to LA

- **2**
  - Graduated transfer of remaining commissioning responsibilities
  - NHS provider landscape reconfigured to deliver integrated care

- **3**
  - ESF programme for VSC to build workforce capacity & capability for alternative community support models

- **4**
  - Developing new models for universal and preventative provision (school/ communities/ ERDF/ linked with developing integrated communities of care and developing and re-designing models of complex care within the health & social care system

- **5**
  - Devolved ring-fenced health & social care budget
  - A review of the funding allocation formula
  - Local ownership and control of assets
  - Delegated authority to commission primary care
  - Work with Central Government to explore opportunities for greater local influence:
    - a) To influence design of a single framework for measuring the impact that health and social care services have on the health and well-being of a local population
    - b) To influence how multiple regulators might develop a coordinated approach to a place in order to enable efficient and effective collaboration.
Appendix 2: Supporting evidence and case studies

- NHS ‘Five Year Forward View’ (2014) Department of Health
- NHS ‘Five Year Forward View Time to Deliver’ 4 June 2015
- Expression of Interest to be a pioneer in integrated care and support (2013)
- Children and Young People Plan, Cornwall Council 2015
- Improving the commissioning of services in Cornwall and establishing a new VCSE strategic body (2015-2016) Cornwall Transformation Challenge Award.
- NAO Care Act 2015
Enable Cornwall to provide a fully integrated and more effective rural public transport network

We want to decentralise bus regulation in Cornwall to provide a fully integrated public transport network.

The proposition

Cornwall Council will take on responsibility for franchising all bus services in Cornwall. This will ensure that an integrated public transport system is delivered by December 2018 to coincide with the start of the half hourly mainline service in Cornwall as part of the new rail franchise.

Integrated smart ticketing, fares and timetables will be introduced in order to deliver combined travel between bus, rail and ferry services for passengers in Cornwall.

A high quality, accessible and integrated public transport network will be developed that will increase patronage on bus and rail to bring about an upturn in revenue income, making services more financially viable.

This will require the devolution of all relevant central government funding for local transport to Cornwall Council in a multi, ideally five, year settlement.

How it would work in practice

Cornwall Council will deliver an integrated public transport system by December 2018. This intervention will deliver the aims and objectives of Cornwall’s ‘Bus and Integrated Transport Strategy’ to allow bus and rail services to link seamlessly. The aim of the new integrated network will be to increase public transport patronage on bus and rail to bring about an upturn in revenue income making services more financially viable.

Cornwall Council will take on responsibility for the delivery of bus services by utilising a franchising approach similar to that undertaken in London and proposed in Manchester. This will increase bus patronage by encouraging more people to travel more often through the introduction of a simple fare structure, integrated and smart ticketing, delivery of modern high quality infrastructure and buses, common branding and information and public accountability for the performance of an integrated rural transport network.

This proposal will introduce a system whereby bus operators would bid competitively to run services specified by Cornwall Council. These competitive tenders would be issued as franchises either by geographical area or for a particular type of service e.g. express services, demand responsive services, etc. The intention is that there will be opportunities to bid for contracts for bus operators of all sizes and that the contracts will be let on a gross cost basis with Cornwall Council retaining risk in respect of fare revenue.
The key aspects of the proposal are set out below:

**Network**: the network will cover the whole of Cornwall; all bus services operating within the area will be specified and commissioned by the Council. The network will integrate routes and timetabling for bus with local rail services to create a combined public transport network. We will introduce quality community bus networks in more rural locations that integrate with the main bus networks and express services. Where services cross a geographical boundary into Plymouth or Devon we would propose to enter into a Collaboration Agreement with the relevant authorities.

**Fares and ticketing**: the introduction of integrated smart ticketing to deliver combined travel between bus, rail and ferry services and enable cashless transactions. A new single ticketing structure for Cornwall will be implemented covering both products and pricing. Cornwall Council will also look to implement a discounted ticket product for young people and students to promote travel by public transport.

**Information and branding**: the provision of high quality, accessible and integrated travel information for buses and trains. A single identity for all buses in Cornwall will be established with branding rolled out across all customer facing marketing and information provision, including bus livery. This will promote simplicity and consistency across the network. There will also be improved and wider coverage of real-time information both on street and on mobile devices.

**Vehicles and infrastructure**: the introduction of new vehicles that are modern, comfortable, clean, accessible and well-maintained to make them more attractive to new users. Improved interchange and waiting facilities that are safe and accessible will be created at key locations.

The improvements detailed in this proposal aim to create a passenger focused network that not only improves its offering to existing passengers but significantly improves its appeal to non-users. In this way we will increase public transport patronage on bus and rail to bring about an upturn in revenue income making services, and the network as a whole, more financially viable.

The vision for buses in Cornwall is one where there is a modern, attractive, integrated, high quality network that is easily understood and affordable. The needs of the customer will be at the heart of a public transport system that provides access to services and better meets the needs of the local economy.

**The issue**

Cornwall presents a number of challenges for public transport provision due to the physical geography of the peninsula, its dispersed population and socio-economic conditions.

These challenges have contributed to a network in decline, both in the number of services and the level of overall patronage. This is despite continued subsidy support from Cornwall, which has increased by £1.4 million since 2012.
The bus network in Cornwall is in a period of instability. Significant reductions in the level of funding (in real terms) for bus services, lack of capital investment and reductions in fare paying passengers have led to low margins. To address this, operators have increased their fares to increase their revenue. This has resulted in a shrinking network with less frequent services, poor reliability and a perceived lack of quality. All of these elements combine to reduce the appeal of bus services, leading to an inescapable cycle of decline.

Public transport does not currently represent a viable alternative to car use in rural areas of Cornwall due to length of journey times, high costs and difficulties in connecting with other services or modes of transport, particularly at the start or end of the day. The current bus network in Cornwall has been identified as “unstable”.

Bus users generally travel by bus because they have no alternative available, around 70% of bus users fall into this category. Non bus users do not travel by bus because they prefer travelling by car, do not feel bus services are frequent enough, are slow and fares are expensive. In order to make the bus network more financially viable we need to find a way to increase patronage by making it attractive to those who have a choice in the way that they travel.

To halt any decline, measures are required to facilitate and enable improvements and increases in all elements of the bus network, specifically in areas of network coverage, increased service frequency, bus infrastructure and fleet age and stability of fares. There are financial risks to this approach which the bus operators are not well placed to meet at this time.

In England, powers to determine public transport are minimal. Local authorities outside of London are currently unable to plan the level of bus services or determine fare levels until bus operators have determined their own commercial network. Only in London are these powers and responsibilities available to the public sector, and London has by far the most successful public transport in England. The Government now appears to be considering devolved bus powers with the recent Manchester City Deal and the Buses Bill announced in the Queen’s Speech.

**Governance**

**Option 1**
The devolved bus powers will be discharged by the Council’s Cabinet through its existing governance arrangements which are compliant with the legislative framework. Consideration will be given to whether the Cabinet requires an advisory committee to support it in relation to the bus service powers, akin to the Policy Advisory Committees the Council already operates. Consideration will also be given as to whether there is an enhanced role for the Local Transport Board (LTB) to play in this model, albeit with the Council remaining as the accountable body, as is currently the case. The LTB is an important link between the Council and the LEP. This option provides democratic accountability, including through the scrutiny function, and it the most straightforward of the options presented.
Option 2
Subject to establishing a Bus Committee as referenced below, Cornwall Council will manage the devolved bus powers in accordance with the governance arrangements the Council has in place and which reflect the legislative framework such that the projected cost of the services remains affordable within the Cornwall Council resources available. Through its annual budget setting procedure, Council will determine the extent of revenue subsidy that can be made available to support the bus network over the next financial year and with projections for future years where possible. In doing so it will take into account the bus network business plan developed by Council officers that will include forecasts for both income and expenditure. The capital budget for the bus network will be established through the Local Transport Plan in consultation with the proposed Bus Committee.

Following the necessary legislative changes required to take the functions outside of the remit of the Council’s executive body, the Cabinet, Cornwall Council will establish a Bus Committee that is responsible for overseeing the operation of the local bus network in Cornwall. It is proposed that the Bus Committee will be established once a decision is made regarding devolution of bus powers to Cornwall Council. The Bus Committee will manage the transition process from the existing deregulated market to a new regulated bus market and thereafter will be responsible for the ongoing oversight of the market and the making of the related decisions within the remit of the Committee. The Bus Committee will be a committee of the Council and devolved bus powers will be delegated by the Council to Bus Committee and membership of the Committee will be determined by the Council from amongst its Members, most likely on a politically balanced basis. This option also ensures democratic accountability.

The Integrated Transport Unit (ITU) of Cornwall Council will provide day-to-day management of the bus network which will be delivered by bus operators who are awarded tendered contracts. The ITU will implement changes that have been approved by the Bus Committee to develop the services, provided that they remain within the annual budget set. To ensure that the annual budget is used effectively the Bus Committee will receive regular reports to enable them to oversee the delivery of the bus network.

The Bus Committee will work in close liaison with the ITU in relation to bus service development proposals, target setting, performance monitoring, fares, and bus punctuality and reliability. These will be established through an annual Bus Development Strategy (BDS). The implementation of the BDS will be monitored quarterly by the Bus Committee. The Bus Committee will be supported by technical, financial and other professional officers from Cornwall Council. The responsible Corporate Director and his or her subordinates will be responsible for ensuring that proposals are put forward in the budget setting process for an adequate budget for delivering the proposed services. The Council’s Section 151 Officer will be responsible for reviewing the adequacy of the budget proposals and including them in the overall budget setting proposals presented to the Cabinet and Council. Scrutiny of the Bus Committee’s decisions will be undertaken using Cornwall Council’s current committee structure. Where bus services impact on Plymouth City Council or Devon County Council it is proposed that a Collaboration Agreement could be put in place between the
relevant authorities. Discussions on the form and detail of any Collaboration Agreement are still to be had.

Under this option there is also an important role for the LTB to play, whether as consultee or otherwise, but the detail of that needs to be worked up during the development of the business and delivery plans.

**Option 3**
A third option would be to establish a hybrid of the preceding options with a Bus Committee as a committee of the Cabinet but comprising the lead Cabinet Member and a number of non-executive Members of the Council appointed by the Leader, perhaps on a geographical basis. However, whilst this might relieve some members of the Cabinet of the functions allocated to the Bus Committee and offer a geographical spread, it is the least attractive of the options, detracts too much from the executive and non-executive split that the Leader and Cabinet model offers and so has not been considered in any detail.

**Benefits for Cornwall**

- Delivery of an affordable, sustainable solution to the provision of bus services in a rural area; putting the customer at the heart of the solution and providing stability for bus operators.
- A solution that supports the bus network to meet the needs of Cornwall today and in the future.
- Maximising the benefits of bus network improvements by integrating activities with rail improvements as part of the new rail franchise which will see a half hour service on the mainline in Cornwall.

The main benefits of this approach would be felt across the whole network, by providing:
- A more stable operating base for operators;
- More certainty over revenue funding for contracts;
- An opportunity to improve quality by investing in the vehicles on the network;
- Improved roadside waiting infrastructure;
- Greater service appeal;
- More cost-effective network;
- Reduced fare levels;
- Increased patronage;
- Improvements in vehicle quality.

Particular outcomes for Cornwall of the proposal are the economic and social cohesion benefits that an improved bus network will deliver. These will be:
- Improved access to employment and training;
- Increased access for businesses to new and existing employment pools;
- Improved access to service delivery and healthcare;
- Opportunities for young people to access education;
- Reduced isolation by providing access to services, family and friends;
- Modal switch to help reduce congestion and improve air quality.
Benefits for government

- Greater local democratic accountability for public transport.
- Improved economic outcomes for the Cornish economy by increasing the benefits associated with greater access to employment, education and health.
- Strategic investment to deliver growth based upon the needs of the area and of developers and investors, rather than on silo funding streams and the timing of bidding rounds.
- The significant benefits of improved interurban connectivity within Cornwall.
- The real and significant opportunities to secure improved value for public money and customer benefits through greater integration as confirmed by the recent Competition Commission review of the bus industry.
- Transfer of risk from government and government agencies to local partners for the delivery.
- Delivers the Government aim of delivering integrated smart ticketing.

Supporting evidence and case studies

Greater Manchester City Deal - included a broad package of transport proposals encompassing devolution of rail, bus improvement measures and devolution of local transport major scheme funding.

Operator consultations have shown that the smaller ‘independents’ are keen for increased involvement in network planning and grouping services, to increase efficiency.

The operator consultation identified a series of interventions that could be made to improve the network including new vehicles, improved infrastructure, branding and marketing.

Cornwall has developed a ‘Bus and Integrated Transport Strategy’ together with the DfT and Cabinet Office through its Growth Deal. This was supported by bus operators and passenger representatives to help stabilise the bus network in Cornwall and deliver a more attractive travel option for passengers.

Considerations

Rail services in Cornwall are due to see a significant improvement with the new rail franchise which will deliver a half hourly service on the Cornish mainline and new rolling stock and sleeper service. If bus services in Cornwall do not see a similar step change in provision we risk having a two tier transport system in Cornwall. Bus patronage is already decreasing while there has been a significant increase in rail patronage during the same time. Improvements to the bus network are vital to ensure that this does not happen.

Progressing with a franchising model may result in the bus operators not being supportive of this approach, and while they are currently working in partnership with Cornwall Council on the delivery of the Growth Deal project, they may disengage if a franchising approach is followed. Cornwall Council will seek to engage with bus operators on the development of the franchise approach and new network in order to understand their concerns and to attempt to incorporate measures that provide a robust and attractive market for all operators.
Changes to the delivery of bus services could impact on the Council’s existing revenue budget. The Council will be taking a risk on fare revenue and further work is needed to establish revenue data for commercial services in Cornwall. The impact of inflation also needs to be considered in any financial modelling.

**Costs**

Current Cornwall Council revenue funding [Financial year 2015/16]

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Bus service subsidy (inc. BSOG direct to CC)</td>
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<tr>
<td>Concessionary fares</td>
<td>£5m</td>
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<tr>
<td>School transport</td>
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<td>Children’s social care</td>
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</tr>
<tr>
<td>Total</td>
<td>£23.51m</td>
</tr>
</tbody>
</table>

Current estimated operator revenue per annum

- BSOG direct to operators: circa £1.8m
- Total fare box revenue in Cornwall: circa £26m

Estimated 2018-23 revenue funding with franchise model

The overall cost of this is very difficult to estimate at this stage and will depend on the level of change involved and commercial revenue data. Further more detailed financial modelling will be undertaken, which will be informed by the Growth Deal pilot area, where a number of improvements are planned and the operator and passenger reaction to these can be monitored and captured.

A range of network proposals have been modelled which consider different service schedules, fare structures, passenger numbers and service specification. These have produced a range of subsidy costs for operating the network ranging from £60 -100m. The lowest end of this range is within the current bus subsidy allocated by Cornwall Council.

Cornwall Council will operate its integrated public transport network within the available bus subsidy budget set by the Council. The current budgeted subsidy is shown in the figures outlined above. This may require some rationalisation of the network provided. Any rationalisation will consider the viability of services, the social need and alternative transport delivery options. Growth of the network will be undertaken, with political support, where the growth in patronage as a result of the improved integration and quality, demonstrates that the fare income can be generated to support service growth and enhancement.

The initial high level modelling has also looked at the potential passenger growth linked to different scenarios. The objective is to grow patronage to approximately 13m passengers by 2023. With existing patronage reduction profiles and network rationalisation the initial patronage level at transformation in 2018 is expected to be less than 9.5m.

This modelling has also highlighted that if a ‘do nothing’ approach is followed then by 2030 Cornwall is unlikely to have a viable bus network.
As part of our wider approach to creating a financially sustainable and effective transport network, we are exploring various options, including scope to retain an element of fuel duty locally which could be used to help subsidise a more ambitious level of network provision.

**Transformational costs**

There will be transformational costs for Cornwall Council in moving to a franchise model. These costs would need to cover the legal process involved in the transition, the development of the new operational specification and set up, the new management and governance arrangements the establishment of a back office set up to handle ticketing.

The overall cost of this is difficult to estimate at this stage and will depend on the level of change involved. At this stage we are working on an estimated range of £5-10m but further financial analysis will be required as the detail of the level of change is developed. Under the fiscal neutrality principle we would be looking to Government to provide funding to cover the identified transformational costs.
Housing

Meeting Cornwall’s housing needs through an integrated investment programme for Cornwall

The ambition

To deliver an accelerated house building programme for Cornwall, adding value and levering in additional investment through the integration of national and local housing investment strands.

A programme which will increase supply that meets local need and promotes innovative construction methods and quality construction.

A combined housing investment of this scale will boost capacity in the local construction sector and the wider local economy and bring significant reductions in fuel poverty, health and welfare burdens.

The Housing Investment Programme will enable enhanced delivery across the whole housing sector. It will support Council, Registered Provider and private sector delivery with accelerated affordable housing delivery, providing 6,000 affordable homes over the next 5 years and an ambition to explore how we can increase the delivery of homes for private rent or sale (including starter homes for the under 40s).

The local housing issues

Cornwall is committed to securing a balanced housing market and believes it has some unique challenges in relation to:

- **The level of affordable housing need** with 28,000 households registered on the housing list and 9,000 new applications a year. We need to build over 2,000 new affordable homes annually to meet this need. This substantial gap between need and delivery is recognised in the Cornwall Local Plan Inspector’s provisional findings.¹

  In a low wage economy dominated by small businesses, self-employment and seasonal work, the critical need for affordable rented housing must continue to be met.

- **Housing market variations** – One of the key challenges for Cornwall is the range and complexity of the local housing market conditions. It is a series of very localised housing markets, some are extremely high value areas where affordability and access to mortgage finance have an acute impact and coastal settlements where second homes crowd out local purchasers.

Other areas of Cornwall, including Camborne, Pool and Redruth and the Clay villages are relatively low value, require regeneration but with limited market appetite for wholly private sector led solutions. The Council aspires to build upon the initial intervention of the RDA and the HCA in Camborne, Pool, Illogan and Redruth and is seeking to bring forward the eco communities proposal in the Clay villages.

The variations between a number of highly localised housing markets require very bespoke housing interventions. We need:

1. Affordable home ownership to tackle affordability ratios of 8.4 times the average salary.
2. Affordable rented homes to respond to low wages and insecurity of employment.
3. Private rented homes to meet an increasing demand. Private rented homes comprise 18.5% of the stock, 11% is social rented.
4. Quality homes – Over 50% of the current private rented stock fails to meet decent homes standards, despite annual rent subsidies of £103m of public money. This results in fuel poverty and poor health outcomes.

- **Limited capacity in our delivery environment** with a loss of small and medium sized construction companies and some marginal markets.

The local delivery market is characterised by small numbers of developers and registered providers lacking strategic capacity.

Projected registered provider delivery is expected to decline sharply over the next 5 years.

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<td><strong>2,350</strong></td>
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</table>
Given the need for over 2,000 affordable homes per annum, the Council need to maximise all delivery opportunities.

- **The supply of land and construction are falling short of demand**

Construction has been maintained at consistent levels despite increased numbers of planning consents. Cornwall is a marginal market with limited large developers. Public sector led interventions play a role in kick starting delivery and unlocking stalled sites. Providing certainty on future investment levels also encourages others to invest.

The attached case study (Appendix 1) at Tolgus, Redruth sets out how viability was improved through the use of Growth Deal funding, without which affordable housing would not have been provided due to marginal viability. Viability issues are particular challenging in Cornwall, an issue also recognised in the Inspector's findings at para 5.5 to 5.10.

There are over 20,000 sites with planning permission in Cornwall. The second case study on Maynes Site at Pool (Appendix 2) is a HCA site with significant contamination issues. The site viability was tested by Savills; it showed that site viability is marginal, with returns of less than 4% achievable. This serves as a good example of the complexities of developing brownfield sites in our urban areas.

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2 http://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf
3 Savills Cornwall PRS Study February 2015- available on request
**Sustainable rural communities**

According to the 2011 Census figures, which include vacant, second and holiday homes, 11.2% of our housing stock (some 29,000 dwellings) are not in permanent occupation. This is a significant consideration, one to which the Inspector of the Cornwall Local Plan has given consideration; he has required an uplift in housing provision of 7%. A full briefing note on Second and Holiday homes was prepared for the local plan.4

Whilst owners of second homes and users of holiday lets make a valuable contribution to the economy, high levels of holiday houses and second home ownership undermine the sustainability of rural settlements, exacerbating some of the social, economic and service delivery challenges.

The impact of second homes is not evenly felt across Cornwall as Figure 1 demonstrates.

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*Figure 1: Second homes (Estimate based on a snapshot from Council tax 2011)*

• **Responding to demographic change and specific needs**

The makeup of Cornwall’s population is predicted to continue to grow older, with significant increases in the over 65 age group.

Older age groups have specific housing needs. Suitable accessible accommodation for the needs of this age group will need to be provided to allow people to stay in their own homes and reduce health costs.

**Funding** - Because funding bids to the HCA are assessed nationally using national indicators, Cornwall is disadvantaged by limited developer and provider capacity and high construction costs. This reduces value for money. Therefore a different approach is required.

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**What Cornwall can offer**

**Capacity and scale**
- As one of the largest Councils, Cornwall is able to develop a broad strategic approach to housing market interventions across a very large geography.
- It is the largest planning authority with over 9,000 planning permissions determined annually and is well placed to understand the deliverability of proposals and assess areas most in need of intervention.
- It has a highly developed understanding of local markets and has a scale of delivery which has enabled it to test the most effective approaches and programmes.

**Vision and culture**
- The Council is strongly committed to the development of local needs and affordable housing. This commitment is reflected in planning and housing policy and in key investment decisions.
- The Council has a track record of innovation in the fields of housing and planning. It has:
  - an active ALMO;
  - is actively delivering a Council housing programme;
  - is using land assets proactively to deliver affordable housing;
  - has a planning policy approach which permits cross subsidy of affordable housing outside urban areas; and
  - supports funding and the development of local housing solutions including custom build and community land trusts.

**Partnership and collaboration**
Cornwall has successfully established a close working relationship with housing delivery partners. It has two active strategic housing partnerships:
o The Cornwall Housing Partnership involves the Council with all registered providers. It directs investment priorities and has developed a pipeline of housing sites. It has a strong track record of joint commissioning housing programmes, alongside the HCA.

o The Council also works closely with the private sector through an active private developers’ forum, recognised as best practice. The forum, chaired by the House Builders Federation, provides particular support for a number of small developers upon which the Cornish market is critically dependent.

Unlike many areas, the Council and LEP boundaries are coterminous. The devolved responsibilities from the HCA would enable Cornwall’s housing strategy to align with the Cornwall and Isles of Scilly LEP and also respond to their identification of housing market imbalance as a brake on economic performance.

Cornwall proposes that these strong collaborations would underpin the single investment programme approach and be reflected in the proposed governance structures below.

**Financial strength**

Cornwall Council is committed to exploring ways to utilise its financial strength to invest in priority programmes which enhance or create assets. These include green energy, responding to the opportunities provided by European programmes and housing investment.

Unlike many councils, Cornwall maintains a capital investment programme for housing associations. This fund of £38 million would be retained in the proposed 10 year integrated investment fund. This creates an excellent opportunity to add value to national housing investment and double delivery.

In addition, the Council has an ambitious programme of housing investment which supports new council housing, tackles empty homes and offers revolving loan finance for specific sectors such as community land trusts.

Cornwall is also uniquely placed through Convergence funding and growth deal priorities to align housing and economic outcomes.

The transfer of former RDA land, which is currently managed by the HCA, would further enable Cornwall Council to use its local knowledge and expertise to manage and develop the portfolio and maximise the economic development and regeneration opportunities available.

**Delivery focused**

The delivery of affordable housing is a key priority for Cornwall Council. Cornwall has, through its focus on affordable housing, been successful in delivering housing even during the period of the recession. The Council’s approach is to maintain a mixed economy, delivering affordable homes through a range of delivery and investment routes.
The Council has a broad range of **investment routes** in new build affordable housing:
- An RP commissioned programme of capital investment;
- Support for an ALMO programme (local authority owned company) funded by council housing rents in the Housing Revenue Account;
- Direct delivery of 500 Council-owned homes using our own assets;
- Joint venture arrangements with the private sector using our own land assets (the Cornwall Land Initiative). This joint venture will recycle land value into new homes.

In broad terms **delivery routes** include:

1. **Negotiating for an element of affordable housing from new housing proposals**

   The Council has set out a clear approach to managing viability through negotiation. We use a positive approach to enhance viability through:
   - Varying affordable tenure mix;
   - The use of grant and other funding, such as developer contributions or external funds; and
   - Our planning policies also include the option for the Council to take serviced plots or land as an alternative. In many cases this can improve the position on developer return or hurdle land value to a point where sites can come forward with certainty. It also provides the opportunity for self-build.

