CCN

COUNTY COUNCILS NETWORK

# CCN Submission

## *Comprehensive Spending Review*

UNLEASH THE POTENTIAL

OF COUNTIES


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## Introduction

1. The County Councils Network (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.

2. 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.

3. In recent months CCN members have responded to Covid-19 by adapting services and re-redeploying 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. They are now focussed on economic recovery and stand ready to work with their communities and government to ensure that this happens in a sustainable way.

4. More widely, counties have shown time and again how they can forge new partnerships across the public and private sector to continue to be leaders of place and the anchor institution within their local communities. Despite many common perceptions, counties are more than just social care authorities; they are the key local agency that can engineer public service reform at scale and help tackle the climate emergency; deliver the homes our communities need; and drive the economic recovery; supporting the government in delivering post-Brexit growth and prosperity.

5. This why county authorities, and the communities our councils represent, must be at the heart of the Comprehensive Spending Review (CSR).

6. The Government has signalled that a key consideration of the CSR 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 CSR to address some of these deep-seated imbalances.

7. CCN's Spending Review submission focuses on the three areas that we think will best create the conditions for this to be achieved: *Sustainable & Fair Funding*; *Recovery & Levelling up*; and *Quality Public Services*.

8. Across the three areas, our submission is supported by a wide range of recent independent evidence and analysis. While drawing on this evidence throughout, we list the full reports at the beginning of each chapter. Alongside this, we present new analysis in relation to the funding gap facing counties in light of the continuing impact of Covid-19 on council budgets. Where forecasts are provided, they cover the period up to 2025 unless otherwise stated.

9. CCN and its' members look forward to the outcome of the spending review, and to continuing to work with the government to unleash the potential of counties in the coming months and years.

## Executive Summary

### *Sustainable and Fair Funding*

The resources provided at the 2019 Spending Round made a significant contribution to easing the financial challenges facing counties, reducing the cumulative funding gap for CCN authorities for 2020 – 2025 to £7.8bn. However, our updated forecasts show that as a result of unfunded Covid-19 pressures and potential loses in council tax and business rates, the estimated cumulative five-year funding gap could increase from £7.8bn to £11.63bn, a 49% (£3.83bn) increase.

As a result of pre-existing funding shortfalls and the additional pressures from Covid-19, there is a risk that a significant number of county authorities will be unable to meet the statutory duty to deliver a balanced budget by the end of 2021/22.

- **The CSR should seek to set out a minimum 4-year funding settlement for councils, reflecting the spending need requirements of different council types and delivering sufficient quantum to meet pre-Covid funding gaps.**

- **Government should establish an income guarantee for lost council tax and business rates. This should seek to cover losses at least the rate of 75% SFC lost income scheme.**

- **Clarity should be provided through the CSR on what mechanism will be used to provide additional funding so councils can prepare for a second wave of Covid-19, and deal with any further financial implications resulting from a second wave or local lockdowns.**

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). Research outlined in this submission shows that metropolitan authorities are likely to be overall gainers from the FFR, as are CCN member councils, therefore challenging assertions that the FFR would unfairly, and disproportionately, favour shire counties.

The CSR also provides an opportunity to set a clear direction on the future reform of New Homes Bonus (NHB) and business rates retention. CCN has long argued for reform to the NHB and, at a time of reduced funding for the sector, has continually questioned whether it represents the best use of resources. Equally, we have raised concerns over whether there is a correlation between business rates income, growth expenditure, and service need. There are serious questions as to the extent of the growth 'incentive' it provides councils and whether it is a fair way of funding different types of councils.

- **The CSR should confirm that NHB will be reformed or abolished, subject to consultation on options.**

- **Address concerns raised by CCN over the growth incentive provided by the policy and distribution of business rates, particularly in light of the impact of Covid-19. Explore whether there are alternative fiscal devolution proposals and policies to incentivise councils to promote economic growth.**

## *Recovery & Levelling Up*

Nationally, since the start of the pandemic, Government has deployed a range of significant actions and interventions to manage the response to the pandemic and help to stimulate the recovery. However, focus must now turn to how local areas can help drive a place-based recovery and continuing the levelling up agenda. County authorities are uniquely placed, as strategic authorities, to respond to these challenges and opportunities.

Devolution, alongside local government reorganisation where desired, and the ability for shire counties to access funding and levers currently afforded to urban metro-mayors, will be crucial to the success of the 'levelling-up' agenda and securing better local economic growth.

Government therefore needs to ensure that opportunities available in other parts of the country are extended to county areas, alongside reforms to skills, strategic planning and a focus on tackling climate change as part of the economic recovery.

- **The Local Recovery & Devolution White Paper should provide as much parity with Mayoral Combined Authorities on devolution as possible and set out a broad range of governance options.**

- **Set out clear criteria for unitary reform. This should include confirmation of a minimum population limit 'substantially more' than 300,000 with no upper population limit; ensure proposals offer better public service delivery across the area; and provides the thresholds and tests of local consensus.**

- **The National Bus Strategy must give adequate consideration to rural areas to support social mobility and access to job, training and leisure.**

- **Government should mandate that upper tier authorities are default partners on Skills Advisory Panels.**

- **Adequate, sustainable and long-term funding for green infrastructure and creation of green jobs, including the creation of a climate transition fund for councils, to enable the rapid conversion of assets including council properties, schools and fleets.**

Capital and investment rules will be reconsidered as part of the CSR, recognising the disparities in investment that currently exist. While much of the focus has been on the north/south divide, lower levels of investment between metropolitan and non-metropolitan areas are equally as important. Analysis contained in this submission shows that investment across a number of key funding streams is significantly lower in CCN member councils compared to major urban areas. Moreover, as a result of more generous funding for urban councils, and disproportionate capital investment, these authorities have been able to invest significantly more in growth-related services.

- **There is a requirement for prompt, targeted investment decisions that focus on addressing place-based vulnerabilities with greater consideration of the infrastructure requirements in non-metropolitan areas.**

- **Funding processes need to be streamlined, simplified and devolved and the Government should commit to publish a consultation on the UK Shared Prosperity Fund as soon as possible.**

## *Quality Public Services*

Public services are the primary means through which most citizens interact with their local authority. Therefore, it is vital for the integrity of government and the wellbeing of the community that local authorities are able to provide high people-based services which respond to local need.

