Spending Review 2021 Representation

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Overview

1. The CCN represents 36 English local authorities that serve counties. The 23 county and 13 county unitary authorities that make up CCN are the largest part of the local government family. They represent all four corners of England, from Cumbria to Cornwall, Durham to Kent, North Yorkshire to Suffolk, Derbyshire to Essex. The essential services our members provide touch on the everyday lives of residents and businesses across 86% of England's landmass and 47% of its population. The areas represented by our members constitute 38% of local government expenditure; 44% of total public expenditure (£201bn); and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 39% of Gross Value Added (GVA) and 42% of all employment.

2. CCN welcome this opportunity to submit evidence to the Treasury. Ahead of the previous Spending Review, CCN provided a comprehensive and detailed submission across a range of policy areas (see here). Much of the evidence contained in this submission in September 2020, particularly in relation to economic growth, transport, and infrastructure, remains relevant to the decisions that will be taken in the three-year spending review. We therefore ask that the 2020 submission is read alongside this document.

3. In providing evidence to the Spending Review, CCN recognise the need to build on local government's frontline role in responding the pandemic. In doing so, the sector will need to continue to transform and adapt to reflect the fundamental changes brought about by the pandemic, building on some of the positive changes, as well as increasing resilience, agility and the skills required to be able to overcome economic and social challenges exacerbated by the Coronavirus pandemic.

4. The extraordinary circumstances of the past 18 months have forced us all to rethink the role of public services, and particularly local government. That's why earlier this year, CCN and PwC produced a new report ***Future of Local Government***, which outlined the critical role councils had played during the pandemic, but also the need to 'rethink' their organisations and role in society.[1]

5. The report outlined that maintaining the status quo is not an option and place leadership will be critical to the national recovery from the pandemic. It outlined that England needs its councils to do more than just survive and should lead the response to the most fundamental challenges facing our society. But in order to do so, it concluded that this could only be achieved if the Spending Review ensures that county and unitary authorities have the right resources and powers.

6. As such, this submission is focused on outlining the priority financial pressures that CCN member councils need addressing in the Spending Review to provide the foundations for local government to help lead the recovery and continue to transform their organisations over the course of the next three years. Alongside this, it sets out important considerations for the Government's levelling up agenda through County Deals and devolution, and tackling climate change ahead of COP26.

7. Below, we summary our key priorities for the Spending Review, with further evidence provided in the body of the submission.

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[1] PwC (2021), *The Future of Local Government* http://www.countycouncilsnetwork.org.uk/download/3635/

Summary

Long-Term Sustainable & Fair Funding

Over the last ten years, councils have needed to rapidly adapt to a climate of significantly reduced resources, growing and ageing demographics, and the changing needs of our residents. Moreover, the distribution of funding no longer matches the needs of local areas.

For CCN member councils, their core costs will rise by £3bn between 2020 and 2025, and by a further £3.4bn by 2029/30. CCN members are expected to see an increase in costs of 31% compared to a national average of around 30% over the course of the decade analysed. As a result of these rising costs and demands, alongside the on-going impact of Covid10, CCN's analysis of its 36 member councils' medium term-term financial plans shows a projected total funding shortfall of £2.8bn over the next three years.

CCN and its member councils recognise that efficiency and service innovation to reduce costs will be needed over the course of the Spending Review. The provision of a multi-year settlement will enable councils to make longer term investments such as these to deliver savings and on-going transformation. Government must therefore commit to councils receiving a three-year settlement as part of the Spending Review.

8. Greater certainty and efficiency, however, will not meet the scale of the financial pressures facing local government. Our analysis of medium-term financial plans already assumes a 1.99% rise in council tax for every council over the next three years. If the government were not to provide any additional funding, the our analysis demonstrates that even a **further** 6% increase in council tax each and every year would not close the aggregate funding gap facing CCN member councils.

A yearly rise of 8%, or cumulative council tax rise of 24% over the next three years, is not feasible, fair or a long-term sustainable solution to funding services and meeting the scale of the financial challenges identified in this submission.

It is therefore vital that the Spending Review goes a significant way towards providing the uplift in resources needed to cover increasing costs and prevent the level of service reductions identified in our budget analysis; ensuring that councils can continue to deliver the services that residents and businesses need.

- **The Spending Review should seek to set out a minimum three-year funding settlement for councils, reflecting the spending need requirements of different council types and delivering sufficient quantum to prevent further reductions in services over the course of the Spending Review period.**

- **The Government to use this Spending Review to reverse the £500m reduction in capital funding for roads, so investment remains at the same level as the £1.525bn provided in 2020/21 for the period up to 2024/25. Unless the situation is rectified in the Spending Review, many unpopular decisions will need to be taken that will lead to a further deterioration in the condition of local roads.**

- **Government must restate a commitment to implement the Review of Relative Needs and Resources during this Parliament and undertake further consultations to progress the review over the coming 12 months.**

Devolution & Levelling Up

Counties are home to some of our most prosperous and successful areas, but there are many left behind areas located within counties: from deprived towns, rural and coastal communities in the north, south and east, to former manufacturing hotbeds in the midlands, to places where young people leave to go to university and never return. The left-behind nature of many of these places are partly a product of resource and policy being overly London centric and city focused, and CCN welcomes the intention through the CSR to address some of these deep-seated imbalances.

County authorities are uniquely placed, as strategic authorities, to respond to the challenges facing our national and local economies created by the pandemic. Counties are the key local agency in place-based growth, delivering billions each year in growth related expenditure and capital investment, through to their influencing and leadership role as convener, facilitator, and vision setter.

CCN continues to positively engage government departments on a range of important policy areas aimed at supporting the national economic recovery and levelling up agenda; not least the recent announcements in relation to levelling up and devolution through County Deals.

Rolling out County Deals across England would provide a unique opportunity for the leaders of England's county and unitary authorities, to come to the government with their vision on how we can level up, back business, attract more good jobs and improve local services. CCN will continue to work with Government to shape and deliver an ambitious programme of county devolution following the publication of the Levelling Up White Paper, building on the principles already set out by Ministers. Our response sets out the key principles in which County Deals should be taken forward through the Spending Review and Levelling Up White Paper.

Adult Social Care Reform

CCN strongly welcomes this administration's determination to reform adult social care, including many of the proposals that have been set out earlier this month. Our recent report *The State of Care in County & Rural Areas* in partnership with the Rural Services Network (RSN) underlines the urgent need for this reform, showing clearly the severe strain the current system of adult social care is under.

Future cost projections for adult social care for the period 2020/21 to 2029/30 show that nationally total costs will rise by £6.7bn, some 38%, just to keep services operating as they are presently without any increase in the level or quality of services. County and rural unitary councils account for £3.3bn of this total increase in costs over the period, with estimated spending need rising 40% - higher than the national average.

The Government has committed to retaining the £1bn per annum additional grant funding for social care first provided in 2020/21 for the duration of the parliament. This is welcome but previous analysis contained in our 2020 Spending Review submission shows that this would fail to offset the increase costs of providing services by 2025. Additional expenditure from Covid-19, coupled with other trends in care provision and workforce pressures will undoubtedly widen the gap between council costs and available resources.

While our recent report covers a wide range of issues in relation to the provision of care in county and rural areas and the proposed reforms, there are two immediate issues which are of direct consequence for addressing within the Spending Review.

- **Unless Government provides more funding at the Spending Review to meet rising costs; expand service provision to meet needs going unmet; and better**

support for younger adults, further reductions to services will be required in county and rural unitary councils in the period leading up to reform. Moreover, without a proportion of funding being enshrined in law for social care, there is no guarantee that income from the levy beyond 2025 will be used to predominantly fund social care once the NHS backlog is cleared.