2. **Investment in support of delivery**

   The Council maintains an Affordable Housing Capital Programme. This is reflected in the Housing Investment Plan. A Case study on the Housing Investment Plan is attached at Appendix 3.

   To date the Council has invested over £25 million in new homes and has a further £11.4 million planned up to 2019. Funds are invested through Registered Provider partners in a commissioned programme in which efficiencies of scale and certainty of programme have driven down the average grant cost to maximise the number of new homes achieved.

   We also work proactively with the Homes and Community Agency to ensure that investment is maximised in Cornwall. The Council has been successful in encouraging HCA investment through the proactive support for delivering affordable housing through the planning system.

   HCA investment has been secured for sites which deliver mixed tenure schemes with additional affordable housing (over and above target levels).
   - Support for both shared ownership and affordable rented homes;
   - A successful Help to Buy programme for private developers;

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- Funding for supported housing and Mortgage rescue.

3. **Community based delivery**

The Council also supports a number of community based housing initiatives. With community support, mixed tenure schemes are permitted on rural exceptions sites to deliver local needs housing. This highly successful delivery route has resulted in thousands of additional rural homes being permitted and delivered without public subsidy.

Community based delivery is delivery through ‘affordable housing led’ or exceptions schemes and acts as the mainstream element of delivery in rural areas, villages and smaller towns. By proactively working with communities the Council has achieved success and significant delivery over the past five years. This approach remains at the heart of our strategy for affordable housing delivery in these rural areas moving forward.

**Community land trusts** - Cornwall has delivered a high proportion of all the community land trust projects completed nationally. The Council supports revolving loan finance which can be drawn down by CLT groups as gap funding to support delivery prior to retail lending being secured.

These initiatives are reflected in the Council’s adopted Housing Investment Plan which provides a framework for investment covering the period 2010 to 2016⁶.

4. **Investment in New Build Housing Development Programme (HDP) (Appendix 4)**

In addition to the affordable housing capital programme, the Council has, through its recently agreed Business Plan, set out an ambition to deliver directly up to 500 additional properties per year by 2020. These properties will provide a mix of tenures to improve viability and use local authority assets and land.

The Council is currently developing the business case. The concept is being developed on 2 pilot sites in conjunction with the HCA.

The programme will enable the Council to take a proactive role in delivering new homes via mixed tenure schemes that meet housing need whilst also providing a commercial return to the Council.

The ambition in HDP is for the Council to deliver 500 properties per annum by 2020/21, increasing the quality and supply whilst meeting community needs. The Programmes Vision and Objectives are attached at Appendix 5.

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Key risks to future delivery

Cornwall has experience of working jointly with the HCA and a proven track record of innovative housing delivery. In 2015 we successfully achieved £16 million New Homes Bonus Scheme, the fourth highest amount in the country.

As a result of the Council’s existing Housing Investment Programme, affordable housing delivery has been strong. However, projected delivery will reduce significantly after 2016 as existing Registered Providers reduce their build programme in response to changing economic circumstances.

Projected delivery is shown in Figure 3.

**Figure 3.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Market housing</th>
<th>Affordable housing</th>
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<tbody>
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<td>2010/11</td>
<td>1,000</td>
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</tr>
<tr>
<td>2011/12</td>
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<td>5,000</td>
</tr>
<tr>
<td>2020/21</td>
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</tbody>
</table>

Cornwall is a marginal market with few RP delivery partners. We have sought to address this previously but RPs in general are rationalising stock and pulling back from areas of more remote operation. Our delivery is now supported by only 8 developing RPs and the majority are local or regional. This can result in a lack of strategic capacity and business plan strength to take on larger projects. The Council’s strategy to address this has been a positive approach to investment through maintaining a capital programme. Having a programme approach to our programme has helped to retain partners. However, this programme has not been match funded with the HCA’s affordable housing programme and there are sometimes tensions in relation to investment priorities and competing programmes. We are seeking a menu of options in relation to HCA investment programmes.

One of the key areas of concern for all registered providers relates to **escalating construction costs** which are reducing scheme viability. Concerns have been raised across the sector; the extract below from Sanctuary Group summarises the concerns about an exception site in a rural area.

“I thought I should bring this to your attention and I suspect the below will be something you have heard before. ..... what has become apparent is that our provisional estimates of the construction costs using BCIS indicators are way off the mark..... the implications are below.
Phase I - Construction costs - £3,477,000

BCIS would suggest circa 10% inflation so a revised cc of circa £3,724,700
This would carry an increased grant requirement from the last scheme of circa £7000 per unit, which we had anticipated being made up by Cornwall grant into the scheme.

What we now believe is that the costs, of the same scheme, would actually be circa £4,143,000 which would create an increased funding requirement of £18,000 per unit – this is an unanticipated extra cost of £11k per unit.

However what this raises that I, and I suspect other RP, had not anticipated is a significantly larger increase in construction costs than expected. The effect of this will be the need for increased subsidy, which will only come from the Council, HCA or cross subsidy, to allow schemes to go ahead and as HCA are trying to reduce their grant levels, the pressure will presumably be placed upon the other sources. The above is a symptom of the improved housing market leading to an increase in demand for and therefore the price of, materials and labour, the latter being exacerbated by the reduction in the labour force due to the recession. We are also up against house builders who can and are paying more for both materials and labour which pressures the market even further. All of this will be further pressured by the simultaneous increase in RP programmes going into contract and any other local demand side changes (Hinkley Point for example) coupled with the pressure of the existence of only a relatively small number of quality contractors operating in Cornwall.”

Where scheme viability is marginal increased construction costs will result in reduced affordable housing delivery.

Lost economic opportunity

Housing Associations in Cornwall and the Isles of Scilly LEP area add over £80.2m to the regional economy. Housing associations lever in private investment matching every £1 of public investment with nearly £6 of their own resources to build new homes7. If delivery slows, the local economic benefits will be lost.

The strength of a single investment board would be in its combined ability to maximise market opportunities. Cornwall would like to ensure that through certainty over programme delivery the private sector would have confidence in investing in modular or factory build in Cornwall to meet guaranteed demand.

The solutions

Because of the scale and nature of Cornwall’s housing issues the Council needs a range of tools at its disposal to address housing market instability and ensure the optimal use of national housing investment in an environment of reducing resources.

7 Housing Associations :local economic drivers- National Housing Federation May 2013
• We wish to see a **comprehensive single investment programme** for Cornwall that directs investment to meet local need, creating certainty and building capacity amongst local delivery partners.

• We want to **increase the supply** of deliverable housing sites and build innovative, affordable, energy efficient homes using the local supply chain. We want to explore with government, the LEP and key stakeholders how to realise the opportunity to establish new models of delivery (including factory and/or modular build) in Cornwall

• We want local communities to have a say in the number of **second homes** and holiday homes in their areas and to ensure they have a positive impact on local communities

To do this we need greater freedoms and flexibilities from Government.

**The ask**

• The devolution of national housing investment streams including Homes and Communities Agency budgets, powers and land holdings.

• The establishment of a Housing Investment Fund which would incorporate national and local funds for housing including those devolved from the HCA.

• Streamlined Compulsory Purchase Powers to release land and fund infrastructure.

• The development of local solutions to peripheral and marginal markets including new affordable housing products and capacity building amongst local delivery partners.

• Managing the challenges caused by high density of second homes through the introduction of a new planning use class and a sustainable communities levy.

• Retention of stamp duty revenue to build additional homes.

**Devolution of Homes and Communities Agency powers and land holdings**

Cornwall would like devolved housing investment responsibilities, housing strategy and funding from the Homes and Communities Agency (HCA) to Cornwall. This would support the Council’s objective of a single integrated investment fund.

Based on current investment levels, we estimate that a minimum value for this stream should be £167 m over 10 years, this would support the delivery of at least 5,600 homes from this ask alone.
In the absence of any other information, we have assumed that HCA investment levels for Cornwall would remain at current rates, rather than anticipating any increase. We have also applied reasonable assumptions to each of the products in the programme based on past performance and Cornish market conditions. For example, we have assumed typical average grant rates of £25,000 per home in any affordable housing programme and equity loan funding to support deposits in the help to buy programme at an average rate of 200 advances a year and cost of £40,000.

The current HCA programmes from which Cornwall benefits and the anticipated revenue streams required to support a continuation of the programmes are as follows:

- **The affordable housing programme £62 million.** Based on existing allocations, Cornwall has secured £20 million for a 3 year programme in 2015-18. We propose that a reasonably scaled programme for a 10 year period would, therefore be £62 million to deliver 2,500 affordable homes.

- **Help to Buy programme £80 million.** We understand that this programme is demand led, rather than an allocation. However the programme has been successful and supports a significant proportion of new build completions in Cornwall. We would therefore wish to secure a continuation of the programme, subject to demand. We have assumed existing levels of demand with almost 200 completions annually (197 in 2014-15 at a cost of £7.9 million, an average of £40,000 per home). Extension of a 10 year programme at these levels would provide 2,000 loans at a cost of £80 million.

- **Supported housing £5 million.** The HCA support a number of programmes to meet the needs of specific groups including older people, the homeless and gypsy and traveller groups. Many of the programmes are demand led and subject to competitive bidding but we anticipate that there is justification for a needs based allocation for Cornwall, predicated on recent allocations. The grant rate for supported and specialist housing is higher. We have assumed £5 million to deliver 100 supported homes at an average grant rate of £50,000 per home.

- **Starter homes help to buy programme £20 million.** In addition to existing programmes, we welcome the approach that the HCA has taken to innovation and developing new funding programmes, either through loans or grants, to respond to local market conditions and blockages, such as Get Britain Building. Over the 10 year period, we would be seeking the opportunity to tailor and further develop interventions to ensure programmes meet local circumstances. A good example of this is the need to address highly restrictive lending conditions for starter homes secured through the planning system. The Council is preparing a specific paper on the barriers to home ownership to support this. However, part of our ask is that Help to Buy funding is made available to purchasers who are buying a private affordable home. Whilst homes bought at open market rates are supported with an equity loan to cover their deposit, this is not the case for private affordable homes. The cost of this would be approximately half that of a typical help to buy loan and therefore we anticipate that a starter homes deposit programme could assist 1,000 local purchasers over the period at a cost of £20 million. Loan terms would be the same as for Help to Buy.
Our preferred outcome is complete devolution of HCA investment functions, directed by a Cornwall Housing Board with transferred assets and staff. We are of the view that there is considerable added value to come from this approach:

- We recognise that this may not be about additional resources but we are seeking greater certainty about medium term investment streams and are seeking the opportunity to maintain a 10 year jointly commissioned programme
- We believe that this is essential to maintain partner capacity in more marginal markets where future grant levels are likely to remain very low
- Whilst the HCA has previously sought LA support for all housing investments and interventions and to understand their strategic context, HCA decisions are still unilateral and in some cases can act against local priorities. Examples include a continued rural programme when housing needs are greatest in urban areas. Pooled housing investment in our view is the most effective way to meet local needs
- HCA staffing levels within the regions have also been under pressure and shared staffing resources would create far greater sharing of skills, knowledge and capacity to act in the local market
- Our aspiration (possibly for the medium term) is that national priorities expressed through the national HCA investment streams could be tailored or developed to address local circumstances (see above on starter homes)

We see a wholly integrated delivery board as bringing maximum benefits. However, if we are unable to secure this, senior HCA staff with delegation to approve investments as part of an investment board is a potential first step but it is not our preferred model.

**Potential transfer of funding streams**

We would be seeking an indicative 10 year allocation of funds as a proportional share of the national affordable housing programme with the Council matching the allocation.

Based on the level of resourcing, we would either be seeking a proportional share of specific funding programmes, for example for vulnerable groups or, if more appropriate we would require any successful bids for dedicated funding stream for vulnerable or specific housing groups to be approved and managed through the board.

We are seeking the ring-fencing of recycled capital grant funding, staircasing payments and repayment of help to buy loans to be re-invested through the board in Cornwall.

We are keen to develop and manage local measures to support home ownership and are of the view that some current measures do not align with local housing markets. There needs to be further discussion on understanding the risks and resources required in any local management of Help to Buy but remains an ambition.
Tackling the local barriers to delivery

A key priority for the Council in developing an integrated approach to investment would be to develop interventions which tackle local barriers to delivery. Some of these are potentially unique to Cornwall. Our market conditions include:

- A lack of RP delivery partners. Cornwall has a track record of strong local partnerships but only has 8 developing RPs and only 5 with active volume delivery programmes. This can present a number of challenges and is predicted to worsen with limits on financial capacity to acquire affordable homes delivered through section 106 agreements and a lack of appetite for more strategic interventions such as joint ventures, cross-subsidy and land banking.
- The region has seen the loss of medium sized house builders over the last decade. The private market has small builders with more limited access to finance and a small group of volume developers, many of whom are recent and cautious entrants to local markets.
- Cornwall has also lost contractors and is over reliant on 2-3 larger contractors. This dearth has resulted in spiralling build costs which are on a par with the South East (SE), despite having lower sales values to accommodate them.

The Council wishes to explore how a housing investment board might develop additional private sector interventions to build capacity. This should include:

- Exploration of whether a local Get Britain variant might have potential
- Exploration of further procuring a Developer Partner Panel for Cornwall which all public sector bodies could use with fast track procurement routes to deliver housing
- Explore how Cornwall might grow contractor capacity in Cornwall – build costs are amongst some of the highest in the SE because a dearth of contracting companies and promote greater factory and modular construction activity to address limited access to local labour
- Work with the LEP to develop far more intensive intervention in construction skills and training programmes

Additionally Cornwall Council would like the transfer of former RDA assets which were transferred to the HCA in 2011. Cornwall Council, alongside the Cornwall and Isles of Scilly LEP, believes we are best placed to use our expertise to manage the assets and maximise the economic development and regeneration opportunities available.

Cornwall maintains a capital investment programme for housing associations. This fund of £38 million would be retained in the 10 year integrated investment fund. This creates an excellent opportunity to add value to national housing investment and double delivery.

The Council fully supports the recent broadening of HCA programmes and its support for both public and private developers and access to finance to support infrastructure delivery. It believes that it could better target and utilise this range of interventions based upon close relationships with delivery partners and highly tuned assessments of risk and market capacity.
We believe we could align HCA programmes with local products and innovative approaches to ensure they meet the needs of the mixed rural, urban and dispersed local community.

**Benefits for Cornwall**

Cornwall would be better able to develop a whole market approach to addressing housing needs.

These powers would enable Cornwall to ensure a more tailored approach to housing market interventions and make investment decisions at the most local level.

Cornwall is best placed to determine the most appropriate housing solutions based upon a comprehensive and detailed understanding of local housing market conditions.

Cornwall could align its housing investments with the opportunities presented by Convergence funding and the LEP’s economic strategy. Providing certainty to the market over a 10 year period will assist work with the LEP to develop the local supply chain and deliver innovation in modular and factory made homes.

Housing investment would also reinforce the strategic transport packages to be funded through the growth deal.

Investments would be made in in a way that is responsive to local needs, in places of highest demand where it would have the biggest impact.

Cornwall will develop land and property assets for the purposes of providing economic development to local communities and regeneration to encourage growth and new business.

**Benefits for Government**

Maximise the potential to boost the delivery of new homes and outcomes from the national housing investment programme, delivering an estimated 12,000 new homes by 2025.

Boost opportunities to first time buyers with 2,000 help to buy homes and a new affordable home ownership access fund for 1,000 first time buyers.

Increase delivery of quality private rented homes, adding 2000 new private rented homes by 2025.

Demonstrate the use of Garden City principles to deliver locally supported development within local Communities in Cornwall.

Provide real examples of custom and self-build development that support local solutions.

 Guarantee value for public sector land owners investing assets in the medium term.
Boost private sector investment from both RP and commercial sectors and provide greater certainty and delivery of strategic sites.

Transfer of risk from government and government agencies to local partners for the delivery of agreed outputs.

Promote localised delivery of economic development and partnership between the Cornwall and Isles of Scilly LEP.

Ensure value for money and savings for government in taking on their powers and embedding their staff, improving levels of staffing resources for housing.

Removing duplication within current processes.

Enhance local private sector capacity through certainty of funding and a more streamlined bidding route, encouraging housing partners to become more proactive and bring forward sites earlier through the planning process.

Compulsory Purchase Powers

Revitalised use of Compulsory Purchase Order powers (CPO) to take forward an ambitious programme of housing delivery.

The issue

The Council has an ambition to accelerate the delivery of housing to meet our growing housing needs.

The Council’s own Housing Development Programme seeks to provide 500 new homes per year by 2020. To deliver the programme a supply of sites in the right location, at the right price is required.

Housing delivery has to come forward with associated infrastructure provision. Planning permission already exists for over 20,000 dwellings.

Sites do not get built for a number of reasons including the burden of Section 106 infrastructure provisions. This is an inefficient, high risk approach.

In addition, some sites are land banked. The Council and communities have limited means by which to ensure that sites are brought forward. Because of the way in which the 5 year land supply is calculated, this results on other sites being granted planning consent contrary to communities wishes.

The Council would like to acquire sites and provide the necessary infrastructure to unlock them.
The proposition

To achieve an ambitious programme of housing delivery, the Council needs to make better use of the compulsory purchase powers available to it. However, the Council and the communities it serves would be able to benefit from the ability to utilise the ability to make compulsorily purchase orders on land at ‘no scheme value’ under the governance and control of the Council. The effect of this would be that there would be wider community benefits as the associated uplift in land value arising from planning permission would finance infrastructure provision.

The Council recognises that this creates tensions in relation to, inter alia, the financial detriment to those individuals dispossessed of their land at less than market value and their convention rights. However, the Council looks to the Government to legislate to permit this approach, recognising that whilst there are impacts on individuals whose land might be compulsorily acquired there is a significant and legitimate public benefit that outweighs that detriment. It is also recognised that this is a step further than the approach permitted in relation to compensation under the new towns legislative framework but nevertheless it remains appropriate to explore the option. Housing delivery for such sites would be financed and funded privately and sustainably without the need for additional public funding.

The Council's own Housing Development Programme will provide a mix of tenures including market rent which will act to reduce over-inflated rents within our current housing market; reducing the pressure on the government’s housing benefits bill without additional cost to the public purse. The development of the homes will be governed through our proposed new housing board overseen by Cornwall Council.

The Council will manage its new housing through its existing housing ALMO and will retain long term ownership. The model will, however, allow for the aspiration for owner occupation and will be flexible enough to permit individual homes to be sold and replaced wherever appropriate thereby accommodating the need to provide starter homes for the under 40s, and the opportunity for self and custom builders to be part of the programme.

Land value increase represents the only true new financial resource created by and potentially available to the growth process. All other financial inputs rely upon transfers of funding or real increases in public spending. We want to maximise the potential that land value increases provide to support infrastructure provision, in particular enabling us to prioritise previously developed sites.

The proposition for Cornwall builds on the work by the Town and Country Planning Association have researched in relation to how Garden Cities of tomorrow might be established8.

Acquiring land at current use value is the foundation of building high-quality

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places. Cornwall seeks a fair system of compensation in which betterment values are recouped for the long-term benefit of the wider community.

The ask is that this be extended to disregard market value and instead focus on existing use value with the proposed legislative changes being applicable to Cornwall as a single administrative area.

**Benefits for Cornwall**

Control over land would enable us to take a long term approach to making a return on investment for the Councils Build programme.

We would look at the appropriateness of a joint venture approach with land owners and all opportunities through the one public sector estate programme.

The approach would enable us to explore direct community involvement including the potential for self-build as well as other innovations such as community bonds.

We are already hosting a successful joint venture self-build development between IGLU and the Homes and Communities Agency.

We believe strongly in the benefits of a visionary and comprehensive approach to development. We are already promoting a new eco-community at St Austell in partnership with a private sector land owner and developer.

We are also planning a major urban extension with the Duchy of Cornwall in Newquay. We are delivering an initiative to lead housing development on our own land and wish to strengthen and reinvent this programme.

**Benefits for government**

Delivery of a comprehensive affordable housing programme using a range of tools to ensure opportunities for

- Starter homes for first time buyers
- Custom and self- builders
- Community led development

**Sustainable rural communities**

We want to work with government to identify a workable way of managing the number of second homes and ensure that our rural communities remain sustainable.

**The issue**

*Excessive levels of holiday and second homes undermine sustainability of some settlements*
The 2011 Census identified that 29,000 dwellings are not in permanent occupation in Cornwall. The latest figures submitted in evidence to the Local Plan inquiry indicate 26,300 properties/business properties are paying tax. This is made up of approximately 14,450 second homes, 3,500 long term empty homes and 8,350 holiday let business properties.

The Council wants to explore how second homes can help resolve a problem which they in part create. A full briefing note on second homes submitted to the local plan inquiry is available at:


The provisional findings from the Inspector into the Cornwall Local Plan require the Council to take account of the high levels of second homes in our Local Plan housing targets.

The proposals here look at controlling new second homes but also at how a levy could be used to create a positive impact on the local housing market.

The impact of second homes is not felt evenly over Cornwall.

In 13 neighbourhoods more than 1 in 5 homes are second homes; this is at the level at which the sustainability of a community is at risk, creating social, economic and service delivery challenges.

The Council acknowledges that owners of second homes and users of holiday lets make a valuable contribution to the economy, and tourism continues to be an important sector in Cornwall. However, it is widely acknowledged that excessive levels of holiday houses and second home ownership have the potential to undermine the sustainability of rural settlements, by exacerbating some of the social, economic and service delivery challenges that they face.

**Communities have no influence over levels of second homes**

Communities don’t currently have any influence or control over properties being used as second homes or holiday lets. However, we have the significant financial burden of high demand for affordable homes often in communities where many houses stand vacant for most of the year.

**The proposition**

Commitment to work with us to proactively manage the numbers and impact of second homes and holiday lets in communities most adversely affected.

**New use class for second homes**

- The introduction of a new planning use class for properties not in use as a sole or main residence

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• Allow permitted development changes from a dwelling to the new use class

• The use of Article 4 directions where local communities have adopted policies in their neighbourhood plans

The proposal echoes that already in place for Houses in Multiple Occupation. Cornwall is keen to act as a pilot for new planning powers that will assist in the local community control of new second homes.

Second homes are not a universal issue across Cornwall. A proportionate and tailored approach to resolve perceived harm needs to be taken.

The proposal would require changes to the Planning Act; Town and Country Planning (Use Classes) Order 1987 and the Town and Country Planning (General Permitted Development) Order 1995. Details of how this would work are set out in the accompanying planning paper. In essence the use of a dwelling as a second home would be permitted development unless an Article 4 was in place, the prerequisite for which would be a strong evidence base backed up with a local policy.

Where communities have identified second homes as an issue in their Neighbourhood Plan, the Council will work with them to introduce an Article 4 Direction to work alongside their Neighbourhood plan policies to control the future distribution of second homes in their communities.

A proactive policy approach would allow communities to focus any control on areas of highest concentration, where evidence of social and economic issues warrant it.

A sustainable community levy
The Council would like to explore the introduction of a levy for second homes, up to the equivalent of their council tax. The additional funds will be used to build affordable housing to meet community need.

This will provide additional funds into the Housing Investment fund of up to £7m pa to transform the affordable housing programme, without preventing people from freely investing in the housing market regardless of end use.

Issues include – identifying which homes are second homes would be very difficult; additional resources needed for collection; viability of enforcement is unclear; higher tax levels increase the likelihood of some households ‘flipping’ to business rates.

The Council would like to explore this and alternative methods of how this might operate.

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10 Since the change in regulations in April 2013 there is no longer any financial advantage in notifying Council Tax that a property is a second home nor is there any legislative requirement for them to do so.  
11 Empty homes for example have Council Tax charged at 150%, this could also be a model for a Second Homes levy.
The issue is similar in scale to that experienced in Wales. Wales identified over 23,000 properties not in permanent residential use, the comparable figure for Cornwall is higher at 29,000.

The Housing (Wales) Act 2014 (Part 7) sets out the mechanism by which a property with no resident but which is substantially furnished is liable for additional Council Tax. Cornwall would like to explore how such a mechanism could be enacted in Cornwall, or how the Sustainable Communities Levy could be used to achieve a ring fenced revenue stream to support the delivery of affordable housing.

At present empty properties attract a premium of 150% council tax; it could be argued as inequitable that properties left empty as second homes do not attract such a premium.

The level at which such a levy would be set should be fair and reasonable, a precedent has been set in Wales capping this at not more that 200%; a level also appropriate in Cornwall.

Whilst acknowledging that this is a politically sensitive issue, if dealt with appropriately it would prove to be a win-win for both the owner and the local community; showing how second homes can make a positive contribution to the local economy by helping sustain local communities, rather than undermining them.

**Retention of a proportion of Stamp Duty**

The buoyant second home market contributes to high house prices, and in turn levels of stamp duty generated in Cornwall.

HMRC received £59m in stamp duty from Cornwall and the Isles of Scilly a year resulting from over 10,000 sales.

Cornwall is contributing stamp duty to the Treasury at a rate that it cannot afford. Comparing the ratio of residential stamp duty yield to earnings shows that the average yield to the Treasury per property sold is around £3,000 higher than Cornwall’s average earnings 'buying power' would be expected to afford. This amounts to over £30m higher stamp duty to the Treasury per annum than would be expected (Note: based upon previous sales, not projected yield from new stamp duty thresholds).

Cornwall wishes to explore the option of retaining a proportion of Stamp Duty to directly fund affordable housing schemes through the Housing Investment Fund.

**Benefits for Cornwall**

The benefits of a solution to the issue of second homes would be:
- Retaining and supporting local facilities such as schools, shops and community facilities;
- Ensuring sustainable communities;
- Assisting the housing needs of the area;
- A reduced burden to supply affordable homes; and
A balanced housing market

Benefits for government

The challenges faced by rural areas are recognised by Government through the acknowledged need to ‘rural proof’ policies in order to ameliorate these problems.

"In England 9.8 million people (19% of the population) live in rural areas. Virtually all policies impact upon rural communities. Rural proofing helps achieve good economic, environmental and social solutions that contribute to growth. The government wants to ensure rural areas get a fair deal from all government policy.” (DEFRA 2013)

Enabling Councils to control second homes and holiday lets in rural areas will contribute to meeting these aims.

Increasing levels of affordable housing in Cornwall will benefit the Government as overall national affordable housing aspirations are more likely to be met. As one of the largest single tier authorities in the country, Cornwall would work very well as a pilot for this due to the potential scale of affordable housing delivery.

Operation of the single investment fund - Scaling investment fund resources

The 10 year Housing Investment Fund will generate a return on investment from some funding streams, maximising its impact. It would be created through:

- HCA investment strand £ 167m
- Cornwall Council’s housing investment £ 38m
- Sustainable Communities levy £ 65m
- Stamp duty\(^{12}\) £ 30m

**Total investment** £ 300m

**Enhanced Affordable housing delivery** 12,000

The £167m above is made up of national investment strands as follows:

- £80 million for help to buy – 2,000 open market homes \(^{1}\)
- £20 million affordable help to buy – 1,000 deposits for first time buyers of low cost homes \(^{2}\) £62 million affordable homes to rent – 2,500 \(^{3}\)
- £5 million vulnerable groups – 100 supported homes \(^{4}\)

1. Based on current trajectories of take up in Cornwall 200 homes per annum with an average deposit of £40,000.
2. A proposed new product in Cornwall to boost affordable home ownership by assisting low income first time buyers where homes are sold at a

\(^{12}\) Assumed at 10% of uplift (see page
reduced discount through the planning system. Assumed to be a £20,000 deposit requirement for 100 homes per annum
3. Based on current allocations in the 2015-18 programme of £20 million and assuming an average grant rate of £25,000 per home.
4. Based on indicative allocations made through supported housing and care funds with an average grant rate of £50,000 per home

In order to support the creation and ongoing governance and administration of the single investment fund we would be seeking to take on the appropriate administration resources/costs to enable this to be a cost neutral proposition.

**Governance**

The Council delivers its current housing responsibilities through, primarily, the Cabinet, Cornwall Housing Limited (its wholly owned ALMO) and through the development control function in relation to housing development proposals. Those functions will continue under the existing arrangements, save to the extent necessary to refine and integrate them, so far as possible, with the proposals articulated in this paper.

There are a number of strands of the ask which will be capable of delivery through the Council’s existing governance structure albeit we are going to have to assess the placing of both Member and officer resource to ensure they are aligned to what we are seeking to achieve, should the ask be acceded to.

If granted the ask, the Council would establish a Housing Investment Board and be the accountable body for that Board.

The Board would oversee and manage the investment of national housing funding streams alongside local investments of capital and housing land, with the principal objective of boosting affordable housing and local needs delivery. The holding of land will need to be considered in the context of the Property element of the Case for Cornwall and the model taken forward for holding public land.

Although the precise legal status of the Board is yet to be settled an obvious option is the Board being a committee of the Council, akin to the arrangements for the Health and Wellbeing Board. Membership of the Board will include key partners with a direct interest and commitment to housing delivery including the Cornwall Housing Partnership (Registered Provider partners), the Private Sector Developers’ Forum and the Homes and Communities Agency. The Board would be empowered to approve schemes for HCA investment up to agreed limits. It is anticipated that HCA investment levels are committed for a 10 year period to create certainty and address the long lead in to the delivery of critical sites and infrastructure.

The Board will draw on the work of the public estates group and provide an opportunity for public sector land to be drawn through the Board and aligned with investment streams. There would be a necessary expectation that Government and HCA representatives would promote public sector land being re-invested through the Board and that land receipts are taken on a deferred basis to promote viability and be re-invested.
The Board will develop a business plan which will in turn align with the delivery priorities of the Council and key partners as expressed through the Strategic Economic Plan, Local Plan and the Council’s Strategy and Business Plan.

The Council will also strive wherever possible to match the HCA’s investment which may be financed from a range of sources including deferred land receipts, RTB receipts, the Registered Provider capital investment programme and HRA headroom. The possibility of this being supported with revolving loan finance will be explored if there is a business case and appetite for it.

In the medium term, the Council also seeks to develop an enhanced role to promote local supply chain improvements and initiatives to promote the development of construction skills. It would also wish to explore taking on a role in relation to private sector investment programmes led by the HCA, including grant for private sector partners and capacity funding.

The Council recognises that, in relation to the element of the ask relating to CPO powers, this is not straightforward but at the same time there is the potential for greater public benefit from the use of CPO powers. It is also acknowledged that the Council could seek to increase its use of CPO powers as they currently exist but with that comes significant delay and the risk of abortive cost, both of which counter the notion of providing more housing quickly. A simplification of the CPO process for housing purposes would ease the impact of these issues.
APPENDIX 1

Site: Tolgus Urban Extension
Site area: 24.7 hectares
Type: Greenfield
Capacity: Approximately 650 dwellings; 3,000sqm employment space

Site Characteristics
- Located on the edge of Redruth, an area of multiple deprivation
- Within walking distance of town centre & adjacent to secondary school
- Adjacent to the World Heritage Site (WHS)
- Identified by Cornwall Council as the most appropriate location for strategic growth, but
- Need to address existing ‘bypass’ as a barrier between the site and rest of town

Delivery Constraints
- Housing sales values amongst the lowest in Cornwall
- Build costs in the area are amongst the highest in Cornwall, due to:
  - Significant land remediation costs, associated with mining legacy
  - Underground mine workings means drainage through infiltration not allowed, so more expansion SUDS scheme required
  - Prominent location requires quality design
  - Presence of Japanese Knotweed on site
  - Relatively large scale of development increases financing cost
- High affordable housing need
- Most significantly, the cost of delivering the necessary road improvements

Way Forward
- Council worked with developer to prepare a masterplan
- Council and Developer joint funded design solution for main road, to overcome disaggregation of site from rest of town (Costed at £5m). Project also delivers better entrance to town (a long standing Town Council priority)
- Developer secured hybrid permission – outline for the housing and detailed for road improvements (application received support of local member & Town Council)
- Developer providing £1.6m to road project; Council secured remainder through Growth Deal
- Grant funding for road enables at least 20% affordable housing on site
- Start on site Autumn 2015
APPENDIX 2

Site & area: Maynes Site, Dudnance Lane, Pool. 1.6 hectares

Previous use: Extensive industrial mining and mine processing activity

Type: Brownfield, urban

Capacity: Approximately 80 dwellings

Landowner: HCA

Site Characteristics

- Prominent in public realm
- Central in Camborne, Pool, Redruth area for regeneration
- Close to local facilities and employment
- Redundant and overgrown site
- Mining heritage, within World Heritage Site (WHS)

Delivery Constraints

- Low land values
- Suitable access only achievable across 3rd party land – associated costs (minimum £250,000)
- Land stabilisation and de-contamination costs (minimum £765,000)
- Invasive species removal costs
- Restrictive covenants and need to retain mine shafts for ventilation
- Drainage constraints due to underground services – associated costs
- Protected species habitats, including bats on site.
- High build costs due to need for quality design and materials in prominent WHS location
APPENDIX 3

Housing Investment Plan 2012-2016

The Council’s existing commitment to housing delivery is set out in the Housing Investment Plan (HIP)

The housing investment plan was initially adopted by Full Council in February 2012 as part of the budget setting process. It reflected the need to develop a medium term strategy for our housing investment and had a number of distinct elements including a grant funding programme invested over 10 years through registered providers, a Cornwall Land Initiative and the HRA Council housing programme.

The HIP recognised that making housing work in Cornwall isn’t just about providing new homes of the right size and type but also recognised the need to make the best use of our existing housing stock. It supported a range of projects divided into new affordable housing opportunities and improving our housing resource.

The programme included the following initiatives to improve the quality and suitability of the existing stock;

- Transforming adaptations- an integrated approach, maximising the efficiency and effectiveness of disabled facilities grants.
- Empty Properties Project – a revolving loan of £1m has been used to bring over 60 long term empty properties back into use at no cost to the Council
- Insulating Park homes—£500k was invested in improving the thermal envelope of off grid park homes to improve health and reduce fuel poverty. 67 Park homes received insulation measures and 5 Gypsy/Traveller homes replaced. 50% of the funding is an interest free loan.

The new build delivery part of the programme was divided into a number of initiatives. To date the Council has invested over £25m in new homes and has a further £11.4m planned up to 2019. The initiatives include;

- Cornwall Land Initiative
- Registered Providers Joint Commissioning Programme
- Cornwall Community Land Trust
- Council New build

Cornwall Land Initiative

This is a joint venture arrangement with the private sector using Council land as the asset. This Joint venture will recycle land receipts into new homes; the ambition is to deliver at least 319 new homes over 5 years. The first scheme is due to be in site in Autumn 2015. A full briefing note is available on request.
Registered Provider Joint Commissioning

This is a highly successful programme that complements the HCA grant funding for registered providers. The partners are contractually committed to deliver a programme of completed homes for a specified sum and they take the risk of spreading costs and value. The grant rate is £20,000 per home.

The HIP commits the Council to over £45m investment into this programme over the period 2012 to 2021/22.

The first four year period of the RP programme is due to end in April 2016. It has been highly successful. The Council is now procuring the delivery of over 1,000 affordable homes annually with delivery rates which are second highest in the country.

To date the programme has delivered 1,093 affordable homes, the Council is investing a further £3.8 million pa (£11.4 m) over the next three years up until 2018-19 topped up with some commuted sums to deliver a further 736 homes.

Community Land Trusts

Cornwall has delivered a high proportion of all the community land trust projects completed nationally.

The Council supports revolving loan finance which can be drawn down by CLT groups as gap funding to support delivery prior to retail lending being secured.

The HIP earmarks £2m pa which is available for Community Land Trusts in Cornwall. Just under £2m has been invested to date in the delivery of new affordable homes.

Council New Build

The Council currently has a modest new build programme delivered through its ALMO, Cornwall Housing Limited. This is a £20m investment programme delivering 188 new affordable funded from the Housing Revenue Account.
APPENDIX 4

Cornwall’s Housing Development Programme

Context
The Corporate Strategy and Business Plan 2015-2019 set out the Council’s ambition to increasing the number of affordable homes in Cornwall through developing a new approach.

It states

The Housing Development Programme is the delivery mechanism for that outcome.

The Vison and Objectives for the programme have corporate approval and have cross-party political support.

A copy of the vision and objectives are attached to this note.

The ambition is for the Council to deliver 500 properties per annum by 2020/21. The programme represents an investment by the Council of £240m+ by 2020/21.

Governance
The project has strong governance. As a corporate project it is monitored through both Directorate and Corporate leadership teams. The project is managed by a Board, chaired by the Corporate Director which includes senior Officer and Cabinet membership.

The programme is divided into a number of work streams, led by a specialist:

- Sites working group
- Business Development Appraisal and Project funding
- Land Purchase and Assembly
- Procurement and Product Specification
- Establishing Trading and Management Company

The work streams are held to account by the Board to whom they report.

Proof of Concept
To deliver the programme the first phase involves the proof of concept. This phase includes the financial modelling of the whole programme and for specific sites; establishing a delivery model through a trading arm to allow management of the stock; market engagement to ascertain what the market solutions might be and to establish unit cost; and the development of pilot sites.
The Council’s Investment Board has approved funding of up to £500,000 to develop the concept and full business case, as well as progressing the pilot sites through to development stage.

**Pilot Sites**

The Council have worked in partnership with the Homes and Communities Agency to identify 2 sites to be acquired by the Council which are suitable for the programme.

Negotiations are advanced and formal approval for the site acquisition will be presented to the Council’s Cabinet on 8 July 2015. Informal Member briefings have already been undertaken and cross party political support gained.

The 2 initial pilot sites will deliver approximately 195 new homes; the development programme requires these schemes to be on site in 2016/17.

In addition, the sites team are also progressing sites for planning approval that are already in Council ownership to provide a pipeline of future development ready sites for the programme.

**Tenure split**

In 2014 the Council commissioned Savills to review the rental sector in Cornwall and to test viability on 2 sites. The initial findings in February 2015 indicate a 50/50 affordable housing/private tenure split would be achievable and viable. Further site specific work will be commissioned this year.

Within the programme as a whole there will be the opportunity to deliver a range of affordable and market products based on the needs of the area to which the development relates including:

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<td>Affordable rent</td>
<td>Market rent</td>
</tr>
<tr>
<td>Affordable sale</td>
<td>Market sale incl. starter homes</td>
</tr>
<tr>
<td>Help to Buy</td>
<td>Custom build/self build</td>
</tr>
<tr>
<td>Rent to buy</td>
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</tbody>
</table>

Financial modelling of each site will establish the scheme viability and housing offer.
Vision Statement & Key Objectives
Housing Development Programme
March 2015

Vision
To be a landlord of choice and to build high quality affordable homes that meet our community’s needs. To provide a long term model that offers security for those in the rented sector, whilst providing a long term and sustainable investment for the Council.

Key objectives
1. Increase supply (more homes)
   - To increase the overall supply of homes in Cornwall
   - To balance the current supply of new homes, with a particular focus on more homes for rent in areas of high demand
   - To make use of public sector land in suitable locations and to bring forward the delivery of sites that might not have otherwise come forward
   - To make use of existing Cornwall Housing sites including regeneration and redevelopment opportunities

2. Improve quality and choice (Better quality homes)
   - A greater range of choice for local people to meet a range of housing needs, especially those unable to buy a home but not prioritised for affordable homes
   - Energy efficient homes that are cost effective to heat
   - Homes that are designed to promote the health, wellbeing and quality of life aspirations of local residents
   - Flexible homes that can be adapted to meet changing needs
   - High quality homes that are locally distinctive

3. Support local communities and the economy (long term investment in homes where the benefits are captured locally)
   - A commitment to providing properties for long term rent to support secure and thriving communities
   - Providing housing that is supported by the community
   - To work with the construction industry to explore ways to improve the supply chain and to promote innovation where this can lead to improved outcomes
   - Economic benefits captured locally (i.e. Local labour schemes, use of local SME contractors and apprenticeship/training schemes)

4. Prove a financially sustainable model that provides a return to the Council that justifies the risk and borrowing costs
   - Provide an ongoing development programme that is based on a sustainable business model and provides a secure investment for the Council
   - To demonstrate to the private sector that good quality development can be delivered profitably
Planning

Cornwall wants to create a proactive, responsive planning system that reduces bureaucracy, stimulates economic growth, and inspires confidence, creating sustainable development in Cornwall, that balances our environmental, social and economic needs.

The issues

National Policy Framework

The current Planning system is centralised around the National Planning Policy Framework and associated planning practice guidance notes.

Cornwall has a number of characteristics which means that the NPPF has a poor fit, these include:

- Cornwall has a **settlement pattern** and inter-relationship between places that does not reflect a normal hierarchy approach to settlements reflected in national planning policy.
- The associated **road network**, traffic demand and transport infrastructure are dispersed and this is not easily recognised in current national planning policy.
- There is high **affordable housing** need; the planning system needs to be responsive to all opportunities to assist in the delivery of affordable homes.

Local regulation for growth

Whist the Council as Local Planning Authority has a strong track record of delivery, the planning system is perceived as a hurdle to delivery and adds uncertainty and cost to investors, whether they are an individual investing in an extension to their home or major investors growing their business in Cornwall.

We are keen to pilot a range of local regulation proposals.

A strategic infrastructure partnership

The relationship between new development and the capacity of infrastructure, in all its forms; traffic; sewage; energy; schools; health care, etc. is a crucial issue. It is a double-edged sword:

- development can be perceived as an excessive burden on infrastructure; and
- economic investment can be discouraged through a perceived inadequacy of the infrastructure.

While this is not unique to Cornwall, our geography provides limited options for cross-border funding and can exacerbate many issues.
However, we are often reactive to infrastructure planning and not proactive. A more proactive and longer term mechanism is needed to optimise a wider social and economic strategy for Cornwall.

Deliverability is dependent on significant levels of funding that comes from a wide range of sources; government agencies; grants; funding regimes; individual providers. These are seldom effectively co-ordinated or prioritised for maximum benefit.

In addition, different organisations, interests and infrastructure providers can have varying and sometimes conflicting priorities and complex decision-making processes.

Timely delivery of infrastructure is essential for continued social and economic growth. Delays in approvals, lead in times and lack of strategic prioritisation are all potential deterrents to investment and can result in missed opportunities for Cornwall.

Without a change to the existing partnership based mechanisms Cornwall will not make a quantum change to the infrastructure delivery it needs.

**The ask**

- Allow Cornwall to establish its own Local Planning Practice Guidance Notes to accompany the existing National Planning Policy Framework

- Pilot a range of local regulation proposals including
  - Creating a single permit approach to householder extensions
  - New controls on second homes
  - Local Fee setting
  - Local validation requirements
  - Local control of Permitted Development Rights

- The establishment of a mandatory strategic infrastructure partnership for Cornwall

**A. Establish Cornwall planning practice guidance notes**

Cornwall wants to work within the context of the National Planning Policy Framework. Cornwall wishes to define sustainability in a Cornish context by establishing its own Planning Practice Guidance Notes to accompany the existing National Planning Policy Framework. The revised Cornwall Guidance Notes will amongst other things:

1. Interpret sustainable development to reflect Cornwall’s sense of place, unique culture and inter related settlement pattern.
2. Respond to our unique housing market by establishing our own definition of affordable housing, affordable housing thresholds and a locally appropriate methodology for agreeing development viability.

3. Address a key area of concern which is how the existing NPPF and its guidance note prevent affordable housing delivery in Cornwall. The accompanying affordable housing paper (Appendix 1) sets out how the proposed revisions enable Cornwall to meet its housing needs.

4. Address the definition of "Rural Area" in Cornwall which needs to be revisited to allow rural areas currently excluded to be incorporated; this will assist in achieving more appropriate Community contributions thresholds to be applied. The area to which the lower threshold applies should be set by the Council in conjunction with key stakeholders, and be fit for purpose.

5. Define our own criteria for establishing a five year land supply to ensure that the extent of existing permissions and the limitations of some settlements for further housing are recognised when establishing the need to provide housing sites.

6. Establish an appropriate balance between economic growth, development and the environment.

7. Establish a Cornwall methodology for defining severe highway impacts, reflecting our unique road hierarchy and road interrelationships. The test of severity for highway impacts should be locally established.

8. Establish our own standards for new dwellings, reflecting Cornwall’s demographics, need for accessibility and desire to raise the quality of building fabric in respect of the thermal envelope.

9. Agricultural land classification – make the sequential test more robust and also create a link between agricultural land classification to landscape value.

10. Planning Enforcement – 4 year and 10 year limitations would not apply in sparsely populated rural areas; this will reduce the hope value of potential offenders and install greater confidence in the planning system by local communities.

11. Definitions of second homes, holiday lets, residential units and winter lets would be clarified in the accompanying guidance, working hand in hand with the proposed revised regulation on their control.

12. New guidance allowing tighter restoration standards for active and former quarries, enhancing the quality of the landscape for wider community benefit.
13. Include a “positive enhancement” requirement in AONBs, replacing conserve, which leads to inactivity and negativity.

14. Guidance to be revised in relation to pooled contributions for planning obligations; these would be split by specific project. E.g. a single school could have different projects to cater for different types of impact. Five pooled contributions per project should be allowed rather than five projects in total for the school. This would allow more community benefits to be achieved.

15. Guidance on the interpretation of the Prior Notification Process for barn conversions to dwellings should be made locally in Cornwall.

16. Definition of previously developed land changed to only include those areas that have previously benefited from planning permission. For example most harbours in Cornwall pre-date the planning system and are classed as brownfield land, which can be at odds with the need to protect the World Heritage Site.

17. Cornwall has an extensive coastline. In order to be consistent and give certainty over future planning decisions all Cornish coastal areas at risk from coastal processes should be assessed against a 100 year lifespan.

Benefits to Cornwall

Cornwall will be able to show local communities that decision-making is responsive to their needs and that policy is defined by Cornwall rather than imposed nationally, confidence in the planning system will grow, and Cornwall will plan more positively for its future.

Benefits to government

Renewed confidence in the planning system will realise considerable benefits in communities planning for themselves creating more housing and more jobs than through the current system which is causing anxiety and public concern, and slowing down progress.

B. Pilot regulation changes in Cornwall

Single building permit

Cornwall would like to pilot a single permit approach for householder planning applications and building regulation approval to reduce bureaucracy and cost, stimulating economic growth.

The Council dealt with 3164 planning applications for extensions to houses in 2014. Over 97% of these were approved.

In addition to gaining planning permission, most proposals also required building regulation approval.
This dual permitting adds time and cost for the homeowner and acts as a deterrent and brake to the construction industry.

The Council has already set up a dedicated business unit dealing with householder planning applications but would like to take a single permit approach to extensions to properties, using a multi skilled team to provide an end to end process from the pre-application design stage to completion on site.

The proposed system will simplify and speed up the process. Whilst most planning applications are determined within 6 weeks, if building regulations approval is sought thereafter a further 5 week delay can ensue. We want to provide streamlined approach that gives certainty to homeowners, agents and builders over a positive outcome, an agreed timescale and fixed cost.

LABC have responded positively to the proposed single permit approach to householder development. Stakeholder engagement with agents and customers has also been positive.

This proposal seeks to give additional choice to the customer over the services they receive from the Council. It would complement the suite of discretionary services the Council already offers, and meet customer demands for a face to face pre-planning application service for householder developments which the Council does not currently provide.

The Council would like to pilot this approach and develop the opportunity for working in partnership over service delivery options.

The Local Government Association conducted a peer review in May 2015 and supported the proposed project

**The proposal for providing an ‘end to end’ service with Planning, through a joint householder application, should be followed up.** The view of the peer team is that this could make an excellent pilot that would put Cornwall Council on the national BC map. Such a pilot could usefully involve Plymouth City Council and Devon Building Control with oversight by CLG.

From our experience in introducing a fast track householder planning service we would envisage a phased roll out, testing the outcome at key milestones.

The draft working proposal is set out at Appendix 2.

**Pilot new controls over second homes**

Establish a separate use class for second homes, to ensure that settlements are better able to meet their housing needs and remain vibrant and vital sustainable communities (see Housing paper).
The proposal echoes that already in place for Houses in Multiple Occupation. Cornwall is keen to act as a pilot for new planning powers that will assist in the local community control of new second homes.

Second homes are not a universal issue across Cornwall. A proportionate and tailored approach to resolve perceived harm needs to be taken.

The distribution of second homes is illustrated below

![Map of second homes in Cornwall](Image)

**Figure 1:** Second homes
(Estimate based on a snapshot from Council tax 2011)

The proposal would require changes to the Planning Act; Town and Country Planning (Use Classes) Order 1987 and the Town and Country Planning (General Permitted Development) Order 1995.

In essence the use of a dwelling as a second home would be permitted development unless an Article 4 was in place, the prerequisite for which would be a strong evidence base backed up with a local policy.

Where communities have identified second homes as an issue in their Neighbourhood Plan, the Council will work with them to introduce an Article 4 Direction to work alongside their Neighbourhood Plan policies to control the future distribution of second homes in their communities.

A proactive policy approach would allow communities to focus any control on areas of highest concentration, where evidence of social and economic issues warrant it.
In order to achieve this, the Council requests that consideration should be given to piloting the following approach:

1. Introduce Section 55 [3A] to the Town and Country Planning Act 1990, as amended, that states

“For the avoidance of doubt the change in use of a dwelling in use as a sole or main residence to a dwelling not in use as a sole or main residence involves a material change in use of that dwelling.”