Evidence outlined in this submission shows that while existing commitment to increase social care funding for both adults and children's social care over the course of this parliament will help to meet the rising costs of services, it will be insufficient to provide investment to improve services beyond current service levels or meet existing unmet needs within the system. Alongside this, there are significant pressures in areas such as special educational needs & disabilities, home-to-school transport and public health which, like social care, have been exacerbated by Covid-19.

County authorities are key to delivering the CSR aim of improving outcomes in public services, including supporting the NHS. Our submission provides specific evidence and analysis in relation to the funding and reform of people-based services to achieve this.

- **Deliver a long-term sustainable funding package for delivery of high-quality adult social care and for reform of the system. This should provide further resources in addition to the £1bn of additional funding already committed to as part of the Government's manifesto.**

- **The CSR should support the model of adult social care remaining a local service, in line with reform principles set out by CCN.**

- **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 CSR should provide an uplift in the high needs block 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.**

But sustainable funding is only part of the solution and 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.

- **Create a National Framework for Early Intervention to direct Social Infrastructure investment to local authorities.**

- **Develop a cross-departmental model led by the Department for Education to oversee the delivery of central funding for early intervention.**

- **Begin to set out reforms for the Troubled Families programme beyond 2020/1 centred on helping families to recover from the Covid-19 emergency across the medium- to long-term.**

## Section 1: Sustainable & Fair Funding

**CCN's evidence base**

- **PwC** (2019) - *Independent Review of Local Government Spending Need and Funding (Technical Report)* http://www.countycouncilsnetwork.org.uk/download/2262/
- **CCN & Pixel Financial Management** (2020) - *Local Government Funding Forecast - 2020 to 2025* http://www.countycouncilsnetwork.org.uk/download/2776/
- **Grant Thornton** (2020) - *Analysing The Impact of Covid-19 on County Authority Finances* http://www.countycouncilsnetwork.org.uk/download/3052/
- **PwC** (2020) - *Evaluating the impact of scale in proposals for local government reorganisation* http://www.countycouncilsnetwork.org.uk/download/3148/
- **Pixel Financial Management** (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/

10. 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.

11. In 2019, the Spending Round acknowledged that local government had shouldered a disproportionate burden of austerity over the past decade. The additional funding provided for local government resulted in the largest increase in local government funding in a decade and a reduction in the projected funding gap facing our member councils.

12. However, prior to Covid-19, county authorities were still managing significant funding shortfalls. As outlined in our analysis below, the pandemic has exacerbated the financial challenges facing CCN member councils over the next five years.

13. This will be the first CSR since 2015 and provides the Treasury and MHCLG with the opportunity to put in place the framework for a four-year Local Government Finance Settlement running from 2021 until 2025. 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.

14. Below, we set out our evidence and proposals to achieve sustainable and fair funding for local government, and specifically, CCN member councils. Further evidence and proposals in relation the funding key areas of service pressures, including adults, children's services and special education needs (SEND) are outlined in section three *Quality Public Services.*

*Cost Projections*

15. In 2019 PricewaterhouseCoopers (PwC) were commissioned by CCN to undertake an independent analysis of the financial pressures that local authorities in England have experienced and expect to continue to experience over the period 2015-2025. This report, based on estimating councils 'spending need', is the most extensive and detailed analysis of funding pressures facing councils published to date.[1]

[1] **PwC** (2019) - *Independent Review of Local Government Spending Need and Funding (Technical Report)*

16. PwC’s estimates of spending need were an evidence-based estimate of the amount of resources local government, and specific tiers of councils, required to meet its demand and costs for services. PwC used 17 different service specific cost drivers (volume/demand indicators) across 10 different service areas. In addition, generic cost drivers are applied to unit costs over time, such as inflation, the living wage, pension obligations and the apprenticeship levy.

17. The modelling showed that spending need for local authorities in England will increase by 35% (£15.7bn) over the period from 2015/16 to 2024/25. For county councils and county unitary authorities, they could face a 34% (£5.1bn) and 29% (£822m) increase in spending need respectively over this period.

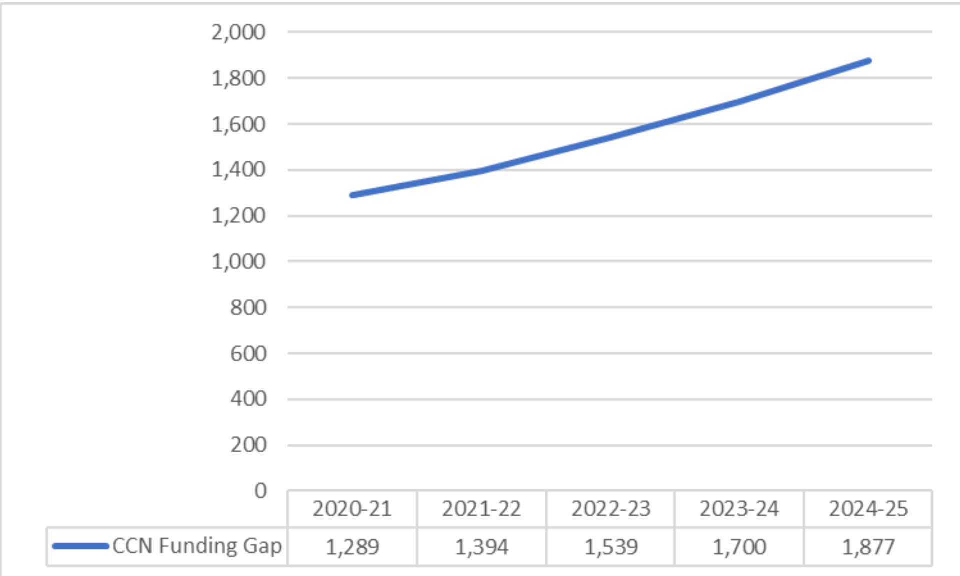
*Pre-Covid Funding Gap*

18. At the time of their report in May 2019, PwC estimated that CCN member councils faced a funding gap between 2020/21 and 2024/25 of £19.4bn before council tax rises, 40% of the national funding gap.

19. In January 2020, CCN commissioned Pixel Financial Management (Pixel) to provide new funding forecasts to update the expected funding gap contained in this analysis, following the announcements in the 2019 Spending Round.[2]

20. Their analysis showed that as a result of the 2019 Spending Round, CCN authorities would face a cumulative funding gap of £13.2bn. A rise of 12% in council tax reduces the cumulative funding gap to £7.8bn, an average annual gap of £1.5bn between 2020/21 and 2024/25.