- **While the Government have committed to funding a 'fair price for care', it is extremely uncertain that the funding announced to date will be sufficient to meet the costs arising from reform when the full additional costs from market equalisation are considered - estimated at £761m annually in county and rural areas alone. The Spending Review must clearly set out the Government's funding assessments for these new duties and any associated policy mitigation to prevent unsustainable financial costs and risks to councils and providers.**

- **The Government must commit to fully funding the national hospital discharge pathway beyond April 2022.**

With a sustainable, long-term funding settlement put in place for adult social care, CCN's recent report with Newton – *The Future of Adult Social Care* – demonstrated that a reformed, prevention focused adult social care system could lead to significant improvement in outcomes and a reduction in long-term care costs. Newton estimate that delivering the optimised model for adult social care across all local authorities in England can significantly improve outcomes, enabling tens of thousands of individuals to live more independent lives every year. In aggregate, this could help reduce the demand for increased spending in future years by an estimated £1.6bn per year.

Investing in Children's Services and SEND

CCN and its members have been concerned for a number of years about the pressures on, and financial stability within, children's social care. Spending pressures in children's services are set to grow further over the course of the next decade. Recent estimates by PwC for CCN show the cost of providing children's social care in England are set rise by 29%, needing an additional £3.05bn between 2020 and 2030. For CCN member councils they are projected to rise by 29%, with costs predicted to rise by £1.12bn over the same period.

While the Government provided additional resources in 2020, our 2020 Spending Review Submission showed this will only provide a small increase in overall resources by 2024/25 compared to a decade before, with only 8% of additional costs since 2015/16 met by additional government funding. It will provide no new resources to increase provision in early intervention and preventative services, which have seen significant reductions over the past five years.

These challenges facing children's services, if unchecked, threaten the ability of local authorities to deliver vital services for the most vulnerable children going forward.

- **The CSR should result in a funding settlement that properly recognises recent cost-pressures on children's social care. This settlement should be long-term that will allow for better planning. The Spending Review should seek to provide additional funding and ability for councils to support early intervention and preventive services.**

- **Create a National Framework for Early Intervention to direct Social Infrastructure investment to local authorities. The Government should devote a new expanded pot of central funding to support a National Framework for**

Early Intervention to help incentivise investment across a full range of preventative services and approaches.

There are also concerns about the cost of supporting pupils with special educational needs and disabilities (SEND) through the High Needs Block (HNB) of the Dedicated Schools Grant (DSG), which has experienced significant overspends in recent years. Research by the SCT and the CCN during the summer has projected that the size of this deficit in two years' time will be unmanageable and extremely difficult to pay off without taking large sums of money earmarked for other council services. For the combined CCN and SCT membership of 40 authorities in county areas, high-needs deficits will rise from £134m in 2018/19 to a projected £1.3bn in 2022/23.

- **The Government established a SEND Review in late 2019 to consider the concerns around the understandably sensitive issues surrounding this. The reporting of the Review has been delayed due to the pandemic and CCN understand this is now expected after the Spending Review and we hope that the wider issues of reform will be addressed after this time. However, the Spending Review should provide an uplift in the HNB of the DSG to ensure that all children can be properly supported and get the education that they deserve, especially as inter-block transfers are no longer permitted.**

Tackling Climate Change

CCN's advocacy on climate change seeks to demonstrate why local authorities are critical to the success of the Government's climate change ambitions, and why without greater recognition, involvement, and investment in CCN member authorities we will miss the opportunity to accelerate emissions reductions across half of England.

Local government, as the recognised leader of place, is ideally positioned to play a major role in enabling the required societal shift in attitudes and behaviours. However, it is important to recognise that not all places are the same. Our recent research sets out the opportunity for CCN member authorities to play a critical role in the delivery of climate change action but also the unique circumstance that must be understood and taken into account in designing how schemes should be delivered and funded across the country.

- **Government gives more clarity on the policy, strategy and obligations relating to local government and climate change. Government should create the forum for meaningful engagement with CCN member authorities to jointly define the roles, flexibilities, and contributions that they can make to build on the self-made momentum and accelerate climate change action in their areas.**

- **Funding to support climate change actions should be directed to CCN member authorities in proportion to the size and scale of the challenge outlined in this report, with clarity, flexibility and sustainable funding streams.**

Long-Term Sustainable & Fair Funding

9. For CCN members, securing sustainable and long-term funding remains the single biggest issue that they need to see addressed through the Spending Review. This will be the first multi-year CSR since 2015 and provides the Treasury and DLUHC with the opportunity to put in place the framework for a three-year Local Government Finance Settlement running from 2022 until 2025.

10. CCN and its members share the government’s commitment to levelling up the country, and key to unlocking councils’ ability to level up their communities is ensuring that a sustainable and fair funding settlement is put in place for local government.

11. Over the last ten years, councils have needed to rapidly adapt to a climate of significantly reduced resources, growing and ageing demographics, and the changing needs of our residents. Moreover, the distribution of funding no longer matches the needs of local areas.

12. As a result of this, previous PwC analysis or CCN has demonstrated the level of efficiency that local government and CCN member councils have needed to achieve since the last multi-year Spending Review in 2015.[2] By the start of 2020, local government would have needed to have made £13.2bn (£7.4bn in CCN member councils) of savings and reductions to services since 2015 to balance budgets, on top of council tax rises.

13. In the 2019 and 2020 Spending Rounds, the Government acknowledged that local government had shouldered a disproportionate burden of austerity over the past decade. As set out in our 2020 Spending Review submission, the additional funding provided in 2019 resulted in the largest increase in local government funding in a decade and a reduction in the projected funding gap facing our member councils. Moreover, since this point the Government has provided an unprecedented level of financial support during 2020/21 to ensure that the majority of the emergency spending pressures and lost income resulting from the pandemic were funded.

14. Below, we set out the overall financial position of our member councils ahead of the Spending Review. Alongside new financial analysis on cost projections for council services up to 2030, CCN has analysed its member councils’ medium-term financial plans for the period 2021/22 to 2024/25 to demonstrate the severity of the financial challenges facing our member councils due to rising costs, demand for services and the continuing impact of Covid-19.

Cost projections – 2020/21-2029/30

15. In July this year CCN published a new financial analysis with PwC about the long-term financial pressures that councils face.[3] This research updated ground-breaking analysis from 2019 which sought to assess the cost pressures faced by councils and what future patterns of spending could look like.

16. This analysis provided further insight and context around the environment in which local government will be operating over the next 10 years, and the funding spending pressures it will continue to face. Given the uncertainty on the future impact of COVID-19 on councils’ operating costs, demand and income (see below), the analysis focused on core spending need excluding the potential, unknown, impact of these factors.

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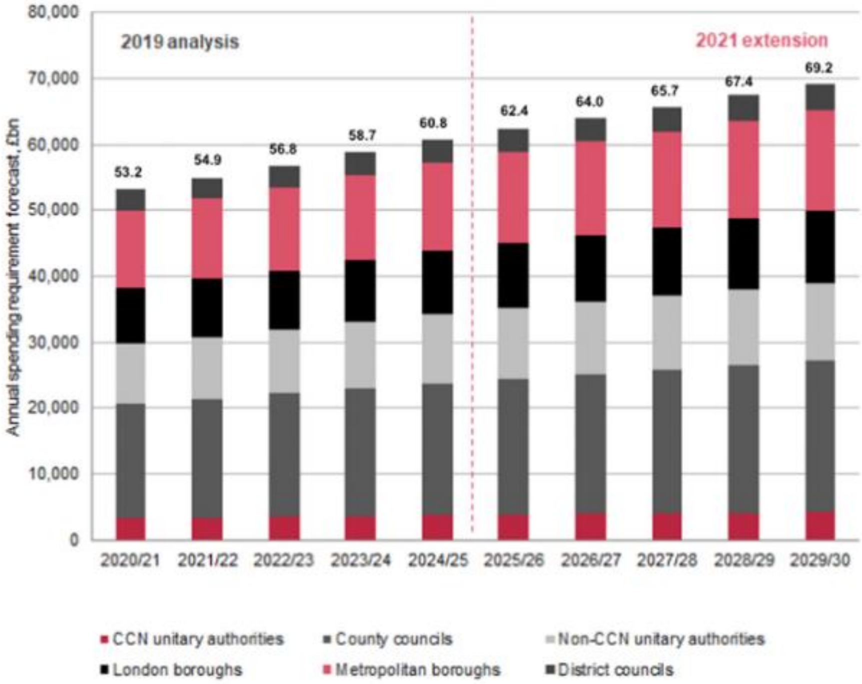
[2] PwC (2019) *Independent Review of Local Government Spending Need and Funding* (Technical Report) http://www.countycouncilsnetwork.org.uk/download/2262/

[3] PwC (2021) *The Future of Local Government* http://www.countycouncilsnetwork.org.uk/download/3635/

17. PwC's original analysis found that for the period 2020 to 2025 councils expected their costs to rise by £7.2bn. The extended analysis found that by 2029/30 total costs for local government in England could rise by a further £8.4bn; total spending requirements are predicted to rise from £53bn in 2020/21 to over £69bn in 2029/30.



18. For CCN member councils, their core costs will rise by £3bn between 2020 and 2025, and by a further £3.4bn by 2029/30. CCN members are expected to see an increase in costs of 31% compared to a national average of around 30% over the course of the decade analysed.

Financial Position 2020/21

19. Alongside the rising costs to deliver core services identified in PwC's analysis, the continuing impact of Covid-19 on council budgets has placed our member councils in an extremely difficult in-year financial position.

20. Whilst the majority of the costs from the pandemic in 2020/21 were met through additional government funding and lost income guarantees, there remains considerable uncertainty about what the medium-term impact of Covid-19 will be in terms of additional expenditure, changing patterns of service and continued pressures on lost income. Most importantly, the pre-existing funding pressures that pre-dated the pandemic as a result of austerity and rising demand for services have not been meet through either of the past two spending rounds.

21. Using Delta returns and detailed engagement with Section 151 Officers from across all CCN member councils, in June 2020 CCN published a comprehensive assessment by Grant Thornton of the financial challenges posed by Covid-19.[4] The analysis demonstrated both the short and long-term implications, setting out the additional expenditure that councils had incurred and the likely trends in future pressures.

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[4]**Grant Thornton** (2020) *Analysing The Impact of Covid-19 on County Authority Finances*
http://www.countycouncilsnetwork.org.uk/download/3052/

22. Within their analysis Grant Thornton highlighted that some of the additional expenditure and lost income incurred by local authorities as a result of Covid-19 during 2020/21 could drive additional pressures in the medium term. Particular costs highlighted were embedded uplifts in care provider fees, under occupancy of residential care places, shortages of foster care places and additional complexity and demand costs in children's social care. Grant Thornton's projections estimated that 50% of Covid related adult and children's social care costs and non-tax-based local income could remain in 2021/22, with a further 25% remaining in 2023/24.

23. For the current financial year, analysis by the Society of County Treasurers (SCT) of the latest Covid-19 delta returns shows that additional expenditure and non-tax-based income as a result of the continuing response to Covid-19, and alongside embedded legacy costs of the pandemic, continues to place a considerable burden on our councils' budgets.

24. SCT members are reporting a total pressure of £1.812bn in 2021/22, some 60% of the total costs reported in 2021/22. This is higher than the legacy costs of the pandemic that Grant Thornton estimated would continue into this financial year. While adult social care remains the single biggest pressure facing councils, the table below shows that councils are facing higher cost pressures this year compared to 2020/21 in both children's social care and public health, while other costs remain extremely high as a percentage of 2020/21 costs. To date the Government have only provided our councils with £1.1bn of additional funding, leaving a significant in-year shortfall.

Table 1 – Covid 19 Additional Costs and lost non-tax-based income	**2020-21 (£/m)**	**2021-22 (£/m)**
Adult social care	£1,605.7	£647.6
Children's Social Care	£119.3	£143.7
Education	£92.2	£45.6
Public Health	£299.8	£486.6
Cultural & related	£24.6	£13.9
Environment & regulatory	£95.4	£56.2
Finance & corporate	£76.0	£44.9
Other (including lost savings)	£345.8	£234.2
Total additional Expenditure	**£2,658.8**	**£1,672.7**
Sales, Fees & Charges (SFC) income losses	**£343.4**	**£140.1**
Total Covid-19 Pressure	***£3,002.1***	***£1,812.8***

25. As a result of these continuing pressures and existing funding gaps that predated the pandemic, CCN member councils have an extremely challenging in-year financial position. Our analysis of medium-term financial plans for our 36 member councils (see below) reveals that our councils face a collective shortfall of £696.9m, which will need to be met during this year through further savings, service reductions, and efficiencies in order to balance their budgets.

Budget Analysis – 2022/23 to 2024/25

26. Based on further analysis of the published projections of 36 CCN member councils in their medium-term financial plans, county and unitary authorities continue to face a significant shortfall over the next three financial years.

27. It is important to note that some 23 councils included an anticipated council tax rise of at least 1.99% in their medium-term financial plans for duration of their projections, with a

further four councils including rises of 3.99% and one council 2.99%. <u>In order to make the analysis more consistent, CCN has adjustment the estimated funding gaps so that all councils have a council tax increase of 1.99% for each year of the period.</u>

28. In 2022/23, the projected shortfall for CCN member councils is to rise 32% compared to the current financial year to £920.1m. The deficit rises again to £923.3m 2023/24, increasing further to £936m by 2024/25. In total, CCN's analysis shows that its member councils project a total cumulative funding shortfall of £2.78bn over the next three years.

Table 2: CCN analysis of 36 county and unitary councils Medium-Term Financial Plans – total shortfall by financial year			
2021/22	**2022/23**	**2023/24**	**2024/25**
£696.9m	£920.1m	£923.3m	£936m

29. Unlike other parts of the public sector, councils are not able to operate a deficit, and must provide a balanced budget year on year. These budget shortfalls can only be met by increased central government funding, increases in council tax, or further cuts to services.

30. CCN and its member councils recognise that efficiency and service innovation to reduce costs will be needed over the course of the Spending Review. Our report with PwC *Future of Local Government* is an important contribution to supporting our member councils to consider how they use the lessons from the pandemic to consider their next steps in their organisation's development. This includes accelerating transformation and investment in their organisation, taking a more active role in shaping places, building more flexible working arrangements for their workforce, and embracing technology and automation in the delivery of services.

31. The provision of a multi-year settlement will enable councils to make longer term investments such as these to deliver savings and on-going transformation. For instance, as outlined in detail under *Adult Social Care Reform*, by providing sustainable and long-term funding for adult social care, CCN research has shown that an optimised local delivery model could help tens of thousands of individuals live more independent lives and help reduce the demand for increased spending in future years by an estimated £1.6bn per year.

32. Government must therefore commit to councils receiving a three-year settlement as part of the Spending Review. Alongside this, we urge the government to publish the outcome of the recent consultation on the future of New Homes Bonus (see CCN response here) and also the future of business rates retention as part of its fundamental review.

33. **Greater certainty and efficiency, however, will not meet the scale of the financial pressures facing local government.** After many years of above inflation council tax rises, the priority must remain on Government providing grant funding as the means to close the funding gaps facing CCN member councils.

34. As previously stated, <u>our analysis of medium-term financial plans already assumes a 1.99% rise in council tax for every council over the next three years</u>. If the government were not to provide any additional funding, the below table demonstrates that even a **further** 6% increase in council tax each and every year would not close the aggregate funding gap facing CCN member councils.

Table 3: CCN funding Gap remaining after potential council tax rises				
Level of Council Tax Rise	**2022-23**	**2023-24**	**2024-25**	**Cumulative Gap 2022-25**
4% Council Tax Rise	£660m	£658m	£665.4m	£2,003m
6% Council Tax Rise	£399.9m	£382.3m	£373.4m	£1,115m
8% Council Tax Rise	£139.9m	£96.3m	£59m	£295.5m

35. A yearly rise of 8%, or cumulative council tax rise of 24% over the next three years, is not feasible, fair or a long-term sustainable solution to funding services and meeting the scale of the financial challenges identified above.

36. In county areas where average council tax rates are already considerably higher than other parts of the country, rises on this scale would place a disproportionate and unfair burden on residents at a time that the pandemic continues to place strains on individual and household budgets.

37. It is therefore vital that the Spending Review goes a significant way towards providing the uplift in resources needed to cover increasing costs and prevent the level of service reductions identified in our budget analysis; ensuring that councils can continue to deliver the services that residents and businesses need. As outlined further on in this submission, the Spending Review should particularly prioritise any investment in adult and children's social care, not only to prepare these services for forthcoming reforms, but to enable councils to invest in preventative services that reduce long-term, reactive, care costs.

- **The Spending Review should seek to set out a minimum three-year funding settlement for councils, reflecting the spending need requirements of different council types and delivering sufficient quantum to prevent further reductions in services over the course of the Spending Review period.**

- **Sufficient funding must be prioritised for adults and children's social care to improve and enhance local services ahead of planned reforms, with a particular focus on investment in prevention and early intervention services.**

- **Government should commit to fully funding all reported costs incurred as a result of Covid-19, while providing a further uplift in funding to recognise the continuation of medium-term pressures beyond 2021/22.**

- **A full range of fiscal devolution measures should be considered as part of the long-term funding of local government set out in the Spending Review.**

Capital Funding for Roads Maintenance

38. Previous research by the CCN has shown that, as result of historic disparities in core funding levels and infrastructure investment, there are huge regional differences in local investment in England's roads and for pothole filling. In 2019/20, while shire counties could invest £20,885 per mile, councils in London were able to spend three times the amount (£62,350 per mile), metropolitan councils could spend £41,929 per mile, while England's eight Core Cities were in a position to invest £57,241 per mile.[5]

39. Over several years, these disparities in investment led our network to campaign vigorously for greater capital investment in local roads. In the Conservative manifesto the Government responded, committing to boost investment by £500m per annum to tackle the scourge of

[5] https://www.countycouncilsnetwork.org.uk/county-motorists-poor-relation-to-urban-areas-as-new-analysis-reveals-roads-investment-three-times-higher-in-london/

potholes and help level up funding across the country. This extremely welcome additional funding would go some way to addressing the backlog of repairs in our county and rural areas, delivering a key election commitment of the administration, while also narrowing the gap in investment opportunities between county and urban areas.

40. In 2020/21, the first tranche of this investment saw core capital funding rise to £1.525bn.[6] This allowed CCN member councils to undertake significant improvements to local roads, with planned capital investment by CCN member councils rising 13% in a single year. Although the impact of the pandemic has led to additional costs and complexity in delivering services, CCN member councils have filled thousands of potholes and put in place local schemes to resurface entire roads; with improvements being seen and welcomed by residents right across the country.

41. Given the Government commitment to continue to invest an additional £500m through the pothole fund over and above existing resources, CCN member councils were anticipating, understandably, similar capital allocations for the current financial year. It was therefore disappointing that subsequent core capital allocations for the current financial year fell by £500m to £1.385bn. CCN member councils received 72% of the core capital investment in 2020/21 and were disproportionately impacted by reductions, facing an average decline in capital grant of 22% this year, a total of £285m.

42. What makes this so concerning is that the commitment to increase funding by £500m each and every year to tackle potholes was a key Government promise that was strongly welcomed by our member councils, and the public more widely. There are clear public expectations that our councils will continue to invest in our road network, above and beyond previous years, in line with the Government's well publicised promises to provide the necessary resources.

43. As a result of the reduction in funding, our councils have had no choice but to reduce investment this year, cancelling high priority planned works and existing schemes to reduce the prevalence of potholes. Given wider financial pressures facing councils, many of our councils do not have the ability to borrow significant amounts to offset losses for this year and maintain planned investment.

- **We are therefore urging the Government to use this Spending Review to reverse the £500m reduction in capital funding for roads, so investment remains at the same level as the £1.525bn provided in 2020/21 for the period up to 2024/25. Unless the situation is rectified in the Spending Review, many unpopular decisions will need to be taken that will lead to a further deterioration in the condition of local roads.**

Fair Funding Review

44. CCN councils are the lowest funded councils and have long argued that the current way of distributing resources is out of date and unfair. The *Independent Review of Local Government Spending Need and Funding* by PwC identified the level of 'unmet need' within county areas, which amounted to £1bn in 2015/16. This demonstrates that county authorities have historic spending needs that have not been recognised in funding allocations and their expenditure.[7]

45. CCN and its members have long called for the completion of the Review of Relative Needs and Resources, known as the Fair Funding Review (FFR). The final stages of the FRR

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[6] This includes local highways maintenance (needs element funding), local highways maintenance (incentive/efficiency element funding) local highways maintenance challenge fund, Pothole Action Fund, and Potholes Fund (Budget 2020).
[7] **PwC** (2019) - *Independent Review of Local Government Spending Need and Funding (Technical Report)* http://www.countycouncilsnetwork.org.uk/download/2262/

development and implementation by DLUHC has now been subject to three significant delays, firstly as part of the Spending Round in 2019, and again in both April and November 2020. In these instances, CCN has expressed its disappointment, but the provision of only a one-year settlement, and subsequent scale of the coronavirus impact on council finances, meant delays to the reforms were necessary.

46. The Review of Relative Needs and Resources has made considerable progress under previous administrations, with CCN responding to the consultation in 2019, setting out our support for the direction of travel. An immense amount of work has gone into ensuring these much much-needed reforms progressed, with all councils agreeing that the current method of funding councils is wholly out of date.

47. However, as we come out the other side of the Covid-19 crisis, CCN believe that the government must again renew their commitment to proceed with the review at pace; ensuring resources are distributed fairly between councils, which recognises the higher costs of delivering services in rural areas and enables fairer council tax levels across the country.

48. Alongside an overall sustainable funding settlement for local government, it is imperative that fairer funding for councils is a priority for the Spending Review. This will help to reduce the inequalities in funding that have become entrenched between local authorities in London and authorities across the rest of the country. Easing the historic imbalances in the distribution of local government finances is a key plank of progressing the levelling up agenda.

49. CCN has always maintained that councils of all shapes, sizes and political colours could benefit from a fairer distribution of resources. In early 2020, CCN commissioned Pixel to model the potential impact of the FFR for different classes of authorities based on the latest information on government proposals and available data. The modelling took into account all the proposals that the government has made within the FFR, including council tax equalisation, the creation of the foundation formula and the latest Area Cost Adjustment (ACA) factors. The modelling also included the possible impact of the new adult social care formula based on the proposals from the Personal Social Services Research Unit (PSSRU). The briefing provides an overview of the assumptions applied.[8]

50. Based on this research, Table 2 shows the change in settlement funding assessment for different types of upper tier councils. It shows metropolitan authorities are likely to be overall gainers from the FFR, as are CCN member councils. Counties would see the largest cash gains but would remain significantly lower funded on a per head basis compared to other parts of local government. The most significant losers are still likely to be inner London boroughs.

Table 4: Overall change in Settlement Funding Assessment (SFA)	Current SFA (£/m)	Revised SFA (£/m)	Change (£/m)	Change (%)	Revised RNF per head (£)
Metropolitan districts	3,902	4,151	249	6.4%	342
CCN authorities	3,541	3,867	326	9.2%	149
Non-CCN authorities	2,299	2,387	89	3.9%	254
Inner London boroughs	1,269	953	-316	-24.9%	287
Outer London boroughs	1,356	1,252	-104	-7.7%	215

51. While these are only initial results of our independent modelling, based on a number of evidence-based assumptions, they show that the FFR has the potential to deliver a fairer

[8] Pixel (2020) Impact of new adult social care funding formulae on members of the County – initial findings of fair funding review research http://www.countycouncilsnetwork.org.uk/download/3160/

settlement for CCN member councils, metropolitan and unitary boroughs, benefiting councils in the midlands, the north, and south, towns, cities, rural areas and coastal communities, and therefore aiding the levelling up agenda.

- **Government must restate a commitment to implement the Review of Relative Needs and Resources during this Parliament and undertake further consultations to progress the review over the coming 12 months.**

- **All adult social care funding from 2022 onwards, whether core funding or funding streams such as the Improved Better Care Fund, should be distributed using the new adult social care relative needs formula.**

Levelling Up & Devolution

52. The Government has signalled that a key consideration of the Spending Review will be to continue its agenda to level up left behind-parts of the country. Counties are home to some of our most prosperous and successful areas, but there are many left behind areas located within counties: from deprived towns, rural and coastal communities in the north, south and east, to former manufacturing hotbeds in the midlands, to places where young people leave to go to university and never return. The left-behind nature of many of these places are partly a product of resource and policy being overly London centric and city focused, and CCN welcomes the intention through the Spending Review to address some of these deep-seated imbalances.

53. Last year CCN commissioned Grant Thornton to undertake two extensive studies exploring place-based growth and the role of county authorities. These studies showed that county areas are the backbone of the UK economy, delivering 39% of GVA, 48% of all businesses, and 42% of all employees.[9] At the same time these areas have witnessed slower growth rates over the past five years. Business growth of 7.9%, for instance, has lagged behind the England average of 11.6% and 15.1% for non-county areas.

54. The research also identified that county areas suffer from structural weaknesses such as poor productivity and business growth, lower than median wages and significant skills gaps. Some 31 of the 36 county authorities have productivity levels below the national average, driven by low levels of business formation rates and structural challenges such as low median incomes: 23 or the 36 county areas have mean income levels below the England average and only 13 above. Evidence also shows that the gap in incomes for county areas is widening, with a 13% increase in the gap over the past 5 years.

55. Further research published this year showed that rural and large county areas in all four corners of the country have borne as much of the brunt of the economic shock as urban locations.[10] Analysing the economic impact of coronavirus for the 12-month period to March 2021 revealed:

- The number of people claiming out of work benefits in the 36 county areas the CCN represents has risen by 421,365 people to 762,430 – a 123% increase. This equated to 1,154 new people a day claiming out of work benefits since the pandemic's outbreak in England. In comparison, the rise in 36 metropolitan boroughs in towns and cities in the North and West Midlands totals 282,235 – an 88% rise.

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[9] **Grant Thornton** (2020) - *Place-Based Growth*; *The Role of Counties in 'Levelling-Up' England* *http://www.countycouncilsnetwork.org.uk/download/2798/*
[10] countycouncilsnetwork.org.uk/ccn-launches-new-economic-recovery-campaign-as-research

- Many county areas in England's regions have seen the amount of people claiming out of work benefits more than double, including an increase of 124,000 people in the South East – a 153% rise on March 2020.
- Elsewhere, there was an increase of 94,685 in the East of England – a 135% rise – 54,120 more people in in the South West – a 130% increase, and 40,400 people in counties in the West Midlands – a 117% year-on-year increase. County authorities in Yorkshire and the Humber saw a 115% increase.
- There are 5.7m people in county areas who are working in employment deemed at risk of widespread closures, such as leisure, manufacturing, and hospitality – 53% of the entire workforce. In addition, economic output, as measured by GVA, has declined by £58bn in those areas, including 17.4bn in the South East, £13.3bn in the East of England, and £6.3bn in the East Midlands, between 2019 and 2020.

56. County authorities are uniquely placed, as strategic authorities, to respond to the challenges facing our national and local economies created by the pandemic. Counties are the key local agency in place-based growth, delivering billions each year in growth related expenditure and capital investment, through to their influencing and leadership role as convener, facilitator, and vision setter. This was reinforced by the aforementioned report with PwC, *Future of Local Government*, which outlined the need for local authorities to lead the economic and social recovery from Covid-19.[11]

57. CCN continue to positively engage Government departments on a range of important policy areas aimed at supporting the national economic recovery and levelling up agenda, not least the recent announcements in relation to levelling up and devolution through County Deals. We strongly welcome the recognition by the Prime Minister that county areas, alongside all parts of the country, must be at the heart of the levelling up agenda. As CCN recently set out in our letter to the Prime Minister, devolution to county areas could be a game changer for levelling up the country – and our councils stand ready to turn this into a reality.

58. Rolling out County Deals across England would provide a unique opportunity for the leaders of England's county and unitary authorities, to come to the Government with their vision on how we can level up, back business, attract more good jobs and improve local services. CCN will continue to work with Government to shape and deliver an ambitious programme of county devolution following the publication of the Levelling Up White Paper. Below, we set out the key principles in which County Deals should be taken forward through the Spending Review and Levelling Up White Paper:

Geography

59. CCN has advocated for an approach that clearly defines county and unitary geographies as the building blocks for devolution, and strongly support the direction set out to date as either an 'administrative county council' or 'larger' unitary geography; a wider 'historic' county geography including the county council and neighbouring unitary authorities; or a combination of one or more smaller unitary authorities. **However, we believe the Government could do more to clearly rule out sub-county level geographies to prevent local disagreements and would like to see this clearly set out in any future guidance.**

Governance

60. CCN welcome the flexible approach that has been taken recognising that a 'one-size fits all' is inappropriate and the signalled move away from mayoral combined authorities in county

[11] **PricewaterhouseCooper** (2021) *The Future of Local Government* http://www.countycouncilsnetwork.org.uk/download/3635/

areas. **County Deals should be agreed directly with upper-tier councils as the Government has indicated is their preferred model, with the correct governance structures in place to allow a collaborative approach across district councils and/or neighbouring unitary authorities.** There is a wide range of collaborative activity that is already happening across county areas, including growth boards, leadership boards and joint committees. These could offer a ready-made starting point for the governance of a county deal.

61. Guidance to date has also been clear that any proposal must include details on how the area would strengthen local governance and provide a single, visible point of accountability for the deal. CCN understand some of the benefits of an elected leader in providing a direct public mandate from across the entire county/unitary area and avoiding the necessity of an additional layer of governance through a mayoral combined authority. **However, we believe the existing leader and cabinet model could fulfil this function and is more readily deliverable.**

62. In our view, a directly elected mayor of a county council would be significantly different to a metro-mayor both in terms of the scale of services that they are responsible for, and also the size of resources that they are directly in control of. CCN believe a similar single point of accountability can be exercised by the existing leaders of the authority who have experience of being responsible for such significant budgets; who intricately know their area; and have worked to ensure the ongoing financial resilience of their authority.

63. The strong local leader and cabinet model would give ultimate accountability to the county leader and ensure strong decision making that delivers the highest impact, with stability and continuity at a time when there is a need to deliver shovel-ready projects and ensure that deals allow councils to hit the ground running and quickly deliver positive change.

64. CCN is committed to demonstrating how the current strong leader and cabinet model can be strengthened to provide more accountability and visible strong leadership, and as we set out above, we believe that the current model in operation across county and unitary authorities would provide greater stability both locally and nationally.

Powers & Funding

65. Government have rightly indicated that they do not see a reason why any of the powers and funding currently available to mayoral combined authorities could not be devolved through a County Deal.[12] CCN welcome this and believe that County Deals should offer parity of esteem to non-metropolitan England, with all the powers and funding devolved to mayoral combined authorities available as part of county deals. The White Paper must therefore provide as much parity with Mayoral Combined Authorities on County Deals as possible. This includes powers for a Statutory Spatial Plan; responsibility for the Shared Prosperity Fund; delivery of the Education and Skills Funding Agency; and powers over Bus Franchising.

66. CCN also understand that the White Paper intends to evaluate the impact of existing approaches to funding such as competitive bidding and the pot approach to funding. CCN welcome an approach that seeks to consolidate existing funding pots into devolved funding streams directly to county and unitary authorities, building on the recent recommendations of the National Infrastructure Commission in relation to infrastructure and transport funding.[13]

Reform & Efficiency

[12] https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021
[13] https://nic.org.uk/studies-reports/infrastructure-towns-and-regeneration/

67. Government have set out that structural reform to unitary authorities as part of a County Deal has not been ruled out, but they have been clear that this will only be taken forward where there is strong local support. If an area is not proposing structural reform, a County Deal proposal must outline how they intend to streamline and join-up service delivery, remove duplication, share services, and generate greater levels of efficiency.

68. Over the past 18 months, CCN has set out comprehensive evidence to inform local areas and Central Government policy in relation to the opportunities and benefits associated with local government reorganisation.[14] We welcome the opportunity for areas to continue to explore structural reform as part of County Deals, where there is local support. Through the White Paper, we would welcome greater clarity on the level of consensus, and amongst which stakeholders, that would be required to take any reform proposals forward.

69. CCN also support the encouragement of 'non-structural' reform as part of County Deals in order to deliver greater efficiency and joined up services. CCN has previously undertaken research with PwC to develop a model for non-structural reform and greater collaboration between county and district councils, including the potential financial benefits that could be achieve through this.[15] However, we believe that for this to be achieved, Government must set out in the White Paper a clear set of expectations on which services they would like to operate at a more strategic, or local, level, including areas such as waste management.

<u>Adult Social Care Reform</u>

70. In September CCN published *The State of Care in County & Rural Areas* in partnership with the Rural Services Network (RSN).[16] The report describes and quantifies the current state of adult social care in county and rural areas, drawing on fresh analysis of the most recent NHS England activity and financial data, alongside funding estimates and cost projections for adult social care in England.

71. Importantly, following the recent announcement of the Government's initial proposals for adult social care reform in England, the report also explores the potential impact of measures on existing service provision alongside reforms such as a cap on care and new rights for self-funders to access council arranged care contracts.

72. CCN strongly welcomes this administration's determination to reform adult social care, including many of the proposals that have been set out earlier this month. Our report underlines the urgent need for this reform, showing clearly the severe strain the current system of adult social care is under, particularly in county and rural areas:

- County and rural areas have the highest percentage of service requests - 58%, - where no formal service is provided, and just 8% of all requests (77,000) resulted in long-term care support.

- 47% of spending in county and rural areas is on working age adults in receipt of care, despite three quarters of demand for care services in county and rural areas coming from those aged 65+.

- Low population density means the per-hour cost of providing domiciliary home-based care is on average 10% higher for county and rural authorities than any other type of

[14] PwC (2020) Evaluating the impact of scale in proposals for local government reorganisation http://www.countycouncilsnetwork.org.uk/download/3148/
[15] http://www.countycouncilsnetwork.org.uk/download/3858/
[16] CCN and Rural Services Network (2021) The State of Care in County and Rural Areas http://www.countycouncilsnetwork.org.uk/download/3806/

local authority, and as much as 18% higher than that paid by the average metropolitan council.

- There has been a long-term trend of shrinkage of the residential care home market even before Covid, with county and rural areas witnessing the closure of 272 residential and nursing care homes over the past three years, even whilst they rely more heavily on this type of care than other types of councils.

- Funding and the costs of services has diverged dramatically over the past five years. As a result of growing demand for services and costs, the difference between funding and service costs has grown 20.8% over the period, some £1.2bn for county and rural unitary councils.

- Nationally government funding in 2019/20 was meeting almost 42% of the costs of providing services. There is a large variation between council types, with just 30% of costs met through grant funding in county and rural areas.

- Future cost projections for the period 2020/21 to 2029/30 show that nationally total costs will rise by £6.7bn, some 38%, just to keep services operating as they are presently without any increase in the level or quality of services. County and rural unitary councils account for £3.3bn of this total increase in costs over the period, with estimated spending need rising 40% - higher than the national average and for metropolitan boroughs.

- While the additional Covid-19 expenditure on social care has been funded by Government, with this expenditure reducing by almost two thirds during the current financial year, there is growing evidence there will be medium-term 'legacy costs' from the pandemic which could become embedded beyond 2021/22.

73. While the report covers a wide range of issues in relation to the provision of care in county and rural areas and the proposed reforms, there are two immediate issues which are of direct consequence for addressing within the Spending Review.

Funding to meet rising costs and unmet need

74. While the Government has provided additional specific resources to adult social care services over recent years, the impact of this investment has been counteracted by reductions in core grants at a time of rising costs for services. By 2020, county and rural unitary councils had seen the greatest divergence in government-funded resources set against the costs of delivering services. Over the course of the next decade the core costs of providing care services will rise significantly just to maintain service levels as they are currently are.

75. The inadequate quantum of resources to meet existing demand for services is also compounded by the way in which funding is currently allocated. While adult social care has always received temporary grants, our recent analysis shows that there has been an increase in piecemeal funding initiatives, with temporary grants currently making up 59% of all adult social care funding from central government.

76. The Government has committed to retaining the £1bn per annum in additional grant funding for social care first provided in 2020/21, for the duration of the parliament. This is welcome but previous analysis contained in our 2020 Spending Review submission show that this would fail to offset the increase costs of providing services by 2025.

77. Additional expenditure from Covid-19, coupled with other trends in care provision and workforce pressures will undoubtedly widen the gap between council costs and available resources, including:

- The national insurance rise for providers is likely to drive up commissioning costs for councils, while creating further challenges in recruiting and retaining an already underpaid workforce.

- Additional pressures in the workforce have been created by labour shortages in other industries such as hospitality, catering, and retail which often draw from the same pool of workers. Pay inflation in these roles has had a significant impact on the sector as care workers are enticed away by more pay with less responsibility elsewhere.

- The ongoing impact of Covid-19 beyond 2022 and wider system reform presents a number of upward cost pressures. For instance, while the national hospital discharge pathway is welcome and has generally worked well it requires urgent long-term funding. Currently, discharge pathways are only funded until the end of this year and there is uncertainty about future funding and legislative requirements. Some areas, especially those with a higher proportion of people who self-fund their care, face a significant cost impact.

78. Existing funding commitments, coupled with council tax rises, will not provide the resources necessary to fulfil the commitment to improve the quality and access to care services in the lead up to 2023.

- **Unless Government provides more funding at the Spending Review to meet rising costs; expand service provision to meet needs going unmet; and better support for younger adults, further reductions to services will be required in county and rural unitary councils in the period leading up to reform. Moreover, without a proportion of funding being enshrined in law for social care, there is no guarantee that income from the levy beyond 2025 will be used to predominantly fund social care once the NHS backlog is cleared.**

- **The Government must commit to fully funding the national hospital discharge pathway beyond April 2022.**

Impact of extending self-funder duties to access council-arranged care

79. Alongside access to a new cap on care, a key objective of the Government proposed reforms is to *'tackle persistent unfairness in the social care system'* with reference to the higher rates charged to self-funders when compared to councils for the same care. It will do this by enabling self-funders through Section 18(3) of the Care Act to ask their local authority to arrange their care, with a stated ambition for self-funders to access local authority rates for care.

80. CCN support the introduction of a cap on care and recognise the need to address the unfairness in the fee levels paid for care. But these commitments will have enormous implications for councils and providers.

81. Firstly, the policy would result is a significant level of additional demand for either advice and support services, or direct arrangement of care. In the lead up to the previous plans to implement a cap on care in 2015, the results of a joint-cost modelling exercise by the Department of Health, ADASS, LGA and CCN showed that CCN member councils account for two-thirds of the total early assessment and review costs identified. This evidence confirmed

that the demand, and subsequent financial impact, of new duties would be disproportionately borne by counties in the short, medium, and long-term.

82. Secondly, as outlined in our recent report in detail, public and private fee polarisation has become more deeply embedded as a structural feature of the care home market, with private fees more than 40% higher than publicly paid fees for the same level of amenity, and in all probability the same level of care.

83. The Government's intention to actively encourage self-funders to access council-arranged care will lead to greater 'market equalisation' between council and self-funder fees. Unless significant resources are provided this would potentially further undermine the profitability of providers and result in large-scale care home closures, or unfunded commissioning costs for councils to sustain their local provider market.

84. County and rural unitary councils will be particularly exposed to the risks of increased demand and greater financial pressures, given their higher average percentage of self-funders (53%) and proportion of care homes. These areas are already facing a care market 'fee gap' of £761m - the estimated annual cost of bringing local authority fees closer to self-funder rates.

85. It was these costs and risks associated with market equalisation that led to the delay in the implementation of funding reforms in 2015. With financial strain in the provider market intensifying since this point, unless significant resources are provided this would potentially further undermine the profitability of providers and result in large-scale care home closures, or unfunded commissioning costs for councils to sustain their local provider market.

- **While the Government have committed to funding a 'fair price for care', it is extremely uncertain that the funding announced to date will be sufficient to meet the costs arising from reform when the full additional costs from market equalisation are considered - estimated at £761m annually in county and rural areas alone. The Spending Review must clearly set out the Government's funding assessments for these new duties and any associated policy mitigation to prevent unsustainable financial costs and risks to councils and providers.**

86. Related to both of these issues, funding needs to be distributed in such a way that all citizens are able to access similar levels of social care service regardless of where they live.

- **A sustainable distribution of resources between health and social care must be coupled with a fair formula for distributing funding between different councils. This must recognise the costs of service delivery in county and rural areas and also an understanding that reform to social care will change demand patterns and eligibility for support for self-funders, in the process creating new, specific pressures, for these councils. Any funding distribution must also recognise the already disproportionate burden placed on council tax to fund services in county and rural areas.**

System Reform

87. With a sustainable, long-term funding settlement put in place for adult social care, CCN's recent report with Newton – *The Future of Adult Social Care* - demonstrated that a reformed, prevention focused adult social care system could lead to significant improvement in outcomes and a reduction in long-term care costs.[17]

[17] Newton (2021) *The Future of Adult Social Care* http://www.countycouncilsnetwork.org.uk/download/3392/

88. The report demonstrated that investment needs to go hand in hand with the opportunities for service improvement and transformation which drive down long-term care costs through better demand management; integration with health; and new approaches to service delivery. Reform must also set out a vision for social care based on a value and belief system that is focussed on promoting people's independence.

89. Newton estimate that delivering the optimised model for adult social care across all local authorities in England can significantly improve outcomes, enabling tens of thousands of individuals to live more independent lives every year. In aggregate, this could help reduce the demand for increased spending in future years by an estimated £1.6bn per year and improve the following outcomes:

- At least 90,000 additional older adults each year could benefit from greater access to short-term services, such as reablement, to reduce or prevent their need for long-term-care. This, coupled with services being more effective, could reduce long-term care costs by £867m a year.

- Around one fifth – 10,800 – of older adults who go into long-term residential care each year could be supported to live in a more independent setting, such as their own home. This could reduce long-term care costs by £178m a year.

- Working age adults with learning disabilities outside of residential care receiving formal support could be enabled to develop the skills they need to live more independently. In turn, they could have their level of required home care support hours reduced by 8% on average – delivering £261m in savings per year.

- Around 11,600 working age adults with learning disabilities who currently live in residential care could be living in a more independent setting, such as in supported living or with a Shared Lives carer. This could deliver £74m a year of reduced costs.

- Greater collaboration between care providers and councils to tailor home care support around the individual, which maximises their potential for independence, could save £75m per year. At the same time, more use of voluntary and community sector services when adults approach social care could deliver a £95 million financial benefit per year.

90. Finally, in July CCN published the report *Employing Assistive Technology in Adult Social Care* which highlighted that technology is currently being developed at rapid pace will offer many opportunities for improved services and efficiency savings in social care in the near future.[18] However, to take advantage of these opportunities the system must be enabled to invest in such technology just as the NHS is able to invest in the latest healthcare advances.

91. The Government's *Build Back Better* document outlined its intentions to increase the Disabled Facilities Grant to support more initiatives which enable people to stay in their own homes and prevent them coming into the social care system in the first place. CCN would urge that at least part of this enhanced DFG is specifically designated for investing in assistive technology

[18] CCN (2021) *Employing Assistive Technology in Social Care* http://www.countycouncilsnetwork.org.uk/download/3604/

Investing in Children's Services and SEND

Children's Services

92. CCN and its members have been concerned for a number of years about the pressures on, and financial stability within, children's social care.

93. In May 2020, CCN published new research showing the trends in changes to children's services funding and expenditure between 2015/16 and 2019/20.[19] It showed that that total grant funding earmarked for children's social care in England, excluding temporary grants, has declined by nearly one-third from almost £3.1bn to £2.2bn. During this period CCN member councils have seen an overall reduction of £391m (39.5%) in grant funding allocated to children – substantially greater than the reductions felt by any other type of council. As a result of this, the research showed that spending on early years has declined by 34.9% between 2015 and 2020. The decline was even was even more pronounced in county areas, where the decline was 44.5%.

94. Spending pressures in children's services are set to grow further over the course of the next decade. Recent estimates by PwC for CCN show the cost of providing children's social care in England are set rise by 29%, needing an additional £3.05bn between 2020 and 2030. For CCN member councils they are projected to rise by 29%, with costs predicted to rise by £1.12bn over the same period.[20]

95. Alongside rising costs, new analysis by Newton for CCN as part of an on-going project exploring children's services reveals the following trends in spending demand:[21]

- CCN member councils spend on children in care now accounts for 44% of total children's spend, compared to an average 37% across England as a whole.

- Over 80% of the spending increase for CCN authorities between 2015 and 2020 has been driven by an increase in spend on children in care – driven predominantly by children needing to stay in care longer rather than new children entering the system (i.e. more children entering than exiting care each year).

- The largest increase in children in care by age group over this time has been a rise in 16 years old and above which has increased by 47% in counties compared to 37% in England as a whole.

- CCN authorities have seen a 35% increase in the per-child care placement cost over this time. The project will focus on investigating what has driven this increase, but initial analysis suggests the market is partly responding to a combination of factors including rise in demand for residential care; a shortage of available placements; and an increase in children displaying more complex needs.

96. Newton's data shows that CCN authorities are experiencing an above average increase in children in care and combined with greater reductions to their grant funding which needs to be addressed to ensure the most vulnerable children in these authorities are able to receive the levels of support they need.

97. While the Government have provided additional resources, our analysis in our 2020 Spending Review submission showed that additional funding set out in previous Spending Reviews will only provide a small increase in overall resources by 2024/25 compared to a

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[19] CCN/LG Futures (2020) - *Children's Services Funding and Early Intervention* http://www.countycouncilsnetwork.org.uk/download/3003/
[20] PwC (2021) The Future of Local Government http://www.countycouncilsnetwork.org.uk/download/3635/
[21] Newton research with CCN to published in late 2021.

decade before, with only 8% of additional costs since 2015/16 met by additional government funding. It will provide no new resources to increase provision in early intervention and preventative services, which have seen significant reductions over the past five years.

98. These challenges facing children's services, if unchecked, threaten the ability of local authorities to deliver vital services for the most vulnerable children going forward. Further reductions to achieve efficiencies, including some service reductions, will be required for CCN member councils just to meet rising costs of services despite the resources provided by Government.

- **The CSR should result in a funding settlement that properly recognises recent cost-pressures on children's social care. This settlement should be long-term that will allow for better planning. The Spending Review should seek to provide additional funding and ability for councils to support early intervention and preventive services.**

- **Create a National Framework for Early Intervention to direct Social Infrastructure investment to local authorities. The Government should devote a new expanded pot of central funding to support a National Framework for Early Intervention to help incentivise investment across a full range of preventative services and approaches. This should be actively promoted as investment in 'Social Infrastructure' designed to help children and young people reach their full potential and help Britain to thrive and grow in the future.**

- **Develop a cross-departmental model led by the Department for Education to oversee the delivery of central funding for early intervention. Administration of a National Framework for Early Intervention should be primarily focused on the needs of children and families and what helps them to thrive. The Government should develop a cross-departmental model led by the Department for Education and including the input of the Early Intervention Foundation in order to oversee the delivery of central funding supporting a National Framework.**

Special Educational Needs and Disabilities

99. There are also concerns about the cost of supporting pupils with special educational needs and disabilities (SEND) through the High Needs Block (HNB) of the Dedicated Schools Grant (DSG), which has experienced significant overspends in recent years. This is the largest single concern around children's budgets reported to CCN by its member authorities, with excess costs over and above the DSG often falling on the local authority's budget, as well as the significantly higher costs of providing home to school transport over long distances across county areas for children with SEND.

100. HNB overspends have resulted in councils being placed in the invidious position of transferring money from the DSG to meet HNB deficits, either with approval of the local Schools Forum or the Secretary of State for Education. At present HNB deficits are being held separately from main council budgets due to specific legislation:

- The School and Early Years Finance Regulations 2020 which clarified the DSG is a ringfenced specific grant separate from general local authority funding, and that as such any deficit an authority has on its DSG account should be carried forward and not covered by its reserves; and

- The Local Authorities (Capital Finance and Accounting (Amendment) Regulations 2020 which permits local authorities to transfer the amount of any DSG deficits to a specific account established, charged, and used solely for this purpose.

101. The government has said that councils do not need to start addressing these deficits until 2023, allowing councils to carry over their school budget deficits until April that year. However, although this has provided councils with some breathing space it does not address the longer-term problem of rapidly accruing deficits year-on-year.

102. Research by the SCT and the CCN during the summer has projected that the size of this deficit in two years' time will be unmanageable and extremely difficult to pay off without taking large sums of money earmarked for other council services. For the combined CCN and SCT membership of 40 authorities in county areas, high-needs deficits will rise from £134m in 2018/19 to a projected £1.3bn in 2022/23.

103. Whilst CCN has welcomed the additional investment that the Government has made in this area – including an extra £730m this year for high needs in addition to a £780m injection last year – the scale of the deficits mean that this money has primarily been used to cover pre-existing shortfalls. More than just money, the overall system must be reformed to address the root cause of an exponential increase in the number of Education Health and Care Plans (EHCP) which has occurred since the changes made to the system in the Children and Families Act 2014.

- **The Government established a SEND Review in late 2019 to consider the concerns around the understandably sensitive issues surrounding this. The reporting of the Review has been delayed due to the pandemic and CCN understand this is now expected after the Spending Review and we hope that the wider issues of reform will be addressed after this time. However, the Spending Review should provide an uplift in the HNB of the DSG to ensure that all children can be properly supported and get the education that they deserve, especially as inter-block transfers are no longer permitted.**

Tackling Climate Change

104. It is acknowledged that globally we are in the midst of a climate emergency, and we should therefore be treating it as such. CCN's advocacy on climate change seeks to demonstrate why local authorities are critical to the success of the Government's climate change ambitions, and why without greater recognition, involvement, and investment in CCN member authorities we will miss the opportunity to accelerate emissions reductions across half of England.

105. In addition, it is important that through CCN advocacy we also demonstrate that Government policy to date has been too city-focused in its climate change funding and actions.

106. *Rising to the Climate Challenge* is a new report which analyses in detail the specific challenges facing county and rural areas in tackling climate change.[22] The report is wide ranging, covering local government's ability to tackle climate change, and the challenges and opportunities that exist, across the following themes: housing, transport, attitudes and behaviours, funding, and agriculture.

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[22] CCN (2021) Rising to the Climate Challenge: The Role of Counties in Delivering Net-Zero
http://www.countycouncilsnetwork.org.uk/download/3795/

107. The report reveals that emissions have reduced at a **lower rate** than in other parts of the country, meaning overall that CCN member councils accounted for a **greater proportion** of emissions than compared to in 2005. The table below shows the rate of reduction of carbon emissions across different types of authorities. As this report shows, CCN member authorities are taking positive and innovative steps to reduce emissions, yet the unique and varied challenges faced in more rural areas have resulted in slower emissions reductions that other urban and city areas:

Table 5: Total CO2 emissions (in million tonnes) by type of council and area in England – 2005 to 2018			
Council type	**Total emissions in 2005**	**Total emissions in 2018**	**Percentage change**
Core cities	27,062,000	16,496,000	-39%
London councils	46,240,000	28,128,000	-39%
Non-CCN English Unitary Authorities	106,778,000	67,240,000	-37%
CCN authorities	179,050,000	124,205,000	-30%

108. Local government, as the recognised leader of place, is ideally positioned to play a major role in enabling the required societal shift in attitudes and behaviours. Through local networks and partnerships, regulation, service provision, funding and communication, local government possesses the tacit knowledge that is required to influence change. The Department for Business, Energy and Industrial Strategy has recognised the importance of local government in their analysis of GHG emissions, acknowledging that 84% of territorial CO2 emissions are influenceable by local government. This recognition alone suggests that local government should be fundamental to climate change action programmes.

109. Accepting that local government is crucial to the successful roll out of climate change action, it is important to recognise that not all places are the same. This report sets out the opportunity for CCN member authorities to play a critical role in the delivery of climate change action but also the unique circumstance that must be understood and taken into account in designing how schemes should be delivered and funded across the country.

110. The report shows that it must be recognised that initiatives designed to improve air quality that have predominately been focussed on cities and urban areas will have led to emissions reductions in those areas, particularly in respect of transport. But the report concludes that unless a similar level of focus, recognition, investment, and a more co-productive approach is taken to those areas where more than half of CO2 emissions are accounted for, the UK is unlikely to meet its climate change commitments.

111. This report sets out a series of conclusions and preliminary recommendations for the Government which should be considered as part of the Spending Review ahead of COP26:

- **Government gives more clarity on the policy, strategy and obligations relating to local government and climate change. Government should create the forum for meaningful engagement with CCN member authorities to jointly define the roles, flexibilities, and contributions that they can make to build on the self-made momentum and accelerate climate change action in their areas.**

- **Funding to support climate change actions should be directed to CCN member authorities in proportion to the size and scale of the challenge outlined in this report, with clarity, flexibility and sustainable funding streams.**

- **Government should quickly establish the mechanisms for capturing and recording the performance data (finance, emissions reductions, co-benefits, etc) to support the evaluation of what works well and that initiatives can be scaled with greater certainty.**