2. Provide an amendment to the Town and Country Planning (Use Classes) Order 1987, as amended, to:
   
   a) Amend Class C3 to remove the words “whether or not in use a sole or main residence” and replace it with “in use as a sole or main residence”.
   
   b) Establish a new classification (“C5”) for dwellings not in use as a sole or main residence.

3. Provide an amendment to the Town and Country Planning (General Permitted Development) Order 1995, as amended, to
   
   a) Allow the permitted change from Class C5 to C3, unless planning conditions otherwise restrict the C5 use as a sole or main residence.
   
   b) Introduce a simplified procedure for Certificates of Lawfulness to establish existing C5 uses on an effective date, with a twelve month transitional period for such applications.

A proactive policy approach would seek to focus any control in areas of the highest concentrations where socio-economic issues warrant it and where a neighbourhood planning policy exists.

**Local fee setting**

Allow local fee setting to ensure that the development management system can be self-sufficient in funding and also safeguard the input of associated technical advisors such as those within environment and environmental protection services.

The previous work undertaken on costs with the Planning Advisory Service and CIPFA indicated that we provide a value for money service. However, to improve the speed at which decisions can be made, widening the scope of the fees to cover a one stop shop approach to in-house advice would be beneficial to businesses, giving greater certainty over outcomes, timescales and cost.
In addition the current fee exemptions for applications in areas covered by Article 4 directions place a burden on the local community. The current fee exemptions divert resources from fee earning work. Exempt work provides individual benefit to the applicant; Cornwall would like to see changes to the fee regulations to allow local fee setting to cover exempt work.

**Pilot revised local validation requirements**

Validation rates for planning applications on initial submission are low; between 01/04/14 and 31/03/15 33% of applications were invalid.

Validation requirements need to be proportionate and reasonable without being a burden, they need to ensure that adequate information is made available to make a judgement on the application.

Allow Cornwall to establish its own validation procedures reflecting our local circumstances.

**Local control of Permitted Development Rights**

Allow Cornwall locally to align Permitted Development to the needs of Cornwall’s communities and allow a direct connection between Neighbourhood Plan policies and Permitted Development for example through the use of the proposed powers for second homes.

**Speed up and prevent abuse of planning enforcement powers.**

The existing planning enforcement guidance and regulations favour those who choose to work outside the planning regulations, and this undermines community confidence in the planning system. Without effective enforcement why have policy and development management?

Cornwall would like to explore how planning enforcement powers might be enhanced especially in cases where there are clear, blatant breaches of planning control.

For landlord or substandard private sector housing the Council have changed its approach to one of zero tolerance, we would like to pilot a similar approach for planning.

The existing policy guidance revision requests a change to enforcement guidance to reflect the rural character of Cornwall. The proposal that 4 year and 10 year limitations would not apply in sparsely populated rural areas; this will reduce the hope value of potential offenders and install greater confidence in the planning system by local communities.

**Benefits for Cornwall**

Growth in the local the construction industry, which is characterised by small and medium sized businesses, through local regulation.
Consumers in Cornwall having greater confidence in the process, single permits providing a boost to the local supply chain and to consumer confidence.

The benefits of a solution to the issue of second homes would be:
- Retaining and supporting local facilities such as schools, shops and community facilities;
- Ensuring sustainable communities;
- Assisting the housing needs of the area.
- A reduced burden to supply affordable homes.
- A balanced housing market

Local regulation and revised controls would assist in building confidence from communities in a robust, transparent and open planning system that addressed local issues at a local level, with clear accountability, responsibility and fiscal control.

**Benefits for government**

Pilots that can be rolled out in other areas nationally with clear economic benefits to the local, regional and national economy from growth in the construction sector.

Inspiring confidence in a model of planning delivery that is self-financing.

The challenges faced by rural areas are recognised by Government through the acknowledged need to ‘rural proof’ policies in order to ameliorate these problems.

“In England 9.8 million people (19% of the population) live in rural areas. Virtually all policies impact upon rural communities. Rural proofing helps achieve good economic, environmental and social solutions that contribute to growth. The government wants to ensure rural areas get a fair deal from all government policy.”

(DEFRA 2013)

Enabling Councils to control second homes and holiday lets in rural areas will contribute to meeting these aims.

Increasing levels of affordable housing in Cornwall will benefit the Government as overall national affordable housing aspirations are more likely to be met. As one of the largest single tier authorities in the country, Cornwall would work very well as a pilot for this due to the potential scale of affordable housing delivery.

**C. A Strategic infrastructure partnership**

Establish **mandatory partnership arrangements** to co-ordinate infrastructure planning and delivery mechanisms across Cornwall.
We want to add weight to existing freedoms to establish partnership arrangements to help co-ordinate infrastructure planning and delivery through powers to enforce a strategic plan and agreed priorities for infrastructure.

The purpose of this proposal is to align the investment priorities of infrastructure providers to best serve the development opportunities for Cornwall. Key stakeholders and proposed participants include:

- SWW
- Environment Agency
- Highways Agency
- LEP
- Health Sector
- Cornwall Council
- Local Nature Partnership

Engagement with infrastructure providers is yet to commence but will be an important part of taking this forward.

This proposal could be achieved in a number of different ways including:

Option 1 - Devolution of powers to establish strategic land use and infrastructure plans and ability to hold infrastructure providers to account against these.

Option 2 - Government to direct utility and other infrastructure providers to collaborate with Cornwall Council to agree an infrastructure programme and be scrutinised on this.

Option 3 - Empower a Local Board with a scrutiny role to assess major programmes and projects by utilities and other infrastructure providers and provide a moderated overview on behalf of its partner bodies. In addition it could oversee governance, delivery of capital, assessment of value for money, affordability, and alternative finances.

Benefits for Cornwall

These options provide a sliding scale of certainty towards a single governing organisation co-ordinating, prioritising and implementing infrastructure in Cornwall. This would give greater certainty and ability to effectively target priorities.

Through this joining up of interdependent issues and agencies and greater funding clarity Cornwall could further develop aspirations for greater self-sufficiency and resilience, secure opportunities and overcome a range of challenges.

Benefits for government

This provides a more streamlined process allowing targeted funding, making more of less. This fits a rural model and unique geography poorly suited to National regimes routed in a localism.
Cornwall’s scale enables this and its geography is pre-disposed to operate in this way. The model has few additional interdependencies and can operate on the same geography as the Local Enterprise Partnership.

Considerations
These are significant changes to primary legislation.

An arm’s length board can be more efficient but can also reduce democratic accountability.

Pooling of funding carries the risk of review and an overall decline in net investment. In many instances devolution of assets may create liabilities rather than assets.

 Freedoms exist to carry out partnership working. This is already done but would benefit from better co-ordination and status within the Council. Examples of this have included; Cornwall’s Consortium for Change that submitted The Cornwall Prospectus to Government, it is a partnership group of key bodies; Local Enterprise Partnership; Clinical Commissioning Board; Health & Wellbeing Board; Local Nature Partnership; Voluntary, Community Sector & Social Enterprise Board. In addition a number of groups exist that consist of key infrastructure and utility providers.

Underlying all of this is the necessity for a shared and robust long term strategy as a basis for a proactive approach to infrastructure delivery.

A more workable solution, as a pre-cursor to future ambitions for devolution could be a single strategic long term plan for Cornwall developed through stronger partnership arrangements and use of existing powers to run a ‘development company’ style arrangements to deliver specific investments.

Overall benefits to Cornwall:

- Ensure that the planning system supports the wider ambitions of Cornwall
- Ensure that development supports the needs of local families and individuals
- Ensure that we can support the sustainability and vibrancy of local communities
- Increased economic growth and local support through renewed confidence in the planning system

Overall Benefits to government:

- Significant contribution to national affordable housing aspirations
- Potential to use Cornwall as pilot for further devolution and reduced regulatory burdens.
• Economic growth.
• Cost neutral.

**Governance**

The Council’s current governance arrangements provide a robust and credible framework within which the majority of the proposals touched upon in this paper could be operated. We have a planning function supported by other professional disciplines, including the in-house Legal Service, and mature democratic arrangements through which the elected Members are involved in the planning sphere. The Members involvement in the LPA function is primarily through its Strategic Planning Committee and the three Sub-Area Planning Committees (West, Mid and East).

The need for legislative change has been highlighted elsewhere in the paper.

As elements of the proposals articulated above are developed, it will be necessary to review any changes that are required to the Council’s current governance arrangements. We will need to ensure that the arrangements are transparent and effective and that there continues to be an appropriate separation of responsibilities, such as between policy maker and the development control function.

The costs associated with the operation and administration of the proposed strategic infrastructure partnership would be split on a proportionate basis although the Council would be well-placed to provide the secretariat. Necessarily we would need to formalise this arrangement through a ‘partnership’ agreement or some other mechanism to ensure that all participants and other interested parties are clear on responsibilities and expectations. It is envisaged that the partnership board would not be a committee of the Council. We also need to ensure that the arrangement is structured in such a way as to avoid any legitimate challenges based on any perceived tension with the Council’s discharge of its Local Planning Authority functions.
Appendix 1

Making the NPPF work for Cornwall

Affordable Housing

The Cornwall Local Plan hearing started in May 2015; the inspector has published his preliminary findings on 11 June 2015.

The inspector has suggested that further work be undertaken on the plan; the Council are currently considering that request. Within the work undertaken to date there are some key issues that are pertinent to the accompanying work on the Case for Cornwall.

In terms of housing requirements the Inspector has identified affordable housing and second homes as local factors that create specific issues for Cornwall to resolve. The approach of the inspector is limited by the NPPF. By providing the opportunity for Cornwall to have its own guidance notes we would be able to achieve more housing delivery.

The need

In terms of affordability Cornwall remains “significantly above the regional and national figures……the picture is a worsening trend and a position significantly worse than the regional and national averages”.

For the Cornwall Plan period (2010 to 2030) the total affordable housing need is 30,912 households. Taking into account the backlog element of need, the inspector concluded that there is a need to deliver 2,240 affordable homes per annum. There is a substantial gap between delivery and need.

Because of viability issues particular to Cornwall delivery remains difficult. A simple uplift in overall delivery figures would not necessarily solve the problem. **Cornwall must maximise every opportunity for delivery.**

Examples of opportunities lost

- Thresholds for the delivery of affordable housing
- Definition of Rural areas

Thresholds

Cornwall in setting local guidance for the NPPF would wish to reduce the threshold for affordable housing delivery to 2 dwellings. The NPPF fails to recognise the importance of these small scale sites in Cornwall.

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2 See para 3.12 of the Inspectors preliminary findings
Small sites are an important source of housing in rural area within Cornwall. Of the 15,520 commitments as at 31st March 2013, over a quarter, 4104 (26%) were on sites of less than 10 units.

Our evidence is that whilst Cornwall has for a number of years maintained consistently low site thresholds, we have not prevented or deterred delivery prior to the introduction of the new national thresholds.

Local policy guidance would help address our recognised acute affordable housing need.

Rural areas

The AONB and rural parishes’ designation cover a substantial part of Cornwall.

‘Rural areas’ are designated by section 157(1) of the Housing Act 1985. Cornwall has significant coverage, but there are some anomalies which are illogical. Examples such as Feock, one of the government’s pilots for the Local Development Framework, distinctly rural in its characteristics yet not classified as such in the Housing Act.

The map below shows current coverage.

The Council considers that Cornwall is rural in character and should be defined as such in relation to planning policy.
Appendix 2 - Single building permit

Proposal

Develop a joint application process between Building Control and the Planning Household team.

The offer is intended to widen the choice for applicants but is not mandatory.

The scheme would allow the applicant to make one application and pay just one fee covering both consents and receive electronic consents concurrently. This will make the process quicker and easier for the applicant.

The joint application will be for work that requires both planning and building regulation consent.

Development of the portal through which the application is made will automatically filter the appropriate consent route for the customer.

Stakeholder views

Agents have been consulted informally through a customer focus group and agent’s forums. The consensus was that it was a good idea that would save time, reduce cost and would help them keep their train of thought during the design process.

IDOX Uniform who support our existing back office systems have also been approached informally and through local user groups and have indicated a willingness to help facilitate electronic submission.

Joint solutions

Aligning initial designs to the requirement of both planning and building regulations reduces conflict between the 2 consenting regimes, reduces inefficiency, time and cost within a project. Pre-application engagement realises benefits to the applicant, their agent and the Council.

The Council propose setting up a dedicated multi-disciplinary team that will be able to take a customer from start to finish through the construction process. Adding certainty over the outcome, approval rate targeted at 99%, householders investing in their homes, will be able to progress with confidence, and local builders will be encouraged by certainty over timescales (target 80% approvals in 5 weeks)

An ongoing dialogue from pre application stage to completion with the same officer will build confidence and trust into the system. It will demonstrate how regulation supports the growth of our small scale construction business sector.
Employment and skills

“Greater growth occurs when regions are able to mobilise their own local assets and resources, rather than depending on support from the national government.”

We would like to work with Government to support our drive to boost productivity, by addressing the twin key local issues of underemployment and economic inactivity. Specifically we would like additional freedoms and flexibilities to deliver local solutions to the delivery of business and employment skills, and skills for complex dependency, plus devolved funding for initiatives such as the Apprenticeship Grant for Employers.

These aspirations would be achieved through increased local involvement in investment and design in employment and skills, enabling much more focussed alignment of that investment with locally identified skills needs. Crucially, it would use local knowledge of the business, employment and skills landscape to avoid duplication of provision, whilst ensuring what is provided is both high quality and addresses the needs of industry.

This is a preliminary submission, which has been based on an initial round of consultation with our partners and key stakeholders (see the table of consultees). Further detail will be provided as more detailed consultations take place.

Overview

Cornwall and the IoS have a unique set of challenges and skills gaps and we want to work closely with our local partners and central government to co-design and deliver an ambitious employment and skills programme, in order to address them. We have a well-established, mature, cross sector partnership of employers and stakeholders, who have worked together to administer and deliver employment and skills interventions over the past 25 years. Our partnership can thus draw on a wealth of experience, building on interventions and approaches to tackling employment and skills issues that we know have worked well in the past.

Our asks

Aks for freedoms and flexibilities
Where there are national or regional initiatives that impact on Cornwall, we would like to be mandatory consultees or otherwise be directly involved in the formulation of any such initiatives. We would then want to be involved in all stages of development and delivery. This approach will ensure that the Cornwall context is properly understood, represented and catered for.

Aks for Devolved Funding
Where there are no obvious alternatives, Cornwall Council would be the first choice to be the accountable body for devolved funding. However, we would

want to apply the principal of being able to further delegate the accountable body function and the related responsibilities and liabilities to another appropriate body, as outlined in our Governance Principles paper. It is sensible that we seek to share the associated responsibilities and risks across the public sector in Cornwall.

Governance

The Council is eager to build on the successful arrangements that are already in place relating to this ask. However, we are also keen to explore alternative delivery mechanisms where appropriate and there is a demonstrable benefit in moving away from established arrangements. With that in mind it is suggested that the programme would be managed through the LEP’s key subgroup, the Employment and Skills Board (ESB) with the Council remaining as accountable body for the LEP. This approach would see the existing governance arrangements, which are compliant with the legislative framework, being used.

Rather than establish separate committees or boards the Council would first want to explore the alignment of responsibilities to its own Cabinet or the ESB, recognising that this may require legislative and organisational change and that accountability is clear.

In relation to devolved funding, and particularly the management and administration of the Apprenticeship Grant for Employers, the Council needs to formulate governance proposals following further dialogue with stakeholders. However, it may be appropriate for oversight and a supervisory role to sit with the ESB with the Council as accountable body.

The programme

The proposed programme is consistent with the strategic aims of the Cornwall and Isles of Scilly LEP and its key subgroup, the Employment and Skills Board. The ESB’s strategy for Cornwall and IoS, which has the full support of local employers, providers and public sector stakeholders, contains five key Strategic Objectives (SOs), which provide the framework for our specific Asks, as follows:

**Strategic objective 1: Create an aspirational and innovative employment and enterprise culture**

Cornwall would like to achieve:

- Greater local influence over the design of future national programmes that support the development of an enterprise culture in Cornwall, for example Phase 2 of the Enterprise Advisors Programme
- Freedoms and flexibility to pilot initiatives to ensure that the workforce has appropriate skills and capacity to deliver on public sector reforms, such as integration of health and social care
- Flexibility to co-design programmes promoting aspiration and cultural growth such as the National Citizen Service
- Greater freedom to support young people across system frameworks, from work experience, traineeships, apprenticeships and graduate placements, to
combine the strengths of employers, schools and other providers so that young people are fully prepared to enter and help drive our future economy

**Strategic objective 2: Improve Skills and boost employment in growing global markets**

Cornwall would like

- To co-design, with our partners in the LEP and providers, targeted employment and skills programmes around major inward investment/growth opportunities to anticipate and exploit opportunities for new markets, alongside targeted support for re-skilling as a result of business closures/redundancies.
- To work with the Skills Funding Agency to secure flexibility in funding models to support providers with in-year programme growth.
- Business support: Cornwall would like a more flexible and responsive business support system, in which the LEP has more power to meet the needs of local businesses. We would like to work with government to develop a devolved approach to the delivery of business support, subject to the outcome of future spending reviews. We would work to align national and local business support through the LEP’s Growth Hub, so that businesses get a joined up service which meets their needs.

**Strategic objective 3: Enable those out of work to compete in the labour market by developing the necessary skills**

Cornwall would like:

- To work with the DWP to expand the delivery of local pilots that have been proven to deliver better outcomes for ESA claimants, with a focus on specific cohorts that present unique challenges, for example, LDD/mental health issues.
- To work with government to co-design the next phase of the Work Programme in 2017, to improve its deliverability.
- To work with other agencies to realign boundaries of Job Centre Plus districts, Work Programme contract areas and Skills Funding Agency regions with LEP and unitary authority boundaries.
- To work the Skills Funding Agency, Health and Job Centre Plus to facilitate protocols for data sharing between agencies so that the dynamics within the labour market can be person centred, build on our experience with the Cornwall Council–led Troubled Families programme.

**Strategic objective 4: Increase employer and individual investment in skills**

Cornwall would like:

- To work with our private sector and provider partners to build on the success of local employer-led interventions, such as the Local Response Fund, and the locally funded and managed 2015 Skills Show, which place employers at the centre of the co-design process and helps to ensure continued employer investment in skills.
Devolved Apprenticeship Grant for Employers (AGE) and the apprenticeships development fund, from the Skills Funding Agency to Cornwall. This will allow us to align apprenticeship incentive funding with local economic priorities and increase the number of apprenticeships in growth areas.

To work with key providers, to build on locally driven initiatives such as the Cornwall Apprenticeship Academy, which provide innovative models of delivery to reduce bureaucracy and increase micro-business participation in apprenticeships.

**Strategic objective 5: Improve the quality of and access to information for learners, employers and providers**

Cornwall would like:

- To work with central government to assume greater strategic influence over the direction and funding for Careers Education, Information, Advice and Guidance (CEIAG), and future Enterprise Advisor programmes to ensure greater consistency of delivery and ensure that CEIAG is embedded within Cornwall’s ambitions to raise aspiration and achievement.

Through these we will deliver

- An increase in the skills levels of the existing workforce and those entering the labour market, including young people
- A reduction in the levels of unemployment, particularly amongst the hardest to help and the pressure on the public purse associated with this
- Improving the attainment and job-readiness of the workforce of the future;
- Alignment of local resources and programmes
- Development inclusive partnership arrangements with the business community, providers and other key stakeholders

**Evidence and context**

**Cornwall’s economic underperformance**

Cornwall’s geography, dispersed population and lack of a significant industry base give rise to significant economic underperformance and low productivity: figures for 2013 indicate that capita GDP now stands at 70% of the indexed EU average, which entitles the region to access the highest intervention rate available under EU structural funds.

Prerequisites for the development of a suitably skilled workforce are:

- broad availability of good-quality education as a foundation for future skills
- a close matching of skills supply to business labour market demand
- resilience - enabling workers and enterprises to adjust to changes in technology and markets
- good market information to enable timely preparation for the skills needs of the future.

However, in Cornwall many of these preconditions are absent or poorly developed:
• Educational attainment in Cornwall remains slightly below the UK average at GSCE, although there are signs that Key Stages 1-3 are catching up².
• There is a significant skills gap in the workforce – skills at the lower and higher levels need substantial development to ensure that companies have the ability to grow.

Under employment
Cornwall businesses are mostly small, dispersed and fragmented. Micro businesses account for over 90% of business in Cornwall and levels of self-employment – under the VAT threshold - are consistently higher than the UK average, having grown from 50,000 to 60,000 in 2014 alone³. Employment in Cornwall is largely characterised by low paid jobs, both seasonal and permanent; around 20% of the working population is employed in the traditionally low paid Leisure, Tourism and Care sectors⁴. Overall, whilst unemployment levels in Cornwall are lower than national levels; the principal local problems are associated with underemployment and higher than average levels of economic inactivity in specific groups, such as LDD⁵. The graph below shows how levels of part time work in Cornwall have outdistanced that of the UK over recent years.

![Proportion in employment working part-time](chart)

Source: Cornwall and Isles of Scilly LEP Employment and Skills strategy

Our workforce has a lower than average skills base at level 4
Our evidence shows that whilst we have increased the skills levels of our working population at NVQ4+ (34% in 2013) we are still significantly behind the UK (37%)⁶.

Economic inactivity
Whilst the overall profile of economic inactivity in Cornwall is roughly in line with the National picture, Cornwall’s is concentrated into certain cohorts, including young people and adults with LDD and those with mental health problems.

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² Ibid.
³ [Citation]
⁴ ESIF Evidence Base 2014 (Cornwall Council)
⁵ Ibid.
⁶ Cornwall Council Economic Intelligence Office
• 1% of adults with LD in Cornwall are in employment compared with 7% nationally[1].
• Approximately 1 third of the NEET cohort are those with LDD.
• 7% of adults in Cornwall receiving secondary mental health services are in employment compared to 9% nationally[3]

**Issues: apprenticeships**

**Imbalance in supply and demand**

Currently the highest numbers of apprenticeships are in service provision, such as Retail and Commercial Enterprise, Business, Administration and Law and finally Health, Public services and Care, that are generally not wealth creating. However our key needs are in areas such as marine, agri business, high tech engineering, computing and manufacturing numbers. Whilst engineering numbers have risen, this is still a skills gap area and Cornwall, in common with the UK as a whole, remains a net importer of engineers from outside the UK.

[Graph showing apprenticeships by sector from 2005/06 to 2013/14]

Source: SFA data

**Lower than UK average participation in apprenticeships for young people**

The UK average for participation in apprenticeships for 16-18 year olds is around 8% of each cohort. However in Cornwall, between 2010 and 2013 it was 5%. The following case study explains some of the reasons for this:


Case Study: Cornwall’s micro companies are less able to compete with seasonal work to retain 16-18 apprenticeships

An endemic problem experienced in rural resort economies such as Cornwall, is that small and micro businesses, many of whom work at the margins of profitability, are unable to pay their young apprentices more than the bare minimum wage of £2.68 per hour. This is less than the minimum wage they would receive (£3.79) if they were not on an apprenticeship scheme. But this pay scale pales against the adult minimum wage they would most likely receive working in a seasonal job such as an hotel (£6.50). For most youngsters, the prospect of earning £82 per week - less their travel to work costs – on an apprenticeship scheme, acts as a significant deterrent to taking the apprenticeship route.

Limited number of locally available apprenticeship frameworks
The number of apprenticeship frameworks available in Cornwall is around 80, compared with a UK average of over 250\(^8\). This limitation restricts Cornwall’s population’s career choices, particularly if the learners’ find that they live a long way from the appropriate provision and employer and there is no readily available transport solution.

Benefits of devolution of AGE
Devolution of AGE would afford flexibility to enable Cornwall to adjust the level of grant to employers and, by so doing, encourage uptake of apprenticeships in growth sectors that are required by the economy.

This flexibility would also enable targeted funding to particular geographic areas where apprenticeship uptake is low. This could also be organised around an externally funded sustainable transport model, to give financial support to learners transport costs. Cornwall will be able to pilot innovative AGE delivery mechanisms, the most successful of which could be used as models of best practice for roll out nationally.

Evidence for alignment of boundaries.
The landscape of boundaries, including Local Enterprise Partnership (LEPs), Combined Authorities (CAs), Work Programme areas, Jobcentre Plus Districts and Skills Funding Agency regions, has become extremely complicated\(^9\). Cornwall is signatory or delivery partner on a number of initiatives and contracts that cross these boundaries. Whilst cross-boundary relationships are clearly extremely valuable, their proliferation can lead to overly complicated governance procedures and confused accountability. Specific examples of the complicated landscape are:

- Youth Contract – Devon, Somerset. Cornwall and Bristol
- CIoS Safer Cornwall – Devon & Cornwall Police

\(^8\) Cornwall Apprenticeship in Consultation with Cornwall Chamber
\(^9\) [https://www.local.gov.uk/sites/default/files/documents/realising-talent-new-fram-0b0.pdf](https://www.local.gov.uk/sites/default/files/documents/realising-talent-new-fram-0b0.pdf)
• CIoS Health & Wellbeing Board – Coterminous with CioS LEP
• Cornwall Children’s Trust Board & Cornwall RAAS Board – Cornwall only -not Isles of Scilly
• Plymouth & Peninsula City Deal: Plymouth, Torbay North Devon & Somerset and Cornwall
• Enterprise Adviser network Cornwall and IoS
• JCP – Cornwall, Devon and part of Somerset

Issues: deliverability and accountability

Cornwall can find itself disadvantaged in partnering initiatives and contracts whose targets are set from across boundaries, but where the contract holder might find it easier to deliver the outputs in nearer, more populated counties such as Devon and Somerset, without the necessary local accountability to drive performance.

It is now widely accepted that wider functional economic areas are the most appropriate level at which local economic planning should best take place, with local government as the democratic, accountable body. In this respect, Cornwall’s geography works in its favour as the two most important boundaries, that of the Local Authority and LEP, are coterminous. Thus it would be easier to establish Cornwall-only delivery targets and reporting structures.

Evidence supporting co-design of the work programme, support contracts and Flexible Support Fund to be with DWP

The following extract was taken from a JRF report10:

“Greater local control would enable local government and/or employer-led partnerships to improve the effectiveness of welfare-to-work policy, increase value for money and better adapt mainstream WtoW policies – especially the Work Programme – to local conditions.

“Further devolution could assist in effective local growth strategies, with a pivotal contribution by integrated employment and skills provision ensuring that less well-off residents benefit from the increased employment and wealth associated with economic growth.

“Devolution of WtoW is not a panacea for inadequate resources, but it could improve the coordination, effectiveness and coverage of local service delivery systems.”

Case Study
The Work Programme...
“...can be considered a success for those who are more job ready and in receipt of JSA. However, for those more distanced from the labour market, the programme has been much less successful...

“For claimants of ESA, less than 15%, and in some cases less than 10%, have achieved a sustained job outcome within two years. With the nature of the follow on to the Work Programme currently under consideration, the needs of the most disadvantaged workless need to be addressed if the UK is to achieve Full Employment.”

The key local challenge is to change and improve flexibility of mainstream funding, such as the Work Programme, to meet the education & training needs of our economically inactive cohorts. It is now widely acknowledged that the Work Programme fails those who are a long way from the labour market, which include the cohorts who require increased support in Cornwall, because of its rigidity.

Evidence for devolution of careers education, information, advice and guidance (CEIAG).

Complexity
- Research\textsuperscript{12} shows a need to ensure that careers advice remains relevant, connected to the job market & accurate. Yet the system for delivery of CEIAG appears to be failing its clients, with a highly complex marketplace, with providers offering varying quality and therefore achieving varied outcomes as a result.

Mismatched career aspirations
- We know that there is a significant mismatch between the careers ambitions of young people & projected labour market demand with national research\textsuperscript{13} showing that ‘over half of the career ambitions of teenagers aged 13-14 or 15-16 (52\% in both cases) lie in just three of the 25 broad occupational areas assessed (Culture, Media and Sports occupations; Health professionals; Business, Media and Public Service professionals) and that proportion falls only to 46\% for young people age’.

Quality issues
- The latest Statutory Guidance from the Department for Education\textsuperscript{14} allows for an unqualified and inexperienced individual to deliver CEIAG.
- A thematic Ofsted review of CEIAG\textsuperscript{15} showed just one in five schools were giving information about a sufficiently wide range of career options and only one in three careers guidance interviews sessions being of an acceptable standard. Ofsted also said help for vulnerable young people tended to focus on ensuring support was available post-16, with not enough attention given to offering early on potential career options.

Unresponsive or inflexible provision

\textsuperscript{11} Duncan Melville, Inclusion Chief Economist
\textsuperscript{12} CIB Skills Survey 2013
\textsuperscript{13} http://www.educationandemployers.org/research/nothing-in-common-the-career-aspirations-of-young-britons-mapped-against-projected-labour-market-demand-2010-2020-march-2013/
• Regional contracts do not necessarily remain responsive to the unique needs of Cornwall. Examples include the current contract which is being delivered by the National Careers Service for unemployed people only. However this is much less of a target group in Cornwall than underemployed people over the age of 18, who are not eligible for support under this contract.

Benefits

Benefits to Cornwall
• Greater local democratic accountability for employment and skills.
• Improved economic outcomes for the Cornish economy by increasing the benefits associated with more freedoms and flexibility to deliver on improvements to education and skills.
• Earlier intervention to tackle issues, based on local LMI that is tailored to the particular needs of the workforce, students and the wider population.

Benefits to government
• Reduced pressure on budgets associated with support for those who are furthest from the labour market, though increased employment levels
• Transfer of a higher proportion of the risks associated with transfer of responsibilities for employment and skills from government and government agencies to Cornwall.
• Improved opportunities of access to employment and training
• Alignment of external funding with mainstream to deliver locally tailored programmes will avoid wastage, by improved efficiencies.

Risks
• Poorly designed devolution model might undermine the standard and effectiveness of national services while reducing transparency and central accountability.
• Increased local bureaucracy associated with management, delivery and audit of devolved programmes
• Variety vs Standards. In an area as dispersed as Cornwall, a further challenge concerns the risks of a ‘postcode lottery’. There is a potential tension between the norm of equal treatment and devolving employment services and benefit entitlements. The key issue in, for example, Welfare to Work service delivery, both public and private, is how far variety can be accommodated while ensuring acceptable common standards for eligible participants.

Transformational costs

Whilst the proposal will be cost neutral, we anticipate the need for financial support for Cornwall Council, and some of its partners, in assuming the extra responsibilities associated with this devolution model. These costs would need to cover inevitable increases in resource required at the local level in the delivery of a number of the asks, such as devolution of the AGE grant. In addition, the costs of the legal processes, new management and governance arrangements and back office functions will also need to be considered. The exact cost of these functions will be established as we go forward.
Intermediate Body status for Cornwall and the Isles of Scilly

Summary

Cornwall and the Isles of Scilly are the only Less Developed Region in England, with the highest EU allocation outside London- €603.7m of ERDF and ESF from 2014-2020.

We need to use the maximum flexibility and investment available to us in order to reverse a decline in our GDP per capita and make a stronger contribution to UK economic growth. Delegation of strategic decision-making responsibilities, by creating an 'Intermediate Body' (IB) in Cornwall and Isles of Scilly (C&IoS), will drive higher performance through better local knowledge, support delivery of the Government’s EU simplification agenda and provide a joined up approach to investment leading to higher programme outputs and results. We estimate this will include 500 more jobs created, 400 more businesses assisted and circa 700 more participants in training.

This is possible within the existing EU regulatory framework if UK government choose to do so. It is also cost neutral to DCLG and DWP.

We consider a more joined up and streamlined C&IoS approach essential to mitigate the risk of failing to hit the C&IoS Growth Programme’s performance and spend targets. Failure to hit these targets will result in returning 6% of the programme (up to €36m) to the EU and cause significant reputational damage.

Policy context

The UK Partnership Agreement (PA) sets the right strategic direction and reflects regional disparities caused by differences in industrial structure, unevenly distributed productivity rates and the need to be responsive to local challenges. We agree with Government that the rural economy has a strong potential to contribute to growth and feel well placed to deliver on this. However, the proposed business processes and delivery mechanisms do not adequately reflect the strategic direction and challenges set out in the PA.

C&IoS has been in receipt of EU funding for over 20 years and although progress has been made, we have not closed the output gap with the rest of Europe. The latest data for 2013 shows that C&IoS Per capita GDP is now at 70% of the indexed EU average. The high point for C&IoS was 2003 when per capita GDP equalled 83% of the EU average (down 13 points). This downward trend reflects the relative decline in the UK’s position. UK per capita GDP has fallen back from 123% in 2003 to 109% in 2013 (down 14 points). A centrally driven approach to the delivery of EU funds has not delivered the anticipated growth in the UK.

The current proposals for governance and delivery of the EU programme do not deliver the vision set out by Ministers in response to the Heseltine Report despite strong evidence that empowering regions is key to economic growth and contributes to strong national economic performance.
There is increasing academic consensus that ‘Functional Economic Areas’ grow quicker when they have more influence over the levers of growth and this is already included as part of the Partnership Agreement (PA) evidence base. Specifically the OECD report; ‘How Regions Grow’;

“Although national factors influence regional growth, regional factors in most cases largely determine the regions’ international performance...Greater growth occurs when regions are able to mobilise their own local assets and resources, rather than depending on support from the national government. Regional policies can assist in this task and in this sense regional policies are not a zero sum game...Proximity among the diverse local actors in a regional innovation system may well be a key ingredient.”

The case for greater regional decision making is clear, central to Government economic policy and supported by the private sector. As the only Less Developed Region (LDR) outside the devolved administrations and with the second highest EU allocation in England, C&IoS is uniquely placed to take advantage of extra responsibilities required to drive growth. We have a range of financial and policy flexibility available to us that will be lost if delivery of our 2014-20 programme is through a one size fits all approach delivered from Westminster.

An ITI for Cornwall and the Isles of Scilly was agreed as part of the Cornwall and Isles of Scilly Growth Deal in July 2014 and this has been welcomed at a local level as an opportunity to pull together relevant priority axes from the national ERDF and ESF Operational Programmes to strategically target resources at growth areas in the Less Developed region. However, the current proposed model for governance and delivery, based on a centralised model with no formal devolution, is regarded as sub optimal both to regional partners who want to see real and meaningful devolution occur in a formal way. The mechanism to do this is through the use of ‘Intermediate Bodies’, giving local areas the ability to take responsibility for limited aspects of programme delivery. This accords with the European Commission’s concept of ITI delivery that recognises the optimal growth potential of ITIs where this is combined with responsibility for decision making.

Our status as the only LDR in England means our complex needs are not best articulated and served within a national model. Under previous European programmes from 2000-2013, Cornwall and the Isles of Scilly had their own Operational Programme which allowed strategic decision making at the local level.

**Regulatory Context**

It is clear from the Common Provisions Regulation (CPR) (1303/2013 (17 December 2013)), that designated Managing Authorities (MA) can delegate parts of their functions to an Intermediate Body (IB). The CPR sets out in Article 123:

Designation of authorities
1. Each Member State shall designate, for each operational programme, a national, regional or local public authority or body or a private body as managing authority. The same managing authority may be designated for more than one operational programme.
6. The Member State may designate one or more intermediate bodies to carry out certain tasks of the managing or the certifying authority under the responsibility of that authority. The relevant arrangements between the managing authority or certifying authority and the intermediate bodies shall be formally recorded in writing.

Our interest in the delegation of MA tasks is limited, and relates only to a small element of the MA functions which are set out in Article 125 of the CPR. This relates only to selection of projects. The tasks would be those set out in Article 125 (3) (a)2 which states:

3. As regards the selection of operations, the managing authority shall:
   (a) draw up and, once approved, apply appropriate selection procedures and criteria that:
      (i) ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority;
      (ii) are non-discriminatory and transparent;
      (iii) take into account the general principles set out in Articles 7 and 8;

On this basis, a project application would follow the process set out in Annexe 1; with a clear separation of functions between the IB and MA. Responsibility would be delegated for project selection – the Cornwall and Isles of Scilly ITI Board would not approve any projects not meeting eligibility criteria as assessed by the MA and the MA would not issue any contracts that have not been agreed by the Cornwall and Isles of Scilly ITI Board and Intermediate Body.

This would differ from the current process which sees the ITI Board having a purely advisory role. Our proposal for limited IB would enable a formally delegated role, allowing for local strategic control of the programme, balanced by the risk of challenge from applicants, and the need for robust local selection criteria and procedures.

To this end, it would be appropriate to put through a limited IB with responsibility for selection of projects under Art 125 (3) (a) CPR the total allocation of ERDF and alongside this, any ESF that was not to be put through the national opt-ins if there was to be an IB that did not cover the entirety of the €603.7m allocation to the Less Developed region. In Cornwall and the Isles of Scilly, this would amount to €452.8m ERDF and around €40m ESF.

We see the use of delegated strategic decision making as an important part of the current debate on local economic empowerment as well as a practical solution to getting the programme up and running as quickly as possible.
Our proposal -
Increased economic growth through delegated decision making

Cornwall and the Isles of Scilly are the only Less Developed Region in England, with the highest EU allocation outside London.

We need to use the maximum flexibility and investment available to us in order reverse a decline in our GDP per capita. Delegation of strategic decision-making responsibilities within the CloS Integrated Territorial Investment will drive higher performance through better local knowledge, delivery of the European Commission’s simplification agenda and a joined up approach to investment leading to higher programme outputs and results.

We will contribute...
Cornwall Council capital investment £57m (40% of required match funding) to reduce overall programme intervention rate to 70%.

Match fund the Technical Assistance required to run the IB. We estimate this to be approximately £500k of match funding over the programme period.

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Existing target</th>
<th>Stretch (IB target)</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of participants (a+b+c)</td>
<td>57,664</td>
<td>58,400</td>
<td>1.27%</td>
</tr>
<tr>
<td>Job created</td>
<td>4,500</td>
<td>5,000</td>
<td>11.1%</td>
</tr>
<tr>
<td>Enterprises supported</td>
<td>4,000</td>
<td>4,400</td>
<td>10%</td>
</tr>
<tr>
<td>New enterprises supported</td>
<td>700</td>
<td>775</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Value of Programme £603.7m

£15.2m per annum additional GVA

Benefits of delegated decision making
• Alignment with our existing GPF, RGF, Enterprise Zone and other mainstream government funding programmes, all articulated through the CloS Strategic Economic Plan
• Alignment with EU and national products and programmes i.e. EAFRD, EMFF and SLGF
• A single point of access to funding for the private sector and other partners
• Accelerated appraisal processes leading to quicker investment and increased match funding
• Reduced pressure on local growth teams.

IB options
IB Status can be awarded on a scale of responsibility: Option 1 – Full IB (GLA model) Option 2 – Limited IB (Core cities model) preferred option

How Case for Cornwall would help...
• intermediary body status linked to ITI to support investment decisions and fund integration
• additional skilled capacity in Cornwall to manage IB responsibility

We will deliver...
• A reversal of the consistent decline in GDP per capita compared to the EU average since 2003
• We will reduce the proposed intervention rate and effectively increase the size of the total programme in order to deliver greater Programme Outputs.
Cost and output

Our proposal delivers streamlined programme management and improved outputs but is cost neutral to UK Government. 2% of the EU programme is available for Technical Assistance (TA) to support programme management and Cornwall Council would match fund the required TA to deliver an IB at an 80% project intervention rate. Based on delivery models elsewhere in the UK, we estimate the additional match funding requirement to be £500k over the life of the programme. Having IB status would allow for Technical Assistance (TA) to support this function, ensuring that essential resources can be put towards developing and implementing a robust project approval and appraisal process. It would also allow for ITI Board secretariat teams to add capacity to the process and so shorten timescales for applicants and reduce pressure on Local Growth Teams. Cornwall Council has a strong history of European programme delivery and management of funding programmes and has the capacity to support IB activities on behalf of the Managing Authorities.

Delivery through Intermediate Body will allow for closer integration of funds though the ITI and, alongside additional resource attracted to the programme through enhanced local confidence, will deliver additional output to the programme as detailed in our proposal as IB stretch targets. This will deliver additional GVA growth and ensure a closure of the gap between Cornwall and Isles of Scilly and the rest of the UK.
Limited Intermediate Body - process and responsibility

1. Call specification and criteria are developed
2. Call signed off
3. Locally agreed calls issued
4. Outline Application received
5. Performs eligibility appraisal
6. Performs Stage 1 strategic fit, VFM and deliverability appraisal (CRP Art 125.3a tasks)
7. Successful projects invited to submit stage 2 application – this can include asking multiple applicants to work together to submit single bid and fund integration
8. Performs eligibility appraisal
9. Performs Stage 2 strategic fit, VFM and deliverability appraisal
10. Contracts with beneficiary

Advice from ITI Board taken
Energy

The energy element of our Case for Cornwall revolves around three areas: infrastructure, generation and energy efficiency. These three specific asks are aimed at both maintaining and unlocking growth in the low carbon economy. Cornwall is already seen as a leader in many facets of the low carbon economy, and the increasing number of jobs in Cornwall (and the wider South West) even during the recession has been seen as a real success story and one that we would like to continue. This success in Cornwall is particularly relevant in an area like Cornwall that has very low productivity levels, a GDP level of 62% of the EU average, and is the second most deprived area in the UK. The drive to capture the benefits of the low carbon economy is seen as one of the major opportunities for Cornwall to increase its productivity and develop high value sectors.

The ‘asks’ focus on the following:

- **Infrastructure** – tackling the constraint issues that we are now facing on the electricity grid and unlocking our ‘route to market’;

- **Generation** – support from Government to help unlock a new energy sector in the UK – Deep Geothermal;

- **Energy efficiency** – Cornwall to operate as a test bed for a new approach to administering Energy Company Obligation (ECO) funding through greater local control.

By way of an overview of these elements, each section is outlined in more detail below.
Infrastructure: Local influence over grid investment strategy

Cornwall’s renewable electricity generation in general (increased 8.2 fold since 2010) and particularly solar PV (increased 868 fold over same period) has been a growth and policy success story since 2010. However, the growth of decentralised generation within Cornwall has now hit a significant national/regional infrastructural barrier. There is now a blanket restriction on new generation connections in the South West, and as a result our ‘route to market’ is now severely curtailed with tens of millions of pounds worth of investments already at risk. This is due to the 132kV network ‘F’ route running from Bridgwater to Seabank being at capacity.

Restricted energy distribution and resulting curtailment of grid connections has serious consequences for the low carbon ambitions of Cornwall and beyond, and represents a serious inhibitor to economic growth. This is nowhere more prevalent than in the development of emerging technologies such as marine and geothermal energy. We require more flexibility and the ability to influence grid investment in Cornwall and also to work with partners in the wider South West to overcome existing grid constraints through innovative approaches linked to smart energy systems, and to also develop strategic planning frameworks that will ensure that more traditional investments ‘ahead of need’ can be made where there is compelling evidence that upgrades will be required in the future. The ability to then influence that investment as part of a coalition of partners, as requested in this paper, will build on that ground breaking work. It is also envisaged that as part of this work innovative approaches to unlock specific constraint issues will also be pursued.

The proposition

That the following Government led initiatives are set up:

- A ‘major grid capacity constraints task and finish group’ is convened to be tasked with delivering a focused set of recommendations that would deliver a solution to the region’s current grid capacity crisis. Nested within the context of wider national activity, this would have the remit of ensuring that C&IoS has the infrastructure needed to support its emerging renewables industry from 2018 through to 2025. This task and finish group’s forward/exit strategy would lead to (a commitment to):
  - Convening a ‘strategic power grid taskforce’ to develop a series of recommendations that would form the core of a strategy that would ensure that the region’s potential to become a green powerhouse as and when the marine renewables and geothermal industries begin to mature from 2025 through to 2050 can be realised.
  - Co-designing a smart grid project aimed at a transferable proof of concept. Three suggested areas for discussion are:
    - Build on the LCNF Wadebridge project
    - Adopting scalable energy storage technologies linked to a significant growth in active network management
Demand-side pilots (industrial and domestic) which look to more effectively balance demand and supply during peak periods of distribution

Although this ask is focused around working with Government, Cornwall remains committed to working collaboratively with our regional partners and stakeholders. Only through adopting an inclusive approach will we ensure that the region’s/nation’s strategic energy infrastructure is no longer a barrier to C&IoS’s ambitions to become a major energy exporting region by the 2020/30s (i.e. delivering local and potentially national economic benefits).

As demanded by national policy objectives and energy targets, by enabling development of the market opportunities presented to C&IoS through its wealth of sustainable energy resources (Marine Renewables, Deep Geothermal and other sources of heat), will ensure the UK has access to secure sources of green energy. Beneficially, delivery of these types of renewable technologies has significantly lower impact on the landscape than onshore wind. It is anticipated that a principle outcome of this ask will be to ensure the development of replicable solutions which may be applied/adopted by other parts of the UK currently facing similar challenges.

However it is Cornwall’s view that without suitable strategic interventions into the SWs/UK’s energy infrastructure, the potential for C&IoS to become a key green power house for Britain will be stymied. It is now widely understood that the District Network Operator (DNO) regulatory framework which was conceived in an era of cheap energy supply and centralised distribution is no longer fit for purpose.

In short, current regulation fails to address the need to accommodate the growth of decentralised generation; which, if energy security is to be achieved and mandated carbon reduction targets met, decentralised generation is now generally recognised as a necessary and critical element of the UK’s developing energy mix. At the local level, the consequence of the current regulatory framework is to stifle new and important market development opportunities and constrain economic growth in peripheral economies such as the far South West.

Recognising the significant challenges faced at both the national and local level, whilst nested within the wider context of reforming Ofgem’s regulatory regimes that DNOs operate under, the work identified within this ask, would seek to avoid duplication by providing a suitable forum around which a greater level of detail and a richer picture of the specific challenges faced by the wider South West and other similar parts of the UK maybe developed.

Understanding and addressing these challenges as part of necessary wider regulatory reform would allow Cornwall to unlock growing levels of distributed generation and realise its strategic ambitions for future economic activity. This would build on the local growth work discussions and would involve working directly with Western Power Distribution (WPD), Ofgem, DECC, BIS and other South West LEPs. Cornwall Council would provide the secretariat for these working groups.
What the issue is we need to address

Cornwall’s peripheral location means there are no primary power stations located within the region. It is however an area with enormous renewable energy potential with over 25% of Cornwall’s current power needs met from renewable sources, with plans to install hundreds more megawatts (MWs) over the next few years through large scale investment in priority energy resources such as deep geothermal and marine.

The recent announcement by WPD that the grid infrastructure around Bristol is now constrained means that Cornwall cannot make any new connections over and above those that already have permissions. Our strategic ambition to maximise our use of renewable and distributed energy, and increase our energy resilience, will put untenable pressure on an already vulnerable system. Grid constraints in Cornwall are already leading to

- Prohibitively high connection costs which are resulting in commercial project developers (particularly solar) reviewing their current investment strategies in Cornwall.
- Community energy groups are being placed in untenable positions where they are now unable to progress their projects beyond the planning stage. Other grid related issues for Cornwall include grid instability and economic damage due to loss of renewable energy investment.

As the only less developed region in the UK outside Wales, a constrained electricity grid, untenable timescales related to grid connections and national policy uncertainty resulting in insecure national incentives and subsidies, present significant economic, social and industrial challenges which inhibit economic growth in Cornwall.

Cornwall’s grid is now so highly constrained that WPD are quoted as saying “we [WPD] are running out of options and now require a strategic approach to investment that uses a whole system outlook”. This has resulted in the recent announcement outlining no new connections. However, Ofgem, the UK regulator, currently controls what DNOs and National Grid can invest in, and prohibits ‘investment ahead of need’ i.e. work done now to protect the grid in the future.

In consideration of the issues identified there is a strong argument that Cornwall requires a new and strategic approach to grid investment, supporting a forward-looking ‘whole-system’ view and actively encouraging multi-strand investment ahead of need to ensure Cornwall’s grid is future proofed, fit for purpose, and no longer provides a barrier which inhibits economic growth.

What the benefits would be for Cornwall

Greater local influence over grid investments and future strategic planning would have multiple local financial benefits. It would:
• Unlock other EU, national and local funding opportunities, de-risking investment ahead of need (around £100m has been provisionally allocated to low carbon activities in the EU funding programme)
• Encourage and enable more community energy grid connections
• Increase local energy ownership
• Increased renewable energy connections would result in an increase in local individuals and groups receiving fiscal incentives such as FiT and RHI

Whilst it is clear that there is a fundamental requirement to adopt a suitable regulatory investment that supports grid infrastructure reinforcement over time, it is also recognised that in adopting a ‘whole-system’ approach, embracing innovation and the use of developing smart grid technology provides a level of mitigation. The application of Active Network Management, Optimal Power Flow Techniques allied to emerging storage techniques has notable potential to support the integration of distributed generation onto distribution networks, thereby contributing to an increased level of operational head room.

Building on the successful LCNF Isles of Scilly ‘Smart Cable Project’, the Roskrow Active Network installation and recent Smart Wadebridge LCNF application, Cornwall is keen to work with key stakeholders including DECC and WPD on the co-design of a scalable Smart Energy/Storage pilot project. Whilst trialed in Cornwall, the principle aim of this project would be to provide a replicable solution for use across other similarly constrained areas of the UK.

Communities will benefit in a number of ways from a stronger, future proofed grid and more renewable energy deployment and ownership in Cornwall including:

• Improved grid resilience – better service
• Improved energy security
• Reduced energy bills
• Reduced fuel poverty
• Improved health and wellbeing
• Employment and skills opportunities
• The ability for smaller community scale projects to connect to the grid

Wider impacts for Cornwall would include:

• Development of academic and R&D expertise, especially linked to SMART solutions that could enhance and support the more traditional upgrading approach
• Increased renewable energy connections would present a significant contribution to Cornwall’s energy and climate change objectives
• Connection of renewable energy at an unprecedented scale
• Utilising existing and future investments e.g. electric vehicle network (currently being installed), Wave Hub, Superfast Cornwall etc.
What the benefits would be for government

DECC’s strategic priorities broadly reflect those of Cornwall Council, with both institutions keen to promote the decarbonisation of the UK economy through a variety of technologies and approaches. Cornwall is at the vanguard of this low carbon journey and any solutions that can be tested here will be replicable in other parts of the UK. Cornwall being a leader in this regard offers DECC an opportunity to hear about the specific issues and to help develop proposals for future action and investments to enable Cornwall and other similar areas to translate their significant resource potential into a meaningful contribution to the UK’s energy mix moving forward. It is also worth noting that increased renewable energy connections at the scale being discussed would present a significant contribution to DECC’s UK energy and climate change targets.

Quantification of the GVA potential of unlocking these grid constraints for the UK economy (especially in peripheral areas), and the additional contribution to decarbonising the UK’s energy mix is vital to provide DECC with the information it needs to roll out a similar approach in other areas.

Costs

The main costs in the first instance will involve the resources required to convene the task and finish group, and adequately support the actions necessary to undertake the work. The actual costs of the upgrade works (should these be decided upon) will need to be factored against the charges that are levied on the developers seeking connections and/or any other innovative funding formulas that are developed as part of the process.

Governance

This would also involve a partnership approach, with at the outset two planned stages, an initial task and finish group and then moving into a strategic power grid taskforce. These groups would also oversee the development of a smart grid pilot.

The initial task and finish group would involve the following organisations: WPD, Ofgem, Cornwall Council, DECC, BIS, Cabinet Office and other South West LEPs and Local Authorities. It is suggested that the Cabinet Office is the most appropriate of the proposed participants to take the lead role but as aforementioned the Council would envisage providing the required secretariat support. If the Cabinet Office is the lead participant the question of where the accountable body role sits will need to be resolved but options are for that role to sit with the Cabinet Office or the Council.

Ideally decisions will be made wherever possible at the task and finish group meeting, which would require those participating to have the appropriate level of authority from their organisation to make formal recommendations. However, it is recognised that some participant bodies’ governance arrangements might be such that this is not possible. The detail of this will need to be given further thought depending on the solution implemented.
Generation: Enable Cornwall to unlock the potential of deep geothermal energy and develop low carbon heat enterprise zones

We want the Government to:

- Co-invest up to £6.5m into the development of the deep geothermal industry in Cornwall;
- Support the development of low carbon heat enterprise zones;
- Explore the possibility of supporting deep geothermal by applying a Contract for Difference minima as per wave and tidal stream technologies.

The proposition

Cornwall is committed to developing the first deep geothermal well in the UK. The supporting mechanisms requested from government are aimed at providing stimulus for the power and heat that will potentially be produced by guaranteeing a competitive strike price for the power, and also creating a set of incentives for companies with high heat demands to locate in Cornwall.

The figure required from Government is dependent on a potential match funding offer from the German Ministry, who has shown interest in co-investing in one deep geothermal site in Cornwall, alongside the cost savings associated with investing into two projects simultaneously and the sequential drilling of wells.

Match funding from government and support on discussions with the German Ministry could transform the UK’s energy market and unlock an innovative, base load energy source that could have significant economic benefits.

A study commissioned by DECC (Atkins 2013) concluded that the potential for geothermal power production is concentrated in the granites of South West England (namely Cornwall). The study recommended a full scale power generation demonstrator project and to resolve the initial priority to prove the reserve it recommends the provision of a Government backed development fund to support initial project phases. On the basis of this, as mentioned, Cornwall has committed through its ERDF allocation to de-risk the initial exploratory costs through the development of at least one and potentially two sites.

To support potential heat uptake from these deep geothermal plants and other low carbon heat sources, it is proposed that low carbon heat enterprise zones be set up to focus on capitalising on the opportunities to use low carbon heat as an incentive to attract high heat demand industries (horticulture, aquaculture etc.) to locate onto new build industrial parks creating employment and growth for C&IoS.

Enterprise sited in these new heat parks, which Cornwall plans to develop around our low carbon heat sources/resources, would be incentivised to locate in these enterprise zones as they would also benefit from business rate relief as per the standard enterprise zone model.

The dual (cheap heat/rate reduction) incentive would be combined/aligned with
a third incentive in terms of parallel investments from C&IoS’s E-SIF ERDF, which will be deployed in order to unlock private investment into heat networks (i.e. to distribute the heat to customers) as well as to co-fund workspace provision and the necessary supporting infrastructure.

**For the avoidance of doubt:** whilst we see a link with deep geothermal as being a strong one, the source of the heat for the development of future low carbon heat enterprise zone remains flexible. Our initial thinking is for these enterprise zones to be located around Cornwall’s deep geothermal wells, the strategy being to maximise the utilisation of the available heat, thereby improving the business case for deep geothermal power generation and enabling heat only geothermal wells. Ongoing discussion with the industry has highlighted commercial developers are also interested in building business parks around bioheat resources (AD etc.) which would also benefit from enterprise zone status. As an added value outcome it is also perceived that the development of a low carbon heat EZ may also have notable potential to stimulate the growth of an innovative industrial symbiosis cluster.

We are also aware that DECC are currently undertaking a review of the evidence base to inform strategic decisions about technology support and strike prices. In light of this we would like to explore the possibility of a policy change with respect to CFD allocations, specifically applying a minima for geothermal as per the treatment of wave and tidal stream technologies or as an interim measure to provide security to investors whilst developing the low carbon heat enterprise zones and securing heat consumers.

**The issue**

Two deep geothermal companies have planning permission for two sites in Cornwall; both are ready to commence drilling if sufficient funding can be secured. Investing in two sites in Cornwall will reduce the risk associated with drilling first wells and significantly reduce the capital costs associated with contracting a driller for more than one well.

As identified in the Atkins report ‘the project development risk profile for deep geothermal power schemes does not currently support investment principally because of uncertainties about the geological and geothermal conditions’.

Private sector investment is contingent on the results of the first well. Public funding is therefore necessary to drill the first wells to prove the available resource at the site(s).

Cornwall has European Strategic Investment Funds available in 2015 to invest in proving the resource and unlocking the industry. However, the programme will require an element of match funding. The Cornwall and the Isles of Scilly LEP investment plan has identified £11.5m for deep geothermal, that requires an element of match funding if two sites are to be developed, and we are currently trying to source this additional funding.

Whilst we remain confident that we will be able to pull the right public sector investment together, we cannot influence the suite of incentives that would
stimulate the market once the resource has been proven. Providing a competitive strike price for the power and the development of low carbon heat enterprise zones should provide the necessary missing elements of the commercialisation pathway and ultimately lead to the creation of a new energy sector for the UK. Individual wells will cost in the region of £10m; however 10-20% savings can be made contracting two wells.

Benefits for Cornwall

If Cornwall can unlock the industry based on the upfront investment and the associated market support mechanisms, the two projects combined would add an installed capacity of 11MWe (eq. 17,000 homes) and 28Whth to Cornwall’s renewable energy mix. The 2013 Atkins report suggests the current potential in the South West of England, based on existing heat demand is approximately 100MW of electricity (eq. 150,000 homes or 30% of demand).

The 2012 SKM report commissioned by the Renewable Energy Association concluded that Cornwall’s generating capacity could be as much as 4GW of electricity, exceeding Cornwall’s total energy demand and as a bi-product 13GW of heat can be used in local homes, businesses and public buildings.

Investing into two sites in Cornwall simultaneously could save immediate capital costs in the region of 10-20%, £2-4m for the first wells and potential £6-12m total costs for both projects. Developing two sites will also go a long way towards increasing the chances of locating a commercially viable heat source and investor confidence in subsequent wells.

The generation of geothermal power in Cornwall will provide a more secure energy future, reducing the reliance on costly energy imports. Based on capturing the value of Cornwall’s projected electricity spend up to 2030 within a local energy market, over £350 million per year could be retained within the local economy.

Geothermal generates a base load dual energy source; as well as being capable of responding quickly to system operator needs. The heat as a bi product can provide an affordable source of heat to district heat networks and low carbon heat zones for industry and agriculture. This will reduce numbers suffering fuel poverty, whilst creating and safeguarding jobs.

The two projects combined would create in the region of 100 direct jobs plus additional indirect jobs related to the use of the associated heat. The majority of the direct jobs will be multi-disciplinary and skilled. Coupled with the potential clustering of businesses located in the enterprise zone(s), the direct job creation could be significant. Cornwall is also looking at ownership models that would retain localised benefit based on the upfront public sector intervention in partnership with the private sector.

The technology has a low impact on the landscape and for every 100MW installed Cornwall’s emissions will reduce by 20%.
**Benefits for government**

In Cornwall, geothermal could play a significant role in a smart energy system. The vision is to create an efficient decentralised, self-sufficient, low carbon energy model that localises benefits. This will act as an exemplar solution for other regions in the UK and create an alternative to the fossil fueled centralised system and its costly ongoing investment into infrastructure, transmission and distribution. A sustainable decentralised system could also potentially reduce operational funding, and the incentivised businesses being attracted to the enterprise zones could create significant economic gain in an area that is classed as the poorest in England.

The SKM report concludes that the total deep geothermal resources could provide the UK with 9.5GW of electricity and 100GW of heat. That equates to 20% of the UK’s annual average electricity requirements and the equivalent of the UK’s total annual heat consumption.

Based on a study by the Geothermal Energy Association every 100MW will involve 1,400-1,700 high quality, long term, full time jobs.

Capital costs are expected to reduce as deployment, efficiencies and volume of supply increases. The supply chain capital value for the industry is estimated at £250M per annum by 2050. Technical innovation and innovative financial models will also provide a step change in commercial viability. An established industry and expertise will provide export potential.

The investments in Cornwall will increase the geological and technological learning that can be shared to support development of technological advances and cost savings in the industry. Government involvement through the associated market support mechanisms will ensure effective onward knowledge transfer to subsequent heat and combined heat and power schemes in the UK.

The possible carbon savings, job creation, increased GVA and inward investment are all substantial financial benefits for the UK, should the emerging industry take off and exploit the potential resource.

**Governance**

This element would not necessitate any significant change to the existing powers, responsibilities and governance arrangements but it will be necessary to ensure that those arrangements are effectively used to make best use of the investment and opportunity. The Council’s arrangements are fit for purpose.

It is envisaged that the geothermal investment made in Cornwall would form part of a competitive call for applicants to tender for in line with EU procurement regulations. The decision on funding allocations would also be scrutinised by the Integrated Territorial Investment (ITI) board, and the process and due diligence would be managed by DCLG in its role as managing authority. The enterprise zones would follow the same administration systems as those already in existence.
Energy Efficiency: Enable Cornwall to capitalise on the domestic retro-fit opportunity whilst promoting affordable warmth

The ask

That the current Energy Company Obligation (ECO) framework is amended to allow local authorities more discretion and control over how these monies or those of a follow on scheme are allocated based on local housing stock, need and circumstances.

Background

The ECO is an obligation that is placed on all large energy suppliers to improve the energy efficiency of domestic premises in Britain. It is allocated depending on their relative share of the domestic gas and electricity market. Suppliers achieve their obligations by delivering energy efficiency measures at domestic premises. Within this framework, suppliers have three obligations, which are the Carbon Emissions Reduction Obligation (CERO), the Carbon Saving Community Obligation (CSCO) and the Home Heating Cost Reduction Obligation (HHCro). These obligations have specific targets that are broadly aimed at the installation of primary measures, areas of low income and rural areas, and vulnerable households respectively.

While the ECO has undoubtedly had some successes with the delivery of certain measures at scale (especially under HHCRO), progress in other areas has not been as positive and this is nowhere more pronounced than in the approach to solid wall insulation.

The primary measures included under CERO have directed the majority of activity towards cheaper measures like hard-to treat cavity wall insulation. Additionally, the rural element of ECO does not appear to have been adequately met (7.5% of measures installed have been in rural areas), and the combination of these two factors leaves areas such as Cornwall at a great disadvantage. This was exacerbated by the decision to reintroduce easy-to-treat cavity wall and loft insulation as primary measures under CERO, coupled with a reduction in the CERO allocation.

The funding available for solid wall insulation is not enough to allow the installation to proceed at no cost, and even if Green Deal is factored in, it is still a largely unattractive option for householders (and suppliers). Additionally, the current system does not seem to be geared towards rural areas, with an overwhelming focus being placed on homes heated by gas and also a strong focus on boiler replacement (under HHCRO).

Challenges for Cornwall and other similar areas

Cornwall Council, in partnership with British Gas, administered an endorsement framework for £50m of ECO monies that was due to be delivered over 5 years (beginning in 2013). While this programme had some successes installing measures through HHCRO, its impact on solid wall
properties in Cornwall was negligible. Of the nearly 2,000 properties that had measures installed, the vast majority were gas boiler replacements and only 3 solid wall properties were treated. This trend was in line with national feedback on the ECO. The Cornwall programme was closed after two years as the changes in the focus of the ECO made the scheme unviable.

In an area such as Cornwall, the current set of market incentives dictated through the carbon trading system and the suite of measures included in ECO simply do not lend themselves to the realities on the ground. The following statistics give some indication of the situation in Cornwall:

- 47.7% of homes are off the mains gas network and rely on more expensive forms of heating (national average 14.7%)
- 35% of homes are solid wall properties and therefore hard to treat
- 19.1% of households in Cornwall and 23% in the Isles of Scilly are living in fuel poverty (UK average 16%)
- 300 estimated excess winter deaths occur in Cornwall and the Isles of Scilly each year

Cornish properties use significantly more energy than that national average, and a typical solid wall property loses around 45% of its heat through the walls. In an area that is classed as the most deprived in England, with 35% of all homes being of solid wall construction, this is an issue that requires redress.

**What is being proposed?**

Operating within the current regulatory framework Cornwall Council requests the opportunity to trial the delegation of enhanced local discretion and influence over ECO (or its successor) monies in order to overcome barriers to deployment of higher cost energy efficiency measures in households. The Council (and local authorities in general) are well positioned to identify applicable housing stock, have well developed networks, and can engage with housing associations and other relevant local organisations.

In order to move ECO beyond a policy that drives a focus on accessing the low hanging fruit to one that addresses the strategic challenges of our housing stock and population, starting with ECO ‘3’ or equivalent replacement scheme Cornwall Council would like to see:

- Delegated area ECO funds based on an assessment of the domestic retro-fit challenge and needs of local vulnerable groups
- Policy that redefines 'value for money'/policy performance in terms of costs of delivering the measures (I.e. getting the job done) rather than the carbon savings achieved, thus resulting in a reorientation of the ECO performance framework around the stock requirements/cost of intervention and needs of local vulnerable individuals (I.e. getting help to the most needed)
Based on the experiences of the collaboration with British Gas, the following series of recommendations are suggested with a view to setting up a pilot in Cornwall that could then be rolled out to other areas of the UK:

- Introduce a delegated budget for Cornwall based on a pro-rata basis, with a built in rural and off-gas premiums, as well as solid wall and deprivation uplifts to be agreed mutually. This would factor in administration costs for the Council.

- Local focus for the ECO scheme to concentrate on:
  - Solid wall properties
  - Off-gas properties
  - Vulnerable householders (linked to fuel poverty)
  - Health referrals
  - Private rented
  - EPC ratings – below D

- Eligibility criteria based around local circumstances and linked to the six focus areas

- Greater synergies between Government departments and streamlining of data protection processes to access the requisite information for householders eligible for ECO (including access to local data sets)

- Simplified processes for reporting to ensure that delivery costs are kept to a minimum. These to include:
  - Carbon savings
  - Measures installed
  - Aggregated savings to customers
  - Job creation
  - Individual reports based on the six focus areas

- Locally run communication and engagement campaigns linked to national policy directives

- Deemed savings for measures to expedite the process\(^1\), with centralised validation processes supported by local administration

- Targeting of local skills and support programmes to help develop and stimulate the local solid wall insulation market.

- Links developed with the Cornwall Responsible Landlords Scheme

\(^1\) CSE report, ‘The ECO: and evaluation of year 1’, April 2014
(CRLS) that will potentially have access to thousands of landlords. This would also include interfacing with tenants directly

- Investigate new approaches to the Green Deal, with a specific focus on access to cheaper finance

**What would this deliver for Cornwall and the UK**

The UK has some of the most inefficient housing stock in Western Europe. Improving the energy efficiency of the UK’s housing stock will combat fuel poverty, and drive down carbon emissions (with buildings contributing around 37% of our emissions\(^2\)). Areas such as Cornwall have housing that is even more inefficient than UK levels, and the current approach to rolling out efficiency measures at scale does not make an impact in areas like Cornwall.

Across the UK, of the roughly 24.5m households, 36% consist of non-cavity wall construction (roughly 8.8m)\(^3\). Of these as recently as July 2013 only 209,000 had solid wall insulation (around 3%)\(^4\). There are around 80,000 solid wall properties in Cornwall alone. This constitutes a significant challenge, and while the recent changes to the ECO include a proposed minimum target for treating 100,000 solid walled properties by March 2017, this target would appear to be short of being able to tackle the efficiency levels of these properties at scale. Additionally, more than 45% of fuel poor households live in solid wall properties, so there is an added incentive to focus on these housing types.\(^5\)

What Cornwall is proposing is a targeted approach to tackle the hardest to treat and hardest to reach households through a partnership with local stakeholders and Government. This would necessitate a move away from the carbon trading process that provides incentives to focus on the cheapest measures, towards an approach that targets properties where the need (carbon, social) is most pronounced. Cornwall is also keen to take forward a rural approach that would help to lift the proportion of properties in rural areas across the UK that are currently having measures installed. We are also committed to finding new strategies for engaging with the private rented sector, and through our CRLS we will be well positioned to do this. All of these approaches will be replicable nationally, and we have done some research on other areas (10 regions) with high levels of deprivation (constituting a population of nearly 10m) and the results suggest that they all have similar issues in terms of off-gas, solid wall and fuel poverty levels.

Additionally, there would be significant economic benefits to Cornwall and the wider UK economy through the stimulation of the solid wall insulation market, with some estimates suggesting that for every 100,000 solid wall homes insulated, the direct and indirect job creation is around 30,000\(^6\) with all of the associated revenues that would flow from this employment. Government would also be able to call upon the support of committed local

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partners, with their embedded capacity, to support the delivery of its UK and EU carbon saving targets, including the EU 20:20:20 targets.

**How we would like to work with government on developing this pilot**

We would work in partnership with DECC and other government departments to identify the most appropriate ways of delegating funds and what the rural, deprivation and solid wall uplift should be. Policy guidance would be developed by DECC and issued to outline the ‘rules’ and specify the depth and scope of the flexibility to achieve pre-agreed targeted outcomes.

**How we would like to work with government on developing this pilot**

We would work in partnership with DECC and other government departments to identify the most appropriate ways of delegating funds and what the rural, deprivation and solid wall uplift should be. Policy guidance would be developed by DECC and issued to outline the ‘rules’ and specify the depth and scope of the flexibility to achieve pre-agreed targeted outcomes.

The Council would add value through the development of the appropriate data-sets, bring on board local partners including health and delivery organisations, coordinate local communication and outreach campaigns, and set up reporting mechanisms to ensure that the results of activity can be captured at both a local and national level.

**Governance**

The Council proposes a partnership with the Council, DECC, Ofgem and BIS involved in that arrangement and with a wider reference group including National Energy Action and the Energy Savings Trust. The Council will be the lead partner and the accountable body but with the intention of proceeding on a delivery approach agreed with the other participating partners, having regard to the input of the reference group. With the Council proposed as the lead partner and the accountable body the proposed partnership can be of an informal nature, in terms of not having legal status, albeit with an important collective role to play. It is, of course, recognised that this proposed approach would still fit squarely within the national regulatory framework.

Delivery on the ground will be through procured arrangements according with the Council’s internal arrangements which in turn reflect the domestic and European procurement framework.

**Community energy**

Cornwall is very willing to investigate policy development in relation to community energy, as we have a long track record in this area. After initial discussions with Government colleagues we have committed to further exploratory meetings, but there is little detail at this stage and this may fall outside of the Case for Cornwall work.

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Flood, Coastal Defence and Water Management

Piloting innovative approaches to environmental risk management and investment in Cornwall

Our ambition is to create a fully integrated approach to managing flooding, coastal protection, water supply and quality in Cornwall. Working with Government to realise our Case for Cornwall proposals would make significant progress towards the achievement of this ambition.

Although ‘working together’ is a mantra of the public sector, it is not always easily achieved. Existing structures and ways of working do not fully support the movement towards a fully integrated local approach.

Budget cuts to Government departments, associated agencies and local government have and will continue to put substantial pressure upon the current approaches to managing environmental risks, such as flooding, coastal erosion and water quality. This proposal selects four keys areas where the conditions in Cornwall provide an opportunity, with Government support, to development new approaches to meeting these pressures in times of financial restraint.

Our proposal is an innovative and ambitious approach to environmental management and funding which supports our local ambition for Environmental Growth. We will improve the management of our ecosystems goods and services such as water quality, flood prevention and carbon regulation.

This will provide increased stability to our communities by reducing negative social impacts of flood risk and water management issues. Importantly, by managing our environmental risks proactively we will increase the opportunities for economic development in key areas.

The small scale pilots proposed will provide Government with new approaches to managing grey and green infrastructure in coastal and/or rural areas as well as multiple benefits from investments. Additionally, it will specifically address the underlying political and financial risks to Government in Cornwall caused by our susceptibility to severe weather.

The issues and propositions

Introduction

The storms in 2013/14 highlighted the alarming extent of Cornwall’s vulnerability to severe storms. This resulted in both considerable political interest and the unanticipated requirement for Government to provide £20m for emergency repairs for damaged coastal defences. In Cornwall the Environment Agency manages virtually no coastal defences; therefore, unusually, coastal defence assets are the responsibility of the Council and private land owners.
In Cornwall it is estimated 1 in 6 properties are at risk of flooding, from rivers, surface water or tidal waters. This is due to the varied geography of Cornwall, which includes a high number of rapid response catchments and exposure of the peninsular to Atlantic weather systems. Figure One shows the distribution of the properties at risk throughout Cornwall.

The peripheral location of Cornwall and dispersed nature of the population mean that the social and economic conditions are also unusual. There is significant social and economic inequality, particularly between coastal and inland communities, with some of the most deprived communities in the UK lying in pockets of Cornwall. Our GDP and productivity measures result in Cornwall’s status as a ‘less-developed’ region in Europe. Our conditions are complex and on a scale where packaging investment projects for consideration within national schemes is challenging, as recognised by the Local Government Association.

We would like to tackle some key risks and make important improvements to our approaches through the Case for Cornwall. Our asks cover four areas:

1. Aligning Investment Plans
   a. Multiple agency plans and funding cycle
   b. Evidence based risk assessment
   c. Criteria for allocation of national funds
2. Flood and Coastal Defence Asset Management and Financing
3. Creating a local carbon sequestration market linked with water quality improvements.
4. Sustainable Drainage System (SuDS) Management

**Figure one: Distribution of residential properties at flood risk**

### Residential properties at flood risk

- 180 communities in Cornwall have at least 10 properties at flood risk
- 29,000 from surface water
- 12,000 from rivers
- 5,000 from the sea
1. Aligning Investment Plans

The foundation of our ask is an agreement with Government to make direct annual reports on our work in Cornwall in exchange for medium term certainty of funding receipts. There are three areas where Government attention would be welcomed:

a) Multiple agency plans and funding cycles

Issue

Current responsibilities and investment plans for water management, flooding and coastal defence are held between a number of agencies, some with multiple responsibilities. Their respective investment plans operate on different cycles:

- Cornwall Council – Medium Term Financial Strategy – 4 year cycle.
- Environment Agency - Medium Term Plan – annual cycle.
- South West Water – PR14 – 5 year cycle.

These cycles result in the separate organisations making reference to the other respective investment programmes but they are not integrated. One off integration of activities in localities are achieved but as a result of good local networks, rather than positive integrated planning to deliver multiple benefits beyond the expectations of the original investment. Therefore, currently while it is theoretically possible to align these programmes in practise each organisation is governed by its own internal mechanisms for major infrastructure investments.

These cycles also reduce the certainty of funding available and the flexibility with which they can be combined to deliver local priorities.

Proposition

- A Government requirement for an integrated programme would accelerate and formalise its production and status and support a streamlined governance model in Cornwall.
- A Government requirement for a clear local governance structure, where priorities can be scrutinised and evidenced from multiple perspectives. Appendix One contains an option for a Governance model for discussion.
- An agreement from Government to give certainty of funding (via the Environment Agency and Cornwall Council allocations) over the next six years to enable Cornwall to maximise the opportunity of partnership funding, particularly from the EU Structural Investment Programme.

b) Evidence based risk assessment

Issue

Our current programmes are based upon predominantly responsive risk assessments, where events of differing magnitudes occur and then we account for them in future plans. Flood risk assessment is also focused on households at risk from flooding rather than ecosystem/catchment functioning.
The Environment Agency modelling provides good base data, but for the coast is being revised to reflect wave impacts following the 2013/14 storms. It is anticipated that Cornwall will show much greater risk from coastal flooding by this new modelling than previously assessed.

In Cornwall we also have some of the most sophisticated ecosystem service mapping available through the University of Exeter Environment Sustainability Institute.

There is an opportunity to dramatically improve our assessment of existing risks, the changes that we are likely to encounter from climate change and therefore, possible mitigations through a broader view using ecosystem based approaches. This improvement would result in the development of a programme of investment that would provide investment plans that would confidently manage our environment in the long term to protect communities and provide economic development opportunities.

**Proposition**

- Acceleration of national Environment Agency research in Cornwall, such as the wave modelling would enable more proactive and realistic long term investment plan development that accounts for an updated assessment of our risks and accounts for the impacts of climate change etc.
- Corresponding support for the Case for Cornwall ask regarding the local management of the European Investment Programme, where local prioritisation for spend under Priority Axis 5 & 6 could provide investment in Natural Assessment Management System that would significantly improve the data available for future planning in Cornwall, drawing together public sector, university research and private sector information to decision makers.

**National funding model criteria**

**Issue**

While the national funding model for flooding and coastal defence administered by the Environment Agency, provides a clear mechanism for prioritising funding nationally, it does not fully recognise the combination of environmental, social and economic factors that interact in Cornwall. This constrains the proactive responses we can invest in to protect our communities.

**Proposition**

- We would like to work with Defra and Environment Agency staff to review our funding allocations in response to an integrated and updated programme.
- In response to this reassessment we would like to explore if the development of bespoke criteria for funding allocation to peripheral, rural and coastal areas is necessary and if required provide a pilot area for Government.
2. Flood and Coastal Defence Asset Management and Financing

Issue

Government faces a significant challenge, while needing to reduce expenditure overall there is a substantial body of evidence to show that not only is it essential to maintain current levels of expenditure on flood risk management and coastal defence, but to increase expenditure as the risk of flooding and communities’ tolerance of that risk, change over the coming decades.

This challenge provides opportunity to think radically about how Government approaches the management of flood defence assets and investments, considering the different responsible bodies that currently undertake these functions. In line with the aspirations of the Public Bodies (Reform) Bill, Government’s preferred approach may be to transfer flood defence functions from the public sector to a non-Government body (such as the Thames Tideway model in London) to be responsible for operating, maintaining and upgrading these assets through future investment.

Proposition

- We would like to conduct a review of the asset management responsibilities and funding models that currently exist for flood and coastal defence assets.
- Within the review we would need to explore the options for ongoing long term revenue sources that would support a new model of capital investment. This requires the consideration of long term income streams similar to the arrangements for the water companies. Considerations could be taxpayer contributions towards the Environment Agency, council tax charges, developer contributions, water and sewerage customer charges and potentially new charges if required.
- Primary legislation would be required to enable such a model to be tested in practise The advantage to the Government is to test the feasibility of a new model prior to consideration of a national structural change.

3. Creating a local carbon sequestration market associated with water quality improvement.

Issue

The pioneering approach to catchment management made by South West Water in partnership with Cornwall Wildlife Trust has demonstrated the opportunity for positive land management to be driven by payments for ecosystem services to landowners. Currently, these projects have focused upon water quality. An opportunity to build on this positive project for the benefit of the environment, communities and business is the extension of these schemes to include a carbon credit element on top of the water quality outcomes.

The key issue to address for the carbon credits opportunity to provide maximum local benefits either through the Voluntary Carbon Offset regimes or the monetised offsetting schemes of the EU Emissions Trading Scheme and the
Carbon Reduction Commitment, is the acceptance by Defra of the Woodland Carbon Code and Peatland Carbon Code validated carbon ‘units’ as carbon credits/offsets.

The exclusion of these units from the carbon sequestration mechanisms results in companies who must meet the CRC obligations looking beyond the UK for investment opportunities and prevents the desperately needed investment in UK ecosystem these schemes could support. It also constrains the opportunity for multi-layered payments for ecosystem services models that could provide the economies of scale in terms of incentive payments to land managers to transform localities through proactive interventions. For example incentivising positive management of peatlands on Bodmin Moor for both water quality and carbon sequestration outcomes, which also would deliver biodiversity benefits.

**Proposition**

- We request Government support to run a pilot scheme to develop a local carbon market, where opportunities in Cornwall to invest in Woodland Carbon Code and Peatland Carbon Code validated ‘units’ though payments for ecosystem services schemes could be made by local companies covered by the Carbon Reduction Commitment.

**4. Sustainable Drainage Systems (SuDS)**

**Issue**

Under the Flood and Water Management Act, the development and management of Sustainable Drainage Systems (SuDS) was going to be closely linked to the planning process. The original intention was that Schedule Three of the Act would have provided that any future construction that had drainage implications would not have been able to take place until approval of the drainage system had been given by a SuDS Approval Body, likely to have been part of an Upper-tier or Unitary Authority. This body would have worked to a set of National Standards for drainage systems with the role to approve, inspect, adopt and maintain sustainable drainage systems for new developments exceeding one property.

Unfortunately, Government did not implement this provision within the Act. The Secretary of State made a statement indicating that when considering planning applications, the Local Planning Authority (Cornwall Council) should consult the relevant Lead Local Flood Authority (Cornwall Council) on the management of surface water. The Planning Authority should be satisfied that the proposed minimum standards of operation are appropriate and ensure through the use of planning conditions or planning obligations that there are clear arrangements in place for ongoing maintenance over the lifetime of the development. A further comment was made to highlight that the sustainable drainage system should be designed to ensure that the maintenance and operation requirements are economically proportionate. The Government committed to keep this under review.

This decision has left the approval and long term management of SuDS within a very uncertain framework, where new householders will pay private companies
to manage these assets within a new development. The Council has previous experience of privately managed public open spaces within developments. Companies and other types of business frequently cease trading leaving householders with public asset responsibilities that they are not equipped to manage. Consequently, this creates pressure on the Council to adopt such spaces without a clear framework to draw the income needed to maintain them, even where the Council has endeavoured to secure related arrangements during the planning process. It is anticipated that SuDS adoption and management will become an equivalent future pressure on the Council and inappropriately managed SuDS could result in increased flood risk to communities.

**Proposition**

- We request Government support for the establishment of a local SuDS approval body. This body would provide the vehicle for asset approval, adoption, operation and maintenance across Cornwall.
- To do this we will need to work with Government to explore options for establishing a transparent and assured method for making the associated charges to householders in perpetuity and for securing the payment of those charges.

**Benefits for Cornwall**

Primarily this proposal seeks to increase the multiple benefits from existing activities in Cornwall. By improved coordination and alignment of responsibilities within our models of delivery we can explore further options for innovation.

Headline benefits include:

1. **Protecting communities**
   - Clear and transparent management of environmental risks and associated investment programmes.
   - Investments in long term solutions to environmental risks.
   - Investments to improve the environment for communities in rural and urban locations.
   - Improved community resilience.
   - More democratic involvement.

2. **Catalysing Economic development**
   - Removing physical barriers to economic growth, such as the risk of flooding or coastal erosion.
   - Protecting key economic infrastructure.
   - Improving investor confidence through proactive investments for resilience rather than reactive repairs.
   - Supporting coastal and rural productivity by reducing risk and creating new opportunities for growth.
   - Improved capacity to capture partnership funding opportunities.
3. Improving our environment

- Delivery of the environmental growth agenda.
- Investments designed using catchment based approaches to minimise pressure on and need for grey infrastructure.
- Local carbon market development.
- Investment/payment for ecosystems services.
- Well managed natural assets/green infrastructure.

Benefits for government

1. Financial
   - Multiple outcomes from the same level of investment.
   - Opportunity to extend the available investment funds substantially.
   - Investments for regeneration with cross departmental benefits and maximises the potential of EU funding.
   - Improvement in investor confidence raising the ability of Cornwall to contribute to national and European GVA and GDP targets.

2. Political
   - Local choices are structurally supported.
   - Reduced risks from severe events requiring Government attention and funds.
   - Demonstrating a fully integrated and innovative approach to managing resources and risks building on Government’s FCERM Partnership Funding Policy.
   - Showing support for securing resilience for small and medium-sized enterprises in coastal towns and villages.

3. Innovation
   - Three new operating models for consideration in the development of national policy.

Financial overview

Each option presented within this paper requires the development of a full business case. This will include financial modelling.

The current situation is:

- Cornwall’s strategic flood package (6 year Medium Term Plan) accounts for £53M worth of investment comprising of 47 projects protecting approximately 2,400 properties.

- Allocation on 6 year MTP requires a £33M matched funding requirement for schemes in Cornwall which represents 62% of the total funds, compared to a national average in England of 20% of partnership contributions.
Governance

Each of the proposals included within the paper has Governance implications:

1. Aligning Investment Plans
2. Flood and Coastal Defence Asset Management and Financing
3. Creating a local carbon sequestration market associated with water quality improvements.
4. Sustainable Drainage System (SuDS)

1. Aligning Investment Plans

The Council has statutory responsibilities as Lead Local Flood Authority and Coastal Protection Authority. The Environment Agency and South West Water have corresponding duties. This is why a strategic approach through partnership or otherwise, is proposed to make sure that the interests and responsibilities of each body are adequately considered and wherever possible objectives jointly addressed.

Whatever arrangement is ultimately decided upon for the governance model, there ought to be a lead participant responsible for overseeing the local prioritisation of the joint programme as well as the supporting initiatives. This lead could be the Council given the expertise that exists and the sound governance framework it has in place but the Environment Agency is also well placed to take over all responsibility for flood prevention and remediation as well as coastal protection. Either option will involve some transfer of responsibilities from one entity to the other, supported by the necessary legislative changes. Whatever solution is put in place, it will be appropriate for there to be enhanced powers of scrutiny for the Council.

Whilst wanting to observe the principle of avoiding unnecessary additional layers of bureaucracy, there may be merit in engaging an existing independent body to assist in or have oversight of the strategic approach. Although their remit might need to be widened, an example of such a body is the Cornwall & Isles of Scilly Local Nature Partnership Board who link to their main Board, the Land Working Group and Catchment Partnership. An alternative might be that bodies such as the Local Nature Partnership Board are mandatory consultees on strategic decisions. Appendix One shows an options for this arrangement.

It is clear however that irrespective of which arrangement is considered most suitable, all of the partners will have important roles to play and so close dialogue and working will be essential. It will also be necessary to ensure that the periods for forward budget setting and investment plans are aligned to facilitate a collaborative investment planning approach.

2. Flood and Coastal Defence Funding

The purpose of this proposal is to enable new sources of funding to be accessed for investment in flood and coastal defence assets. Therefore, the governance considerations are as follows. There are four options available for the focus of responsibilities:
a) Cornwall Council

As the Lead Local Flood Authority, Cornwall Council could receive extended powers and responsibilities to manage and invest in flood and coastal defences. This is likely to result in the need for us to look to private investment to draw in the required funds in the absence of any centrally provided financial support.

b) Environment Agency

The Environment Agency could become the lead body and receive responsibility for more assets in Cornwall as well as the powers to make direct charges to householders for this activity. However, this would not reflect the direction of travel within recent years to reduce the responsibilities of Government agencies so is unlikely to be favoured.

c) Water Utility Company

The water utility companies were established to be responsible for the long term management and investment in water supply and sewerage disposal. This success of this model could be translated to a workable solution in relation to flooding and coastal protection and so is a viable option for the delivery of this proposal.

d) Creation of a new body

A new organisation could be created for this activity, similar to the Thames Tideway development in London. However, this would be a time consuming and costly exercise which could slow down the delivery of the progressive outcomes that underlies this proposal. It would also likely result in reliance upon central funds which may be considered to be uneconomical and undesirable in the context of the existing bodies that could absorb and rationalise the responsibilities.

Whatever model is chosen there will be a need for the transfer of assets, staff and budgets to that body as well as a need for one of the other bodies to provide a strategic and operational scrutiny function. With the structure of the Council already seeing the statutory flood scrutiny requirement embedded in the scrutiny function this suggests an extended scrutiny role for the Council with either the Environment Agency or the local water utility company having the primary responsibility for strategic and operational delivery.

3. Carbon Reduction Commitment Pilot

This proposition focuses on the development of a local market for carbon sequestration investments that would require a pilot project outside of the current Government policy framework. To achieve this, detailed discussions with the Department for Energy and Climate Change will be required to establish the scope and governance for running a local pilot scheme. It is not proposed that there would be a shift of responsibilities but there would be a need to revise the framework within which this initiative is delivered.
4. SuDS Approval Body

This proposal has obvious governance linkages with the proposition regarding Flood and Coastal Defence Funding; if that proposition is progressed it would be logical to include this functional change into that development. If that proposal was not to progress then the placing of this responsibility logically would reside with the Council as the Lead Local Flood Authority and Land Drainage Authority.

Scrutiny

All of the options above propose stronger alignment of responsibilities and investments and potentially the concentration of these activities into fewer organisations than previously exist. Correspondingly there should be an increased role for scrutinising the activities. This could be done developing the role of Cornwall Councils Scrutiny Committee for a democratic elected viewpoint, and using the options are as above for any of the existing bodies to take on this activity as a sole responsibility with legislative change to support this function.
Appendix 1: Proposal for structure to align and scrutinise our plans

Proposed future for Governance

LLFAs: Cornwall / Devon / Torbay / Plymouth / IoS

£ Local Levy

Defra

£ FDGiA → SW RFCC - MTP

Cornwall Annual Report

LNP or other (Independent, expert voice for environment)

CC Scrutiny (Democratic voice for residents)

Long term Cornwall Water Management Plan (Water quality, quantity, flooding, coastal management)

Other partners (CCP, CISCAG, WCRT, CWT, CCF)

SWW (PR15)

EA (RBMP & FRMP)

CC (LFRMS)

£ Organisational funding sources
**Property**

**Enable Cornwall to prioritise and locally invest capital receipts from the public sector estate**

There is a need to remodel the public estate in Cornwall. The estate could be managed and rationalised successfully through the creation of a single strategic board that has the power to prioritise and invest capital receipts from the public sector estate according to a local hierarchy of need. There are also opportunities to rationalise the facilities management contracts across the non-acute estates.

**The issue**

The public sector in Cornwall currently has a fragmented estate management arrangement. A mix of control between local and national bodies, and, in some cases, national retention of capital receipts, currently makes this impossible to move forward for the benefit of Cornwall.

There are significant opportunities for savings to be made through co-location and asset rationalisation. Cornwall Council has a proven track record, realising significant property dividends (£4M) through the transition to unitary status by halving the office estate from 180 buildings to 90 in the last 5 years, and plans to consolidate further to just 60 located offices by the end of 2015.

There is huge potential to go further, by working with partners to achieve significant efficiencies and make the very best use of our collective resources.

There are some broad categories of opportunity:

- Co-location of the administrative (office) estates across the Council, DWP, HMRC and Health;
- Co-location of face to face services (Council One Stop Shops, Police front desks and Job centres) dealing with information, advice and guidance, benefits enquiries, housing, work related support and similar activities and general information and support;
- Co-location of emergency services across fire, police and ambulance;
- Release of poor clinical facilities and re-investment in the health and social care sector;
- Local control of development and investment sites (primarily integration of the HCA and Council development sites and the Council’s wider commercial/economic development estate).

Taking the NHS as an example, the next biggest public body in Cornwall after the Council, our ambition to work together and realise efficiencies is hampered by the fact that eight different NHS bodies are involved in managing Health property in Cornwall. This leads to a lack of strategic
direction and prevents us taking a town based approach in the spirit of the Cabinet Office’s One Public Estate programme.

The lack of local control regarding NHS Property Services decisions on capital receipts presents a further obstacle to making decisions that maximise value for money and the best outcome for service provision. For the best decisions to be made in Cornwall, for Cornwall, we need to retain and manage these locally.

There are also opportunities to move towards a single facilities management provide across the administrative parts of the Council and Health estates.

**The complexity of Cornwall’s Health Estate (Value £268m)**

How the NHS bodies manage property

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**Work to date**

Mapping work has been carried out through a series of town reviews by the Council’s Property Forward Planning team, supported by the Cabinet Office and Valuation office in conjunction and consultation with other public services such as the NHS organisations, Police, DWP and HMRC. Details of all property occupied by these organisations and the need for space of these services has been collected to and opportunities are currently being explored as part of the existing One Public Estate programme.

A single strategic management board with control over these assets would be able to provide the oversight and strategic vision for the public estate, and develop a joint culture within public services in Cornwall. There would be the potential for integrated IT, security and organisational systems, alongside an integrated premises management system and rationalisation of the facilities management contracts.
Benefits for Cornwall

- The financial benefit of this approach is that there are savings created through maintaining fewer sites, with the running cost and maintenance of the sites shared across several different services or partners. There is the opportunity to integrate facilities management services across the administrative estate. These savings will release funds that can be re-invested elsewhere in the public sector.
- Local communities will benefit from more accessible services in more integrated locations, position based on demand and need.
- Opportunities for co-location will break down barriers and improve joint working, and reduce delays with providing services.
- Local control of assets in Cornwall will support “double devolution” and increase the chances of efficiencies being found in parts of the estate that have less emotional attachment than properties such as libraries.

Benefits for government

- This model would support and enable Cornwall to deliver on the Government’s devolution, integration and One Public Estate agendas.
- It would open up scope to integrate centrally run services such as Job Centre Plus with local services.
- There is also a financial benefit to the Government by spreading overheads of property management across the public sector in Cornwall in a more efficient way than can be achieved across a series of national organisations working in Cornwall.

Case study 1
There are a number of smaller Job Centres in Cornwall that face challenges in maintaining critical staffing levels. The Council faces similar challenges in running its own face to face services in small offices. There are several specific towns where it is felt there would be an opportunity to co-locate such services dealing with similar clients and access a broader pool of staff to deliver a better, safer service.

Case study 2
An example of where the differing levels of asset management affects practical arrangements can be seen at the Sedgemoor Centre in St Austell. The Council is the head tenant, but sublets part of the building to NHS Property Services who in turn have arrangements with 4 other health organisations including Public Health which has recently been incorporated in to the Council. This arrangement creates significant duplication in administration and recharging and has caused real risk in exercising break options related to the building.

Case study 3
Cornwall Council is unusual in that the Fire and Rescue functions are already part of the Council. The Fire and Rescue functions within the Council have a track record of working with the Police and Ambulance
trust in delivering co-located hubs and has identified 2 further opportunities for major hubs and at least 5 further towns were smaller scale co-location could be achieved.

**Case study 4**

There are school playing fields opposite a busy road from the main school campus in Falmouth. There is a redundant NHS site adjacent to the school buildings, the site being derelict for many years. The council secured pinch point funding to alleviate bottle neck on the road which required frontage of the NHS site.

The school also identified a scheme to release the isolated playing fields for development, by acquiring the remainder of NHS site, which creates an opportunity for the NHS site to be acquired to facilitate road improvement, construct new playing fields and also release the isolated school playing field for housing.

However the NHS were required to take a commercial approach without recognition that it was dealing with trusted public sector partners, not third party developers. This resulted in a convoluted and highly constrained negotiation which resulted in the risk of losing the funding for the road and losing the opportunity for housing and community facilities.

**Considerations**

**Governance**

A single strategic board for Cornwall with control over asset management across the public sector could clearly articulate priorities and avoid protracted negotiations with much improved relationships.

However, there are specific areas of the estates which will need to be dealt with separately as follows:

**DWP (11 Job Centres and 2 administrative offices)**

These are currently managed under a contract by Telereal Trillium which ends in 2018. There are immediate opportunities for the Council to provide accommodation in its existing estate for 1 of the administrative offices, and over half the Job centres.

The governance requirement therefore is that the Council becomes the default accommodation provider for DWP, and is able to obtain the right of first refusal to acquire properties falling out of the Trillium contract where those properties are relevant to ongoing service provision.

We believe this mirrors the emerging work being led by the DWP and DCLG on managing the termination of the Trillium contract.

This would fit comfortably in the model of a strategic board, with the Council becoming the provider of the estate for DWP. This would support efficiencies through co-location and rationalisation of facilities management.
**HMRC (2 administrative offices)**
These are currently managed under a contract by Mapeley. There is a requirement that to preserve options for public sector services in Cornwall, the Council (acting on behalf of the wider sector) can gain the ability to negotiate with Mapeley as its contract comes to an end in due course (or HMRC review their own operations) to enable acquisition of either of the sites if they prove to have a strategic use for Cornwall.

This would fit comfortably in the model of a strategic board, with the Council administrating this part of the estate on behalf of HMRC or acquiring key strategic properties for other uses.

**Health estates**
The expectation is that the Council takes on the management and control of NHS Property Services assets. In doing so the governance structures that would be put in place for Health would simply have to mirror and account for related governance procedures for property. This means that the terms of reference for whatever constituted body becomes responsible for wider health and social care provision are dovetailed with the terms of reference for a property board. The NHS Property Service estate primarily includes administrative accommodation for the Kernow Clinical Commissioning Group, but also administrative and clinical space for one of the main providers (namely Peninsula Community Health).

There are believed to be significant opportunities in rationalising the facilities management contracts for this estate by bring it under a single point of control.

This would fit comfortably in the model of a strategic property board.

In addition it would follow that strategic control of other provider accommodation (primarily Cornwall Partnership Foundation Trust) is also included in these arrangements.

We are still exploring implications for management of the acute hospital estate and recognise that in terms of facilities management there are very distinct requirements (although the administrative parts of that estate could easily be included alongside the management of the former NHS Property Services estate).

We are also still exploring the implications for administration of the Community Health Partnership and related LIFT schemes.

**Blue light services**
At this stage it is believed that existing local arrangements are adequate to support the continued creation of tri blue light hubs (fire, police and ambulance) although devolved powers for the local Police command would greatly assist that. It is also noted that any nationalisation or regionalisation of fire provision would significantly hinder the opportunities.
This would fit comfortably in the model of a strategic board but with the partners retaining ownership of respective assets (or benefits of relevant leases).

**HCA and Commercial estate**
The Council is unique amongst its partners in holding a commercial income bearing estate.

The HCA is the main national partner with a distinct development estate. It is recognised that the HCA have national accounting requirements through DCLG that limit their flexibility in devolution of assets. The Council remains of the view that it can better deliver these assets locally. It recognises that many are constrained or have contamination issues but is happy to consider acquisition at value provided associated funding is also devolved. Equally the Council is willing to consider a sale structured on a net value.

This would fit comfortably in the model of a strategic board with the Council administering the estate having been through an appropriate process of acquisition.

**Lower tier Councils**
It should also be noted that it is assumed that the property held by lower tier Councils would be not be expected to be placed in to any arrangements as described above other than those discussions arising through local devolution.

**Finance**
The main risk is that the efficiencies in the administrative estate and other co-locations may not balance the investment required in particular parts of the estate with higher capital costs such as clinical facilities. Viewed from the perspective of any of the individual organisations there are risks of the assets they control being used to offset the liabilities of other organisations.

There is the potential to further mitigate these perceptions by focusing on, and potentially ring fencing, relevant property budgets for specific areas of the estate for inclusion in joint models such as the administrative and clinical elements, leaving the commercial parts of the estate to be dealt with in other structures and focussing on facilities management efficiencies.

The resources required to undertake the future management and operation of the assets will need to come from the existing resources and funding that is in place within the organisations that they currently reside. These resources will be identified and transfer across to the approved future governance model. In addition any costs arising from transition will also need to be met through transitional funding arrangements.
## Summary

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<th>Estate/ partner</th>
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<th>Transfer of ownership presumed</th>
<th>Facilities management integration</th>
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<tr>
<td>DWP administrative estate and Job Centres</td>
<td>Main management contract ending and need to maintain local coverage with less staff</td>
<td>Co-location in existing Cornwall Council assets where possible, and acquisition of remaining sites where still required</td>
<td>Sharing of front facing staff and integration of facilities management services</td>
<td>Opportunity to have first refusal on assets at end of Trillium contract, and authority to act as accommodation provider for DWP in Cornwall</td>
<td>There will be a capital cost for some additional facilities in the Council’s existing facilities. This could be recouped within an accommodatio n charge</td>
<td>Yes to Cornwall Council – but at value and only where required</td>
<td>Yes</td>
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<tr>
<td>HMRC</td>
<td>Main management contract end, and un-certainty about HMRC ongoing requirements</td>
<td>Opportunity to acquire surplus sites if they have a strategic fit for Cornwall</td>
<td>In St Austell in particular the HMRC offices potentially unlock wider accommodation problems for the public sector in the town</td>
<td>Opportunity to have first refusal on assets at end of Mapley contract</td>
<td>Any acquisition would have to be justified on a business case at the time</td>
<td>Yes to Cornwall Council – but at value and only where required</td>
<td>Yes</td>
</tr>
<tr>
<td>Health (NHS Property Services assets occupied by KCCG)</td>
<td>Lack of strategic control and no efficiency in facilities management</td>
<td>Control passing to Property board and integration of facilities management</td>
<td>Estate efficiencies and co-location of commissioners</td>
<td>Ownership retained by relevant/successor health body, but control and facilities contract management dealt with by property board</td>
<td>Efficiencies from facilities management and rationalisation of property</td>
<td>Yes – but to successor body and not at value</td>
<td>Yes</td>
</tr>
<tr>
<td>Health (NHS Property Services assets occupied by PCH or other providers)</td>
<td>Lack of strategic control and no efficiency in facilities management</td>
<td>Control passing to Property board and integration of facilities management</td>
<td>Estate efficiencies</td>
<td>Ownership retained by relevant/successor health body, but control and facilities contract management dealt with by property board</td>
<td>Efficiencies from facilities management and rationalisation of property</td>
<td>Yes – but to successor body and not at value</td>
<td>Yes</td>
</tr>
<tr>
<td>Health (assets owned by providers direct – Cornwall Partnership Foundation Trust)</td>
<td>Lack of strategic control and no efficiency in facilities management</td>
<td>Control passing to Property board and integration of facilities management</td>
<td>Estate efficiencies</td>
<td>Ownership retained by relevant/successor health body, but control and facilities contract management dealt with by property board</td>
<td>Efficiencies from facilities management and rationalisation of property</td>
<td>Yes – but to successor body and not at value</td>
<td>Yes</td>
</tr>
<tr>
<td>Health (assets administered by providers direct – acute hospitals i.e., Royal Cornwall Hospital Trust)</td>
<td>Lack of strategic control and no efficiency in facilities management</td>
<td>Control passing to Property board and integration of facilities management for admin estate</td>
<td>Estate efficiencies, co-location of administrative facilities, and reinvestment of capital receipts in clinical estate</td>
<td>Ownership retained by relevant/successor health body, but control and non clinical facilities contract management dealt with by property board</td>
<td>Efficiencies from non clinical facilities management and rationalisation of property</td>
<td>Yes – but to successor body and not at value, and admin estate potentially to be dealt with separately</td>
<td>Yes but not clinical</td>
</tr>
<tr>
<td>SW Ambulance Trust and Police</td>
<td>Administration of tri-blue light centres</td>
<td>Continued development of schemes</td>
<td>Efficiencies and service improvement</td>
<td>Ownership retained by relevant bodies</td>
<td>Individual business cases at the time</td>
<td>No</td>
<td>Potentially</td>
</tr>
<tr>
<td>HCA and Cornwall council commercial estate</td>
<td>Lack of local control and impetus</td>
<td>Managed in conjunction with the Council’s commercial estate</td>
<td>Local promotion and control of HCA assets</td>
<td>Transfer of assets to the Council</td>
<td>Transfer would have to be at net value or incorporate related grants and funding to address liabilities</td>
<td>Yes – but at a net value</td>
<td>No</td>
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Heritage and Culture

Local powers to invest in and protect Cornwall’s heritage and promote cultural devolution to Cornwall

Cornwall Council wants to explore devolution options for the management of the historic environment, cultural and language activities.

We would like to see the devolution of roles currently held by the Historic Buildings and Monuments Commission for England (HBMCE) which are currently discharged by the English Heritage Trust and Historic England, to an independent ‘Heritage Body for Cornwall’.

1. From Historic England this would include devolution of their role, powers and resources:
   - in recommending to the Secretary of State the designation of nationally important historic assets, but limited to the Cornwall context;
   - as a Statutory Consultee and heritage advisor to the LPA, Government and its agencies;
   - of national budgets for the research of, and investment in, the historic environment.

2. The ‘English Heritage Trust’ (established April 2015) currently holds a licence from HBMCE to manage the ‘national heritage collection’ (properties in state care). We would like to progress the development of a robust business case for:
   - devolution of site management budgets and revenues, and rebranding of Cornish sites in state care by a locally managed trust, from the next re-licencing opportunity, if a net local economic and cultural benefit from doing so can be demonstrated.

3. From a cultural perspective we would like to agree and devolve a 5 year programme of investment in culture and language to speed up decision-making and economic growth by reducing the bureaucracy of national bidding and contracting.

The issue

Cornwall is a geographically distinctive area, surrounded on three sides by the sea, with a historic revived language of its own and a distinctive cultural landscape, quite unlike that of the rest of England. This cultural distinctiveness, represented in the heritage of our landscape, built environment, community and artistic traditions is central to our economy. It underpins tourism, and is a key driver that attracts other business to the location.

Currently Cornwall does not have a single body progressing this narrative and co-ordinating action to promote its economic, environmental and social value.
Administration, funding and governance is separated between Cornwall Council and national bodies, sometimes operating from a geographically regional centre, sometimes from London. Bringing all these roles together would drive efficiency in their delivery and energise the contribution that they make to sustainability.

Cornwall has one of the highest densities of designated heritage assets in England and declining resources to look after it. Cornwall Council has existing wide ranging responsibilities to historic assets including determining planning applications affecting historic assets (including those affecting the World Heritage Site) taking into account their significance and the management of the largest collection of designated assets (around 1,200) in the care of a local authority. It also maintains the definitive record of historic assets in the county (the Cornwall and Scilly Historic Environment Record or CSHER) effectively functioning as a ‘local list’ of heritage assets with material weight in the planning process.

Cornwall Council is statutorily responsible for the designation and ongoing management of the character and appearance of Conservation Areas and has a statutory duty to give special regard to the significance of Listed Buildings in its role as a planning authority.

Approximately 5% of Cornwall is a World Heritage Site.

However, Cornwall Council like many local authorities is facing unprecedented budget pressures. Structural changes in recent years have seen the transformation of heritage service delivery with CC historic environment (HE) functions moving from delivery by a single integrated team into separate functional teams accompanied in each area by a drop in staffing resources, with the resourcing of expert advice within the planning process, of the management of the (CSHER) and the monitoring, appraisal and designation of Conservation Areas being particular areas where matching resources to the task in hand is now challenging.

Heritage and Culture are at the heart of our economic strategy and we have invested heavily with our government partners, specifically the HLF and ACE. Cornish Projects such as the DEFRA / EU funded Discover the Extraordinary\(^1\) and Townscape Heritage Initiative\(^2\) have demonstrated the very significant uplifts which investment in heritage delivers to the wider economy. Research has shown that Heritage and Culture destinations are an important part of most tourist visits, with between 30 and 60% of visitors planning to visit a historic site, garden or harbour during their stay\(^3\) of the Cornish offer to tourism, a sector worth over £1.8 billion pounds to Cornwall and responsible for as much as 25% of local employment\(^4\). Also the Cornish are now recognised under the Framework Convention for National Minorities which builds on the recognition of our language (under the charter for the protection of minority languages) and our regional distinctiveness.

The proposition

Governance

Historic Environment

We are proposing a local heritage body, similar in remit to the devolved heritage bodies, Cadw (Wales); Historic Scotland; and Historic England / English Heritage.

There are essentially three options:

(i) retain the status quo. For the reasons articulated in this paper this is considered to not be an appropriate option and so is not favoured;

(ii) a local sub-division of Historic England. Under this model the local body would still be a part of the broader national body but ‘Historic England (Cornwall)’ would be based in the community, have enhanced local dialogue with the Council and others with an interest in the local historic environment and be better placed to make recommendations and decisions that reflect the unique character of Cornwall. In all other respects ‘Historic England (Cornwall)’ would have all of the responsibilities of its parent national body albeit limited to the local setting and so this would be the national model at a local level;

(iii) a more radical approach would be that there would be a locally accountable, not for profit body established to undertake on a Cornwall basis the responsibilities currently undertaken by Historic England. The local accountability would derive from elected Cornwall Council Members on the governing board of the body and, to the extent appropriate, the extension of the scrutiny powers of the Council. Scrutiny from a national perspective may also be considered to be effective. The precise legal status of the local body would need to be determined but given the responsibilities that are proposed it will need to have a statutory basis and, realistically, capable of challenge through Judicial Review. For this aspect of the ask a trust would not be the correct vehicle but it is acknowledged later that an additional vehicle constituted as a trust might be appropriate for the possible post-2023 management of heritage assets.

This model, for which we are asking for a minimum 5 year funding commitment from DCMS, would:

- allow the current ‘national’ (English) status of statutory designations determined by the Secretary of State to be maintained, thus ensuring compliance with the NPPF and current Statutory legislation whilst providing independent Cornish designation recommendations directly;
- provide locally accountable independent oversight and advice to and of the LPA acting as Statutory Consultee in planning matters;
- provide a stronger and broader resource base from which current historic environment functions currently delivered by Cornwall Council could be delivered under a service level agreement; and
- be able to directly liaise with DCMS on World Heritage matters.
There may also be merit in considering other options such as the responsibilities outlined being vested in the Council. It may also be appropriate for consideration to be given to aligning the responsibilities relating to the designation of assets of community value with the proposed entity. Those responsibilities currently sit with the Council and there are likely to be assets that both require protection and which are of community value. There is sense in the functions being aligned.

Culture

As Cornwall’s status is as a priority area within the South West region, we would align the cultural element of the programme of investment with both ESF, ERDF and EAFRD maximising leverage for public sector funding, developing sector skills and creating jobs. Specifically, ACE have numerous investment funds which could be pulled together into a joined up investment programme for Cornwall. Our investment programme would be made up of funding from Arts Council NPO / MPM /GFA / Small and Large scale capital and total £5M pa for the first two years reducing to £3.5m over a five year period.

Language

As Cornish has now been recognised as a minority language, this designation comes with responsibilities and opportunities and we are seeking to devolve and streamline accountability, responsibility and budgets for this activity into a five year agreement which would see Cornwall Council work directly with the EU on compliance and delivery.

Specific roles of the proposed Body

Listing/ statutory designation – Nationally important designated heritage assets are currently identified by Historic England (referred to within primary legislation as ‘The Commission’) who, in the case of Wrecks, Listed Buildings and Scheduled Monuments recommend statutory designation which is then formally undertaken under the hand of the Secretary of State for DCMS. In a number of instances Listing applications for buildings in the Cornwall WHS which demonstrate its Outstanding Universal Value have been rejected following assessment by Historic England, on the grounds that the feature or features in question do not meet their interpretation of national criteria for this – an anomalous situation given the high level of significance which national planning policy would accord the same assets. Currently there is very little local involvement in this decision making process. In the case of Scheduled Monuments, designation activity was largely halted by English Heritage in the late 1990s / early 2000s half way through a programme to enhance the Schedule for Cornwall resulting in inconsistent coverage. This underuse of Listing and Scheduling as a management tool has, in certain instances, significantly limited the degree to which planning and conservation officers could intervene to secure the heritage outcome most appropriate for Cornwall. We feel that a locally accountable heritage body should be given more flexibility to
interpret the national criteria and make these recommendations direct to Secretary of State\textsuperscript{5}, necessarily limited to assets in Cornwall.

**National WHS planning policy** - We need the powers to issue national guidance that will carry maximum weight in the planning decision-making process. There is currently limited national guidance to assess the impact of development proposals or managed change on Outstanding Universal Value (OUV) and the National Planning and Policy Framework (NPPF) needs to be clearer about how to meet the obligations arising from paragraph 172 of the Operational Guidelines for the World Heritage Convention. These functions should be placed within the new Cornish heritage body.

**Statutory Consultee and Advisory role to LPA and Government** - Historic England is a statutory consultee on applications affecting various types of heritage asset, and has discretion to advise Government to call in some applications affecting heritage assets where they are minded to object. These powers reside in a variety of pieces of secondary legislation\textsuperscript{6}. There would be an option to devolve this role to the new heritage body, however parity with other devolved heritage administrations, and the need to maintain current safeguards would indicate that this would be dependent on the clear independence of any new body from both the LPA and the Council as owner of a significant portfolio of designated assets.

**Disbursement of funding from the Historic Environment Commissions programme** - Historic England currently awards funding for strategic research, skills development and capacity building focussed on objectives within its ‘Historic Environment Action Plan’. Opportunities should be explored for the local management of these funds so that the money can be spent with local accountability and a closer connection to locally identified needs than is currently possible from Historic England’s national centre. Following 2023.

The local management of the Cornish elements of the national heritage collection by the new body (assuming net local benefits can be demonstrated) may release revenue funding which could be reinvested within Cornwall’s historic asset base. Business planning for this activity should consider whether (as with the English Heritage ‘New Model’) separate bodies should be set up to manage historic properties and deliver regulatory functions, and look at whether the devolved management of some Cornwall Council estate assets should also be considered. Necessarily this will require consideration of the extent to which public assets in Cornwall fall to be held under the eventual governance model selected for the Property strand of the Case for Cornwall. A separate trust may be appropriate for this particular function.

\textsuperscript{5} This measure would either require amendment of the Ancient Monuments and Archaeological Areas Act 1970 and the Planning (Listed Buildings and Conservation Areas Act) 1990 – to indicate that in Cornwall references to ‘The Commission’ would refer to the new Cornish body; or an understanding would be required between the body and Historic England that within Cornwall the new body would in practice have the authority to make these recommendations on the Commission’s behalf.

\textsuperscript{6} Further information here... http://planningguidance.planningportal.gov.uk/blog/guidance/conserving-and-enhancing-the-historic-environment/consultation-and-notification-requirements-for-heritage-related-applications/
Benefits for Cornwall

The provision of a specifically Cornish cultural and heritage body would recognise that it is the local distinctiveness of our cultural tradition (as now recognised at Government and European level) which is at the heart of the economic and social value of these sectors. By giving this body a clear devolved remit to focus on this special tradition it would have a clear role in developing the contribution of culture and heritage to the economy.

If the power to recommend statutory designations was devolved, greater local sensitivity could be applied in defining national heritage significance. This could address the better protection of our internationally important heritage assets. It could be aligned with Local Authorities’ existing powers to define conservation areas and local lists, for a more coherent, streamlined approach to heritage protection. Transfer of designation recommendation responsibilities to Cornwall would ensure that Cornish cultural heritage could be assessed on its own merits rather than in respect to the larger potentially inappropriate ‘English’ identity currently assumed – addressing a potential breach of the Council of Europe’s Framework Convention for the Protection of National Minorities inherent in the current arrangements. Leaving the formal power of designation itself with the Secretary of State limits the impact on existing statutory arrangements and ensures that the change in process leaves the legal weight of the designations themselves unchanged.

If Cornwall had greater planning powers in relation to the WHS it could enhance the status of its guidance, ensure better communication with DCMS and UNESCO, create greater clarity in the planning process, and thereby reduce uncertainty and related costs for both the planning authority and developers.

Devolution of responsibility for management of Historic England research and capacity building budgets would enable these to be aligned to locally managed programmes, enhancing their efficiency and effectiveness. Asset transfer is not proposed.

The creation of a locally accountable, well-resourced and appropriately staffed heritage body would deliver more comprehensive and joined up advisory services to Cornwall Council departments, particularly the LPA, than is currently possible with existing resources. This would, of course, require consideration of TUPE implications.

We would commit to improving cultural infrastructure and increasing audience numbers and programme beneficiaries across Cornwall. This together with the planning & revival of the Cornish language, are key parts of our cultural heritage and our brand, both of which support our economy and culture. In 2015 DCLG provided £150k funding to support our language aspirations and we are seeking a budget settlement which provides greater efficiency and the certainty required to undertaken effective language revitalisation.

Benefits for government

The proposal would create a body which could better generate opportunities to integrate heritage and culture into social and economic regeneration contributing
to the overall agenda of economic growth by adding value to the economy through cultural proportion, deliver more effective and locally focussed protection and management of heritage assets, whilst ensuring current levels of protection are maintained; and streamline and provide greater clarity in planning processes by ensuring inputs into the administration of designated sites take place closer to the point of delivery;

**Considerations**

Legislative changes are likely to be required to (i) deliver an advisory role for a new body within statutory designation processes; and (ii) to transfer Statutory Consultee functions.

The creation of a new body would require considerable financial, staff and administrative resources to be transferred from Cornwall Council and DCMS / HMBCE in order for the objective of improved heritage outcomes to be realised. Without this there exists the danger of delivering an ineffective process which does not secure the heritage asset management improvements required by all parties. Considerable detailed business planning, requiring sight of all relevant internal Cornwall Council, Historic England and English Heritage budgets would be required along with other due diligence as there are considerable risks, including financial risks, should any new model fail.

Current resources at Cornwall Council are not sufficient to provide the additional services described. Considerable resources would need to be transferred to replicate levels of expertise and wide-ranging support given by EH. Currently, Cornwall Council officers are able to tap into a regional and national resource of expertise – some of which it may be necessary for the new body to retain access to via service level agreements with Historic England.

The provision of advice into the planning system from an independent body with national oversight of the historic environment enables this advice to be seen as objective and unaffected by local political expedience. If powers discussed above were transferred directly to Cornwall Council there is a wide ranging potential for significant conflicts of interest to be perceived. This potential is currently avoided within England and the devolved administrations with heritage powers by the provision of heritage bodies that operate at a higher national and / or regional tier of government than local planning authorities – thus Cadw / Historic Scotland and Historic England each advise multiple LPAs giving an appropriate higher level of scrutiny.

Designation criteria must avoid departing from national standards and display the impartiality and balance required for this process, whilst ensuring that Cornish identity is not subsumed within a larger ‘English’ whole.

Due to the richness of the Cornish historic environment and the high skills base within Cornwall, we currently draw down higher levels of national project (Historic Environment Commissions) funding from Historic England than would be the case if it was allocated a ‘per-capita’ share of this funding pot rather than one based on the relative density of historic assets within Cornwall.
While the devolution of the powers could be of major benefit to the significance and conservation of historic assets in Cornwall, this will only be the case if the new devolved roles have:

a) The same legal stature as the existing statutory designations delivered by English Heritage – i.e. no weakening of designations status or value;

b) That an appropriate level of sustained resourcing, including in the shorter term a share of Historic England resources reflecting the workloads involved in Cornwall and in the longer term, the revenues associated with local profitable sites accompanies the transferral of other liabilities; and

c) In respect of the local management of heritage assets in state care, if a net benefit in both cultural and financial terms can be clearly and convincingly demonstrated in advance of any transfer of management responsibilities.

The way ahead

All of the proposals outlined above require further planning work and it is recommended that this work is undertaken in partnership with DCMS, Historic England, the English Heritage Trust, internal stakeholders (chiefly the WHS management team, the AONB management teams, Strategic Environment, Strategic Culture, Estates Strategy, Planning Historic Environment) and existing third sector heritage & cultural bodies in the county.

At present the proposals have not been developed in detail beyond the participation of a few Cornwall Council officers due to the sensitivities involved. However the success of the proposals is much more likely if they can be carried forwards with the support of Historic England and the English Heritage Trust.

Particular questions to be answered at this stage include:

- What legislative changes would be required in devolving heritage functions to a body within Cornwall?
- What is the most appropriate legal status of the proposed body?
- Will there be opposition to these proposals from within Historic England / English Heritage Trust? It is important that potential obstacles are identified early and constructive realistic discussion takes place early on to overcome these where at all possible. The proposals would be best taken forwards in partnership with the existing state heritage bodies.
- What funds are currently spent by the partner bodies involved in discharging their functions?
- What are the revenues and costs associated with the management of the national heritage collection within Cornwall?
- What would the more detailed governance structure of any new body look like? Have we identified the key areas of concern and risks?
- Would there be stakeholder and public support for devolution along these lines?
- How could the existing safeguards to historic assets be demonstrated within any proposed solutions?
Enable Cornwall to pilot greater freedoms and control over Council Tax

We want local freedoms over Council Tax which would see:

- No imposition of referendum requirements upon Cornwall’s town and parish councils
- The ability to vary blanket national discounts so that we can provide better support to those who need it most
- Changes to the timing of a Council Tax referendum so that this takes place before final decisions on Council Tax levels are made and bills produced

The issue

a) Town and Parish Council precepts

Referendum requirements are set to be extended to limit increases in local town and parish council precepts.

Cornwall has embraced the Government’s localism agenda and already identified £34m of services that could be put up for devolution and potentially considerably more. Devolution of services to local councils offers the opportunity to deliver greater efficiency and respond to local priorities.

Many local councils in Cornwall have been planning for an increased role in the local delivery of services since Cornwall went Unitary in 2009 but are now concerned that if they had been aware of the future likelihood of referenda they may have front-loaded this growth. Additionally many mid-size Town and Parish Councils historically have had low precepts and it is therefore very hard now to take on a step – change in their local role without a significant increase in precept when the benefits may not be realised by the local community immediately, as there is a lead in time to build capacity before taking on an enhanced role.

There is a serious risk that a restriction on local councils’ ability to raise local precepts will prevent those councils being able to prepare themselves financially to enable this local devolution.

b) Council tax discounts

The freedom to raise more income through changes to council tax discounts and exemptions, in particular council tax from empty homes and second homes discounts, is a step forward but to enable councils to control council tax for the benefit of local people recognising local needs requires the council tax system to be fully localised, including freedom over all discounts.

Existing council tax regulations require us to apply blanket council tax discounts, such as single persons discount regardless of tax payers income or personal circumstance. Since the localisation of council tax benefit, council tax arrears in Cornwall have increased by 45% (representing approximately £2.4m) which is a
clear indication of the impact these changes have had on those worst off putting further strain on the Council’s already stretched resources.

c) Referendum timing

Since April 2012 the Government has capped increases in Council Tax requiring local authorities to undertake a referendum to enable increases over the national imposed rate.

Each 1% increase added to the council tax would yield approximately £2.2m and raise the average Band D Council Tax bill by £13 per year.

Existing requirements around the timing of Council Tax referendums means that the referendum takes place after Council Tax decisions are made and after bills are issued. This therefore necessitates councils to re-issue council tax bills creating an inefficient administrative burden and additional costs; it is estimated that holding a referendum would cost Cornwall Council in the region of £1.1m including the costs of re-billing.

If referendums are to remain, we call upon the Government to review the timing so that any referendum would take place before the council tax and budget is approved and bills issued, thus allowing for an informed and considered conversation about the choice to take place before voting by the electorate as well as the Council in setting the future level of Council Tax.

The proposition

We want the freedom to be able to work with our local communities to establish an appropriate level of Council Tax. If there is a requirement to hold a referendum, this should be done in a way that is most cost effective to local taxpayers by taking place before the council tax and budget is set and bills are issued.

Our town and parish councils are willing and able to deliver the government’s localism agenda but can only do so if they are able to equip themselves financially to take on assets and services. We call upon the government to not extend the requirement for a referendum to town and parish council precepts.

We want to have the freedom to develop localised council tax rules which enable us to target discounts to the most vulnerable, rather than blanket discounts which bear no connection to people’s ability to pay. In particular we want the flexibility to adjust the 25% single persons discount for working people living alone in large homes – rated council tax band E and above. Discounts for single people in smaller homes and all pensioners would remain protected.

Benefits for Cornwall

Revising the timing of a Council Tax referendum would provide a more logical and more cost effective approach for the Council.

For town and parish councils, removing concerns around potential capping would allow them to be more confident in raising their local precept so that they can
help better deliver the needs of the local community. Town and Parish Councils could then move with confidence from a “passive role” of local administration to an “active role” in service delivery. And through this deliver an overall reduction in cost from service provision being at the most appropriate level.

Flexibility to vary council tax discounts would help to ensure that support is targeted at those who need it most.

**Benefits for government**

A revision to the timing of Council Tax referendum would result in a more cost effective use of local authority resources as well as aid informed decision making by the electorate on the choice available.

Enabling town and parish councils to play an increasing role in the delivery of public services is a key government priority. Freedom for local councils to raise precepts without the prospect of referendum requirements would support the principles of “big society” by ensuring local communities can do more to help themselves by raising local funding through the precept and stepping up to the plate to face significant local challenges and ensure continued delivery of appropriate services at a local level.

The ability for local areas to target Council Tax discounts at those who are in greatest need of support would support the Government’s Welfare aspiration to ensure that the most vulnerable get the support they need.