**Graph 1: Funding Gap 2020/21 – 2024/25 (CCN member Councils £/m)**




21. The resources provided at the 2019 Spending Round made a significant contribution to easing the financial challenges facing counties and wider local government. However, before the Covid-19 pandemic it remained the case that CCN member councils still faced a significant annual funding shortfall over the next five years, including a £1.3bn shortfall in the next financial year.

[2]**CCN & Pixel Financial Management** (2020) - *Local Government Funding Forecast - 2020 to 2025*

*Revised Funding Forecast – Lost Council Tax & Business Rates*

22. The financial implications of Covid-19 have exacerbated the financial challenges facing CCN member councils. While below we set out evidence and proposals in relation to meeting Covid-19 expenditure and non-tax-based income shortfalls, CCN has continually highlighted that the greatest additional financial risks created by the Covid-19 pandemic are potential losses in council tax and business rates.

23. Council tax forms the majority of income for CCN member councils, representing 66.9% of all funding received. Our councils are therefore particularly exposed by the potential collection fund deficits. Unless government provides support with meeting unrecoverable losses, this will significantly increase the pre-existing funding gap facing CCN member councils identified above.

24. Grant Thornton's analysis for CCN showed that two key drivers would influence council tax income in year: a reduction in the tax base due to a greater number of residents not paying council tax via the council tax support (CTS); and a reduction in the rate of council tax collection and a corresponding increase in arrears, which may be politically difficult for the council to recover in the context of recession and financial hardship in the community.

25. Reductions in the council tax base are due to increased numbers of residents qualifying for CTS and will represent an in-year loss that cannot be recovered. The impact will be compounded by the fact that future increases in the council tax rate will be applied to a lower base figure, increasing the future funding gap facing councils.

26. For business rates, deficits will be created by businesses not re-opening, many commercial developments being delayed or cancelled altogether.

27. Since May, CCN has been working with Pixel and billing authorities to monitor and forecast potential council tax and business rates deficits resulting from Covid-19. Pixel's forecasts for council tax and business rates in 2020-21 are based on actual data provided by a wide range of local authorities (around 50 local authorities provided data).

28. Building on this forecasting, Pixel have updated their funding gap forecasts for CCN member councils to demonstrate the potential additional financial pressures for CCN member councils caused by council tax and business rates loses.

29. For the analysis, Pixel's cash-based scenario uses projections based on collection data supplied by authorities. In the cash-based scenario, they are forecasting a reduction in council tax of 5.5% in 2020-21. The main driver of the reduction is an increase in council tax support (CTS), which we have assumed increases by 30% (compared to the CTB1 in October 2019).

30. The council taxbase will return to close to its pre-COVID level by 2023-24, however, we have assumed that in all scenarios the taxbase will still be lower than our pre-COVID expectations. Partly this is because Pixel expect CTS levels to remain higher than normal, but also because house-building will not have caught up with the lower activity levels during 2020-21. In Pixel's estimates, the taxbase is about 283,000 Band D equivalents lower than it would have been without COVID (2%).

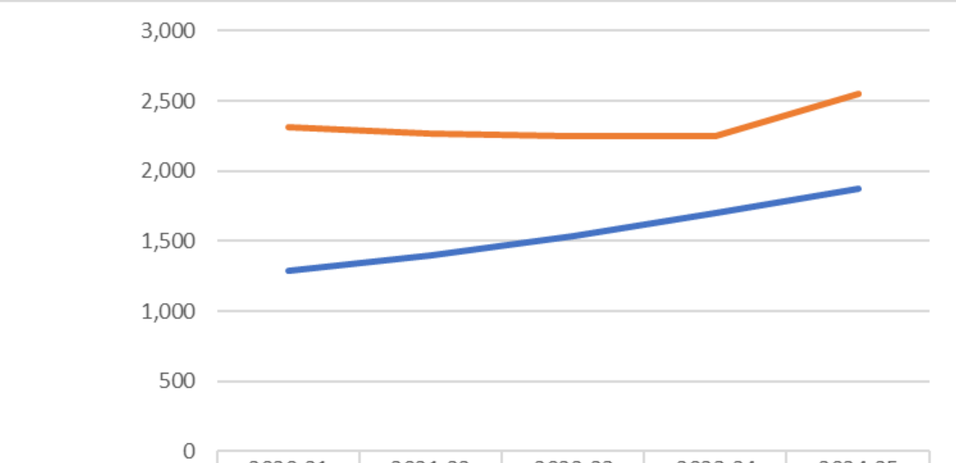
31. Pixel’s cash-based forecast for business rates has a similar profile to council tax, with a 5.7% reduction in 2020-21, followed by growth in the subsequent 3 years. Business rates bounce-back more quickly than council tax (the effects of COVID are expected to be more short-term) but there is likely to be some permanent reduction in the business taxbase.

32. Pixel continues to collect monthly data from local authorities, and they are confident that council tax collection levels are settling at the level we have used in our forecast model. The latest data, however, does suggest that the reduction in business rates in 2020-21 will be greater than 5.7%. Furthermore, there are some very significant risks to business rates that are not factored into our scenario, principally from appeals from businesses as a result of material changes in circumstance.

33. The results of Pixel’s revised funding gap analysis are outlined below. It is important to note that Pixel’s modelling shows potential lost income as a result of unrecoverable council tax and business rate income in-year, beginning in the current financial year. To show when the negative impacts of COVID are actually being felt by local authorities, we have shown the cash impact on authorities rather than the accounting impact.  This presentation shows more clearly when the impact is most intense, and how council tax and business rates will recover over time.

34. Pixel estimate that the funding gap for CCN member councils will rise by a further £1.026bn to £2.315bn in 2020/21. This includes £251m of unfunded Covid-19 related expenditure and non-tax-based lost income (para 51), with the majority of the additional gap resulting from lost council tax and business rates to baseline funding estimates. For future years the impact of lost council tax and business rates increases the baseline funding gap each year by an average of £700m annually compared to pre-Covid estimates.

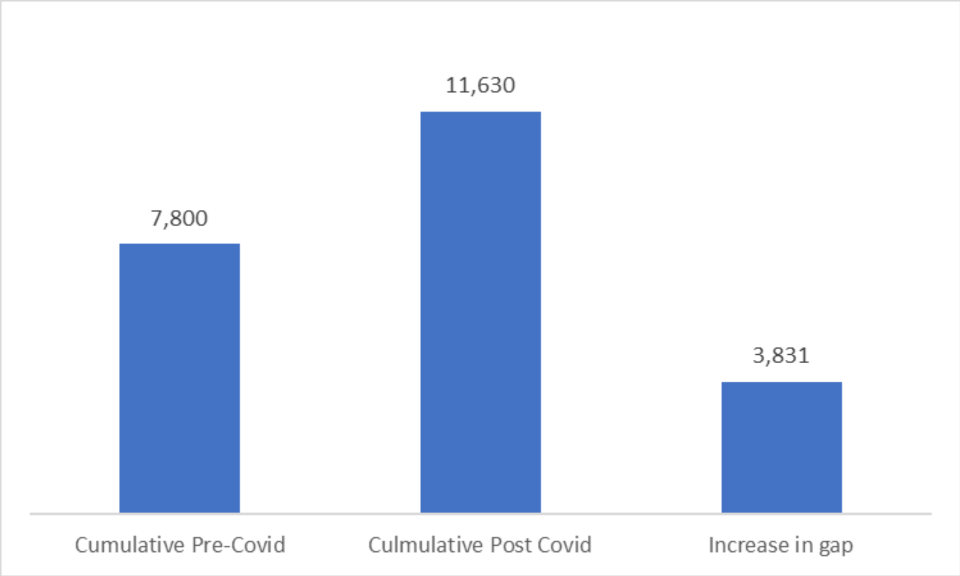
**Graph 2: Revised Funding Gap 2020/21 – 2024/25 (CCN member Councils £/m)**




| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|---|---|
| Pre-Covid | 1,289 | 1,394 | 1,539 | 1,700 | 1,877 |
| Post Covid | 2,315 | 2,264 | 2,252 | 2,250 | 2,549 |

35. As a result of Covid-19, Pixel estimate that the cumulative five-year funding gap could increase from £7.8bn to £11.63bn, a 49% (£3.83bn) increase.

**Graph 3: Cumulative Funding Gap 2020/21 – 2024/25 (CCN member councils £/m)**




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

37. As we outlined under section three, *Quality Public Services*, councils have already had no choice but to make visible reductions to frontline services, such as adult social care, children's services, libraries, early intervention services and road repairs, or raising or introducing new charges for residents.

38. Councils will continue to need to make these difficult reductions to services unless there is a significant uplift in funding. However, the latest budget survey from the Society of County Treasures (SCT) demonstrates the diminishing scope of efficiency savings and the extent to which planned savings by county and unitary authorities can meet the pre- and post- Covid-19 funding gap.

| **Table 1: Projected Savings for SCT Member Councils 2021/22-2023/24 (£/m)** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|
| Savings Known - No service reduction | 173 | 90 | 119 |
| Savings Known - Service reduction | 72 | 23 | 7 |
| Expected Savings - No service reduction | 14 | 25 | 22 |
| Expected Savings - Service reduction | 90 | 17 | 11 |
| Other Savings | 135 | 28 | 130 |
| **Total Projected Savings** | **485** | **183** | **290** |

39. Projected savings are significantly down on previous SCT budget surveys. In 2019/20, the same survey showed £685.1m in savings projections for 2019/20.[3]

40. The challenge is now so acute that many councils are facing the prospect of being unable to balance their budget unless the government provides sufficient resources to meet existing demand for services.

[3]CCN media response https://www.countycouncilsnetwork.org.uk/englands-largest-councils-set-to-outline-another-raft-of-savings-this-winter-with-1bn-in-new-reductions-needed-to-balance-budgets/

41. In analysing the impact of Covid-19 on CCN member councils in May, Grant Thornton concluded that the Covid-19 projected funding gaps in 2020/21 and 2021/22 would be beyond the ability of a significant number of county authorities to manage within their existing resources, even if measures were taken to reduce costs. The projections showed that total aggregated unallocated general fund reserves for county authorities could be fully depleted by 2021/22. This would make it likely that a significant number of councils would be unable to set a balanced budget for that financial year.[4]

42. Our revised funding forecasts, taking into account existing pre-Covid funding shortfalls, Covid-19 expenditure and potential loses in council tax and business rates exceed the funding shorts projected by Grant Thornton even after accounting for the additional financial support provided by the Government since May.

43. Therefore, as a result of pre-existing funding shortfalls and the additional pressures from Covid-19, there is a risk that a significant number of county authorities will be unable to meet the statutory duty to deliver a balanced budget by the end of 2021/22.

- **The CSR should seek to set out a minimum 4-year funding settlement for councils, reflecting the spending need requirements of different council types and delivering sufficient quantum to meet pre-Covid funding gaps, as identified by CCN.**

- **As set out under the *Quality Public Services* section of this response, sufficient funding must be prioritised for adults and children's social care to improve and enhance local services, with a particular focus on investment in prevention and early intervention services.**

- **The council tax referendum threshold should be abolished, or at the very least raised above the current rate of 1.99%.**

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

44. The Government have recently announced flexibility for councils to spread potential collection fund deficits caused by Covid-19 over a three-year period. While this is welcome, it does not address the income that local authorities have lost, or expect to lose. Deferring when collection fund deficits are recognised does not reduce the losses that have been incurred. Furthermore, it assumes that authorities will have greater capacity to absorb losses in future years, which our analysis shows is not necessarily the case. More funding is needed in the short term to compensate authorities for their lost tax income.

45. The CSR must also set out an income guarantee to cover income lost through declining council tax and business rates. This would ensure that the additional projected funding gap outlined does not grow larger, helping to protect the essential services that communities and residents are reliant on at the current time.

- **Government should establish an income guarantee for lost council tax and business rates. This should seek to cover losses at least the rate of 75% SFC lost income scheme.**

[4] **Grant Thornton** (2020) - *Analysing The Impact of Covid-19 on County Authority Finances, p.6*

*Covid-19 Expenditure & Lost Non-Tax-Based Income*

46. The local response to Covid-19 and the indirect effect of the lockdown mean that there are unprecedented levels of additional unplanned Covid-19 related cost pressures and lost income for county authorities. MHCLG has engaged with the sector monitor costs through monthly Delta returns to better understand the financial challenges with the sector.

47. Using Delta returns and detailed engagement with Section 151 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.[5] This analysis captured the results of an extensive benchmarking exercise and workshop discussions to provide analysis on the financial impact of Covid-19 and to inform the ongoing dialogue with MHCLG.

48. The analysis by Grant Thornton demonstrated both the short and long-term implications, setting out the additional expenditure that councils had incurred. It showed significant increases in expenditure across areas such as adults and children's social care, housing and environment and regulation. This was a result of the necessary spending on things such as the increased demand from the acceleration of patients transferred from NHS care into various social care settings, significant cost of providing PPE across all social care settings, underwriting early years provider income, and covering increased costs for council services such as mortuaries and waste management.

49. This additional expenditure, combined with income losses, led to Grant Thornton identifying a funding shortfall caused by Covid-19 could be in the region of £751m in 2020/21, excluding lost council tax and business rates.

50. Since the study was undertaken by Grant Thornton, Government have announced a further tranche of emergency funding alongside an income compensation scheme for lost sales, fees and charges (SFC). Alongside this, a further two rounds of Delta returns have been completed by local authorities, which included expenditure in areas such as track and trace and the distribution of infection control funds to care providers. Over the past two Delta returns full year estimates on cost pressures have increased, due in part to the inclusion of infection control payments and track and trace expenditure which are funded by additional government support. After accounting for this funded expenditure, estimated full year costs have remained relatively consistent across subsequent Delta returns.

51. For this submission, Pixel analysed the July Delta returns for CCN member councils. This took into account the implications of Covid-19 expenditure and funding provided by government to date (including infection control and track and trace funding) and an estimate of compensation from the SFC scheme, based on recently issued guidance. The average compensation rate from the scheme for CCN member councils from the scheme was 49%.

52. The analysis of the July Delta returns with Pixel shows CCN member councils are still facing an estimated funding shortfall as a result of Covid-19, totalling £251m. This estimate excludes potential losses from council tax and business rates (which are covered above) and does not account for a second wave or further lockdown measures causing further additional expenditure and lost income.

[5] **Grant Thornton** (2020) - *Analysing The Impact of Covid-19 on County Authority Finances*

53. In their analysis in June, Grant Thornton highlighted that due to the uncertainty regarding a potential second-wave of Covid-19, full year expenditure and lost non-tax-based income for CCN member councils could rise between 28% and 57%.

54. In addition, 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.

55. Although it is difficult to estimate the full extent of additional financial pressures that will be created by pandemic both this year and next, CCN member councils already face an in-year shortfall of resources. Moreover, at the time of writing the possibility of a second wave of Covid-19 is becoming increasingly likely due to rising cases across England. This will result in significant additional pressures, particularly in services such as adult social care and public health.

56. Whilst the additional funding that has been provided to date has been welcome, the government should use the CSR to set out now how it intends to address the impact of local government finance from a potential second wave of Covid-19. This will assist with planning for Covid-related costs and provide Section 151 officers with certainty as they look to draw up budgets for the next financial year.

- **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 in adult social care beyond 2020/21.**

- **Clarity should be provided through the CSR on what mechanism will be used to provide additional funding so councils can prepare for a second wave of Covid-19, and deal with any further financial implications resulting from a second wave or local lockdowns.**

*Fair Funding Review*

57. 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.[6]

58. 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 development and implementation by MHCLG has now been subject to two significant delays, firstly as part of the Spending Round in 2019, and again in April 2020. In both instances, CCN has expressed its disappointment, but the provision of only a one-year settlement, and

[6]**PwC** (2019) - *Independent Review of Local Government Spending Need and Funding (Technical Report)*

subsequent scale of the coronavirus impact on council finances, meant delays to the reforms were necessary.

59. 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 reform progressed, with all councils agreeing that the current method of funding councils is wholly out of date.

60. However, as we come out the other side of this Covid-19 crisis, CCN believe that the government must again renew their commitment to proceed with the review at pace. Our member councils remain united on the need for the government to ensure 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.

61. Alongside an overall sustainable funding settlement for local government, it is imperative that fairer funding for councils is a priority for the CSR. 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 county. Easing the historic imbalances in the distribution of local government finances is a key plank of progressing the levelling-up agenda.

62. Ahead of the latest delay to reforms, CCN strongly challenged assertions that the FFR would unfairly, and disproportionately, favour shire counties.[7] This followed reports that the new adult social care funding formula, developed as part of the FFR, would lead to a significant reduction in funding for metropolitan authorities.[8]

63. CCN has always maintained that it is important that when we consider the potential impact of the review of relative needs and resources, no single factor is considered in isolation. The outcome of the review will be dependent on the interaction between the foundation formula, independently developed adults and children's social care formulae, and key issues such as council tax equalisation and a new area cost adjustment.

64. 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. This modelling was paused due to the outbreak of Covid-19 and the subsequent delays to the reforms, with the research due to be resumed and completed in the coming weeks.

65. However, to inform the CSR and the decisions relating to the future of the FFR, CCN is able to provide a briefing prepared in January 2020 by Pixel summarising the initial results of the modelling.[9] The modelling takes 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.

66. 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

[7] CCN media response: https://www.countycouncilsnetwork.org.uk/fair-funding-review-in-the-media-ccn-response/

[8] https://www.theguardian.com/society/2020/jan/25/former-red-wall-areas-could-lose-millions-in-council-funding-review

[9] 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/

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 2: 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 |

67. Over the coming weeks CCN will finalise its modelling, including other aspects of the formula such as the public health formula and considering the weighting for deprivation within a revised foundation formula. This will be shared with officials from both the Treasury and MHCLG in due course.

68. CCN has always maintained that councils of all shapes, sizes and political colours could benefit from a fairer distribution of resources. In doing so, we have stressed the need to focus on all aspects of the review, not isolated factors.

69. 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 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. They challenge common assertions over the past twelve months that the review will disproportionately benefit shire counties at the expense of metropolitan boroughs.

- **Government must restate a commitment to implement the Review of Relative Needs and Resources in 2022/23.** A final consultation and indicative allocations under the formula must be published in early 2021.

- **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.**

70. We recognise that in light of the financial pressures created by Covid-19, additional consideration will need to be given to the most appropriate indicator for deprivation within the foundation formula and a longer transitional arrangements to ensure a sustainable funding settlement over the course of the CSR period. In our response to previous consultations, CCN outlined that we supported a transition period of between 3-5 years.

*Business Rates Retention*

71. As previously outlined in this submission, Covid-19 has meant that CCN member councils and the wider local government sector face potential significant reduction in retained business rates as a result of business closures and non-payment.

72. The Government has committed to further reducing business rates, alongside a 'fundamental review' of the tax, both before and since the current Covid-19 pandemic. In the short-term, local government must be fully compensated for any new reliefs and discounts. Moreover,

we repeat our call for the government to use the CSR to introduce an income guarantee for councils to compensate councils for lost income over the coming period.

73. The fundamental review, currently being consulted on by the Treasury, will need to consider the future of 75% business rates retention.

74. CCN have raised concerns over whether there is a correlation between business rates income, growth expenditure, and service need. There are serious questions as to the extent of the growth 'incentive' it provides councils and whether it is a fair way of funding different types of councils. Moreover, we have also raised long-term concerns over the sustainability and suitability of the tax in funding local government in the face of pressure from business groups to reduce the tax given the nature of high-street and online retailing.

75. County councils have benefited the least from business rates retention. Cash gains above baseline for the period 2017/18 to 2019/20 were the largest in London at £914m. District councils retained £555m and county councils retained £412m; just 6.4% of their baseline funding compared to 37% for district councils.

76. Given the delay in implementation of 75% business rates retention, the government should use this time to fully engage the sector on the future of the policy, seeking to address these concerns and potentially exploring whether there are alternative fiscal devolution proposals and policies to incentivise councils to promote economic growth.

- **Through the on-going review of business rates, the government should use this time to fully engage the sector on the future of the policy, seeking to address concerns raised by CCN over the growth incentive provided by the policy and distribution of business rates, particularly in light of the impact of Covid-19.**

- **Explore whether there are alternative fiscal devolution proposals and policies to incentivise councils to promote economic growth.**

*New Homes Bonus*

77. CCN has long argued for reform to the New Homes Bonus (NHB) and, at a time of reduced funding for the sector, has continually questioned whether it represents the best use of resources. There is little evidence that NHB incentivises housebuilding and leads to an unfair distribution of resources; both between tiers and across regions.

78. As part of the CSR, it is important that the Treasury continues commitments by government to fundamentally review the NHB policy. Since its introduction, it has proved unfair to county councils, and has failed to genuinely support housing and infrastructure delivery.

79. Many of our members receive very little from NHB as a result of the 80-20% split in favour of districts. We have consistently opposed the premise of the high share of NHB that is allocated to district councils. The provision of housing within an area relies not only on incentivising planning permission but providing the necessary infrastructure to facilitate and support housing growth.

80. Previous reviews by governments have shown that NHB has failed on its key policy objectives such as being spent on 'local community priorities' and to support the delivery of infrastructure to mitigate development. The government's consultation on the policy, *Sharpening the Incentive*, showed that only 10% is spent on infrastructure, despite

increasing infrastructure gaps in county areas. The 80-20% split of money from the bonus in favour of district councils, further hampers the county's ability to invest in infrastructure to match new housing.[10]

81. The high share for district councils, and the top-sliced nature of the funding, has also imbalanced the local government funding system in two-tier areas. The funding that has been used in this way would have been much better employed supporting the financial pressures in children's and adults' services, which in turn would allow counties to dedicate a larger proportion of their budgets to housing and growth enabling services such as transport, infrastructure and economic development, which have suffered the deepest reductions due to the financial challenges outlined above.

- **For these reasons, CCN believe the CSR should confirm that NHB will be reformed or abolished, subject to consultation on options.**

- **If abolished the funding should be redistributed based on need, with any reform focused on reviewing the role of incentives so they better reward upper-tier councils vital role in providing infrastructure that enables sustainable housing development.**

- **We recognise, however, that given the impact Covid-19 on council finances, and the need to ensure stability in the short-term, it is unlikely the Government would be a in position to make changes for the 2021/22 local government settlement.**

*Efficiency & Reform*

82. Over recent months, before and during the Covid-19 pandemic, councils in various two-tier county areas have put forward proposals on local government reform. Over the summer, the government began to crystallise its thinking on this particular agenda, with minsters suggesting that they wished to see more mayors and more unitary authorities in county areas ahead of the forthcoming Devolution & Local Recovery White Paper and have encouraged proposals from local authorities.

83. Several CCN member councils have put forward proposals for reform in that period, recognising that the scope for further transformation and efficiency is reaching a limit after a decade of such plans being enacted.

84. To provide CCN's member councils with detailed evidence to inform their local discussions and potential proposals, the network commissioned PwC to carry out an analysis of the different models of local government reform.

85. PwC's detailed financial analysis was published in September 2020 and concluded that:

- abolishing all district councils and county councils within the 25 two-tier county areas and replacing them with a single county unitary could generate savings of £2.94bn over five years: £126m for a mid-sized county. It would have a payback period (the time it would take the council to generate savings after implementation costs) of less than a year.

[10]**MHCLG** (2015) New Homes Bonus: sharpening the incentive https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation

- abolishing all district councils and county councils within the 25 two-tier county areas and replacing them with two unitary authorities would save £1bn over five years: £51m for a mid-sized authority. It has a payback period of 20 months and a total disaggregation cost of £1.9bn over five years.

- abolishing all district councils and county councils within the 25 two-tier county areas and replacing them with three unitary authorities would make no savings and generate costs of £340m over five years: £1.6m for amid-sized authority. This model has a payback period of over five years and a total disaggregation cost of £3.3bn.[11]

86. The scale at which reorganisation takes place will have a material impact in meeting the rising service costs in key areas such as adults, children's and waste services outlined in this submission. PwC's analysis has shown that due to the economies of scale that can be achieved and payback period of under a year, a mid-size single unitary could realise enough benefits to meet 95% of the projected increases in service cost over the next five years, compared to 39% under a two unitary scenario.

87. The report also showed that disaggregation significantly reduces the potential for reorganisation to meet pre-covid19 funding shortfalls and contribute towards service sustainability over the next five years. A single unitary could reduce the average mid-sized county funding gap by 34% compared to 14% under a two unitary scenario, and 6% under the a two unitary and trust model.

88. Of the four scenarios analysed, PwC concludes that 'it is clear in financial terms the implementation of single unitaries in England's county areas would deliver significantly greater benefit' than the other three models analysed. Furthermore, PwC say that 'should an alternative approach (to single county unitary) be pursued, the process of disaggregating current county service does present a number of material costs, but also non-financial risks and complexities.'

89. Equally, some areas may feel that reform is unachievable or unsuitable for their areas, and to that end, CCN produced a report on retained and reformed two-tier arrangements, which put forward a model for enhanced two-tier working. Benefits of this would include a simple and more coherent experience for residents, as well as a more functional scale for addressing the most pressing challenges. PwC concluded that by undertaking non-structural reform across a medium sized county, it could be possible to save between £9m and £21m each year, dependent on the extent of reform.

90. CCN set out recommendations in relation to devolution and local government reorganisation under section two of this submission.

[11] **PwC** (2020) - *Evaluating the impact of scale in proposals for local government reorganisation*

## Section 2: Recovery & Levelling Up

**CCN's evidence base**

- **Grant Thornton** (2020) **-** *Place-Based Growth*; *The Role of Counties in 'Levelling-Up' England* http://www.countycouncilsnetwork.org.uk/download/2798/
- **Grant Thornton** (2020) - *Place-Based Recovery* http://www.countycouncilsnetwork.org.uk/download/3114/
- **Henham Strategy** (2020) **-** *Making Counties Count* http://www.countycouncilsnetwork.org.uk/download/3107/
- **PwC** (2020) - *Evaluating the impact of scale in proposals for local government reorganisation* http://www.countycouncilsnetwork.org.uk/download/3148/
- **LG Futures** (2020) **–** *Buses funding, expenditure & demand analysis* http://www.countycouncilsnetwork.org.uk/download/3180/

91. Since coming to office, the new Government has rightly identified a need to 'level-up' communities, addressing many of the structural issues with the economy and the inter- and intra-regional disparities that exist within the UK.

92. CCN has long called for a programme that will 'level-up', supporting research from Localis about how to support 'stuck' communities,[12] and working with the County APPG on a report about how social mobility and economic opportunities in county areas can be brought more in line with those that exist in London and other big cities.[13]

93. Most recently, CCN commissioned Grant Thornton to undertake two extensive studies exploring placed-based growth and the role of county authorities. The first study, completed shortly before the Covid-19 lockdown, showed that county areas are the backbone of the UK economy, delivering 39% of GVA, 48% of all businesses, and 42% of all employees. [14] At the same 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.

94. The research also identified that county areas also 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.

95. County authorities are uniquely placed, as strategic authorities, to respond to these opportunities and challenges. Counties are the key local agency in placed-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.

96. Below, we set out our evidence and proposals to help support the recovery, and level up opportunities across England.

[12]**Localis** (2017) - *In Place of Work*
[13] **County APPG** (2018) - *Social Mobility in Counties*
[14] **Grant Thornton** (2020) - *Place-Based Growth*; *The Role of Counties in 'Levelling-Up' England*

*Economic Impact of Covid-19*

97. In light of the economic impact of Covid-19, CCN recommissioned Grant Thornton to update their analysis focusing on the potential impact of the pandemic on county economies and the role of counties in supporting the economic recovery.

98. The report published in July 2020 showed that many of the underlying economic weaknesses of county economies have been exacerbated by Covid-19.[15] The immediate economic shock and uncertainty around both the speed and nature of recovery will have exposed and deepened many of these longstanding inequalities. So, whilst lockdown restrictions are easing, the risks of Covid-19 have not passed, and the factors linked to high levels of place-based vulnerability remain highly relevant.

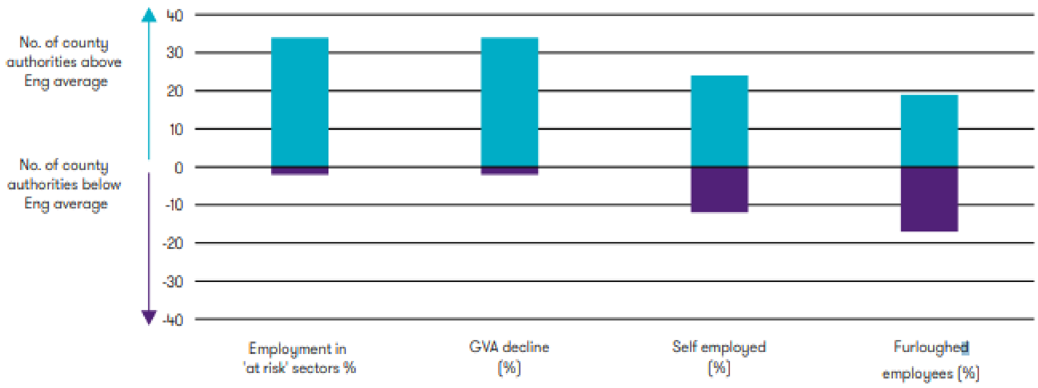
99. It is too early to truly understand the full impact of Covid-19 on individual places and there is limited data available to even begin to unpick the immediate effect. However, Grant Thornton modelled a number of place-based vulnerabilities (economic, social and infrastructure) as a means of understanding more about the place-based risks and challenges facing county authority areas. The key findings are outlined below:

- Some 5.9 million employees in county areas – over half the total workforce at 53% – work in sectors Grant Thornton identifies as 'at risk' due to the pandemic, such as manufacturing, retail, and tourism. This is compared to 44% for the eight biggest cities in England and 38% for London;[16]
- In total, seven out of the top ten areas with the highest percentage of roles in sectors at risk are 'red wall' places, including Cumbria (62% of all jobs), Derbyshire (60%), and Durham (58%), areas which the government has focused on. However, the report's analysis warns against a narrow focus on these areas, with 34 out of 36 counties above the national average for jobs in sectors at risk including those with a heavy reliance on tourism and retail such as Cornwall (60%), Dorset (58%), and Devon (56%);
- Modelled GVA estimates suggest that the impact of Covid-19 could cause a marked decline in annual GVA output in England, but its impact will be felt the most in county areas, declining by 15%, comparatively greater than the London and core city averages, at 13.3% and 14% respectively. In total 34 out of 36 counties face a decline in economic output greater than the England average of 14.3%;[17]
- In total, 46% of the country's entire furloughed workforce are in county areas, with Cornwall (35.1%) having the highest proportion of its workforce on furlough. Staffordshire, Worcestershire, Cumbria, Dorset, and Devon all have close to one third of their workforce on furlough, based on the latest stats to the end of June.

[15] **Grant Thornton** (2020) - *Place-Based Recovery*

[16] Methodology is based on the Office for Budget Responsibility coronavirus commentary which provides output loses by sector in the second quarter of 2020 – any sector with an over 50% reduction in output has been identified as 'at risk'.

[17] Using the OBR predictions for output losses by sector, Grant Thornton modelled the potential impact on annual total GVA for each local authority area and compared this to the latest GVA to predict the likely reduction in GVA as a result of the Covid-19 crisis.




100. Covid-19 has also fundamentally changed behaviours and activities. Some of these changes will 'bounce back' relatively quickly, others will however take months if not years to recover, whilst some will have been changed permanently. Regardless of the timeframe, these changes underline the need for a different approach to economic development.

101. The past few months have also provided a unique case study with regard to CO2 emissions and how we tackle climate change. It has raised important questions around what is valued from an economic, financial and societal perspective. It has accelerated digital adoption and a digital first approach. It has caused people to reconsider their local economies. Individually, these factors require a different answer with regard to traditional models of economic development, and, taken together this requires a step change in policy and approach.

102. Nationally, since the start of the pandemic, Government has deployed a range of significant actions and interventions to manage the response to Covid-19 and in recent weeks help to stimulate the recovery. However, focus must now turn to how local areas can help drive a place-based recovery.

*Devolution*

103. Grant Thornton's report, alongside separate analysis by Henham Strategy for CCN, analysed the place-based leadership role that county authorities have played and are playing is key as we navigate and direct their places back to a growth trajectory. [18] These reports provided extensive analysis and recommendations on how county authorities have already been taking the lead in developing and implementing recovery plans, which, while not a traditional vision for a place, do provide the necessary focus and direction to the activities they need to support recovery.

104. The focus must now turn to how the CSR can support local areas can help drive a place-based recovery. Further on in this section, we provide some more specific analysis and proposals in relation to skills, employment, infrastructure and transport.

105. But underpinning a place-based approach to the recovery will be devolution and institutional reform. Ministers have set out on several occasions that they will look to local authorities, combined authorities and elected mayors to help ensure a truly placed-based response to the recovery, while maintaining an unrelenting focus on 'levelling up'. The Local Recovery & Devolution White Paper is expected to be the key conduit to drive forward this

[18] **Henham Strategy** (2020) - *Making Counties Count*

agenda, alongside wider reforms to the planning system, but it is essential that the CSR provides the necessary framework for shire counties to be able to access funding and levers currently afforded to urban metro-mayors.

106. A YouGov poll conducted by Henham Strategy on behalf of CCN found that just one in ten (9%) of people believe metro mayors should have more powers than county leaders.[19] They also found that 50% of people – rising to 55% in county areas – say that county authorities should have equal or greater powers than the ones currently given to England's nine metro mayors.

107. Devolution, and the ability for shire counties to access funding and levers currently afforded to urban metro-mayors, will be crucial to the success of the 'levelling-up' agenda and securing better local economic growth as set out above. Previous analysis by Oxford Economics for CCN have estimated that full devolution to counties could save up to £36bn over five years, as well as bringing decisions closer to local people.[20] A devolution settlement for all should therefore present opportunities for reform to existing partnership arrangements to promote whole-place public service reform.

108. CCN has long argued that the Government should set out a clear framework for devolution. This presents an opportunity not only to provide clear guidance to local areas in developing proposals, but to reset the relationship on devolution with county authorities if there is a genuine and tangible offer from Government.

109. While the Local Recovery & Devolution White Paper will be delivered outside of this CSR, it provides an important opportunity to set out a clear direction of travel to move beyond the narrow focus of devolution to cities undertaken to date.

110. A lack of devolution in county areas is giving urban areas a further economic advantage that prevents county areas to be able to level up with neighbouring urban areas. Indeed, the Government's Social Mobility Commission has previously identified this as a barrier to achieving greater social mobility in areas without devolution.[21]

111. As shown above, an increasing number of county authorities are cognisant of the high levels of growth in neighbouring areas, particularly those that border city authorities and large urban conurbations. The success and vibrancy of city economies is intrinsically tied to the success of its neighbouring – often county authority – areas. These neighbouring areas are increasingly part of the wider functional market area and managing the interaction between the two economies would be easier to manage if there was a parity of powers and opportunity for county areas.

112. The case for devolution to counties is therefore compelling. Devolving powers and funding on economic growth and public sector reform would have a major impact on economic growth in county areas. Harnessing the strategic role of county authorities, whether through new regional mayoral combined authorities, directly elected leaders of new unitary authorities or alternative governance structures, must be at the heart of the devolution proposition in shire counties.

113. The county acts as a practical and effective layer of government, being strategic, yet inherently recognised and celebrated by residents. County boundaries are an asset, not a

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19 **Henham Strategy** (2020) - *Making Counties Count*
20 **Oxford Economics** (2017) - *Understanding County Economies*
21 **Social Mobility Commission** (2017) - State of the Nation 2017: Social Mobility in Great Britain
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/662744/State_of_the_Nation_2017_-_Social_Mobility_in_Great_Britain.pdf

brick wall; with the ability to reach into district and parish economies, but also work constructively across borders at a strategic scale with sub-national and national bodies.

114. We urge the Chancellor to use the CSR as an opportunity to set out that devolution to shire counties is a priority for the coming period. Moreover, as the Treasury engages in the development of the Local Recovery & Devolution White Paper, we ask that the following issues be considered:

- **Provide as much parity with Mayoral Combined Authorities on devolution 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.**

- **Provide clear guidance to local areas on acceptable devolution geographies, seeking coterminosity with county boundaries and avoiding inappropriate geographies that could undermine continuing service delivery.**

- **Set out a broad range of Governance options, including mayoral non-mayoral combined authority models. This should include options for the strategic authority within the area to take on accountable body status supported through the formation of a joint or special committees.**

- **The Local Recovery & Devolution White Paper should set out the options for a county council or new unitary authorities to strengthen direct accountability to unlock further devolved powers through the constitutional adoption of the directly elected mayor/leader and cabinet model, permissible under current legislation.**

*Local Government Reorganisation*

115. As part of the devolution and local recovery agendas, it is clear that the government want to explore institutional reform through local government reorganisation. