

**Rt Hon Rishi Sunak MP**  
Chancellor of the Exchequer

Sent by email

**18<sup>th</sup> January 2021**

Dear Rishi,

**CCN Budget Representation 2021**

Ahead of this year's Budget 2021, on behalf of the County Councils Network (CCN), I would like to provide a summary of key issues below, alongside more detailed evidence attached, as our representation to inform the development of your proposals.

CCN represents 36 English local authorities that serve counties. The 25 county and 11 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.

In recent months CCN members have responded to Covid-19 by adapting services and re-deploying staff and have been proud to play a substantial role in helping the national effort to combat the virus, frequently going above and beyond what has been required. Our member councils continue to be the frontline response during this latest phase of the pandemic, protecting and supporting the most vulnerable during the the national lockdown while continuing to provide essential services and an important role in the roll out of mass vaccinations.

As we look ahead, our member councils are focussed on economic recovery and stand ready to work with their communities and government to ensure that this happens in a sustainable way.

Crucially, the government continues to emphasise 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 resources and policy being overly London centric and city focused.

CCN welcomes the intention through the 2021 Budget to address some of these deep-seated imbalances. Recent research by Grant Thornton<sup>1</sup> showed that many of the underlying economic weaknesses of county economies have been exacerbated by Covid-19. The immediate economic shock and uncertainty around both the speed and nature of recovery will have exposed and deepened many of these longstanding inequalities. The latest lockdown will lead to further challenges for local economies in recovering from the pandemic.

In responding to this call for representations, in September, CCN submitted a detailed and comprehensive response to the Spending Review. CCN's Spending Review submission focused on the three areas that we think will best create the conditions for continuing to respond to the national emergency that is the COVID-19 pandemic and delivering the longer term levelling up agenda: *Sustainable & Fair Funding*; *Recovery & Levelling up*; and *Quality Public Services*.

The full submission can be found [here](#), and it is attached to the covering email.

For the 2021 Budget, we urge the government to consider the detailed evidence presented in this submission in relation to *Recovery & Levelling Up* and *Quality Public Services*, all of which remains as relevant to the 2021 Budget as it was in late September.

In particular, in responding to the economic emergency we face, we would highlight our proposals in relation to the role of county authorities in delivering a place-based recovery. 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; to their influencing and leadership role as convener, facilitator, and vision setter.

Alongside this, this pandemic has particularly exposed the challenges facing our adult social care system, and the need for long-term reform. While it is crucial that the Government use this budget to provide further details of their long-awaited plans for social care reform, sustainable funding is only part of the solution.

For this investment to be effective it must be accompanied by reform to the wider framework in which social care for adults and children is delivered, alongside whole-place public service reform and integration. We must empower local government to lead place-based investment in early intervention across the entire social care system supported by a national framework for preventative investment to help reduce cost and improve service outcomes across the public sector.

Alongside considering the evidence and proposals contained in our Spending Review submission, we urge the Treasury to engage with a forthcoming report by Newton Europe and CCN on adult social care reform and a new optimised model of localised delivery.

More widely, since our Spending Review Submission, CCN has also responded to the Provisional Local Government Settlement 2021/22 which provided further details of the funding proposals announced for local government at the Spending Review.

Our response to the settlement can be found [here](#), and is attached to the covering email. We outline that CCN has worked pragmatically and constructively throughout this financial

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<sup>1</sup> **Grant Thornton** (2020) - *Place-Based Recovery*  
<http://www.countycouncilsnetwork.org.uk/download/3114/>

year with the Government to secure significant additional resources to respond to a dramatic rise in unplanned expenditure, lost income and falls in tax revenues. We welcome the support provided, and the funding announced at the Spending Review does provide further financial reassurance in relation to meeting additional costs and lost income next year.

However, the financial picture remains uncertain and extremely challenging. The latest national lockdown, which is witnessing much higher rates of COVID-19 infections in shire counties than throughout the entire pandemic, will add further cost pressures for the remaining months of this year and into next. As outlined in our response to the provisional settlement, we also raise concerns that the income compensation scheme for council tax will potentially provide significantly less compensation than first anticipated.

We expect costs for the remainder of 2020/21 to rise at a steeper rate than previously estimated in December's Delta return, potentially widening the gap between estimated costs and financial support provided by government.

In considering the March Budget, CCN continue to maintain that the government should meet all costs incurred as a result of the pandemic, and in light of the latest lockdown, Government will need to be prepared to provide further grant funding to support member councils in the final three months of this financial year. Moreover, it will also need to reconsider whether the £1.55bn is sufficient to meet costs during the first quarter of 2021/22 and higher legacy costs caused by the latest wave of the pandemic.

Moreover, while we welcome the additional resources and revenue raising flexibilities provided next year, these have done little to address significant underlying challenges that we were present before the impact of COVID-19. CCN member councils still face a significant funding gap that they will need to close next year and subsequent years after this. This will continue to result in reductions to services and use of reserves to fill the shortfall unless a longer term sustainable, and fairer, funding settlement is put in place.

It is critical that a full three-year spending review is conducted later this year, alongside the completion of the fair funding review and wider reforms to local government finance. We ask that in the Budget the Government confirm their expectation that a full Comprehensive Spending Review will take place, and consider the long-term funding proposals outlined in our previous submission; including the implications of the fair funding review and its impact on any proposals to reform local taxation.

We hope that the evidence we have provided over the course of the past six months will help inform the 2021 Budget and wider policy considerations for government moving forward. CCN, and our member councils, stand ready to do all we can to support the national recovery and levelling up agenda in the coming months and years.

Yours sincerely,

**David Williams**

Chairman, County Councils Network & Leader of Hertfordshire County Council



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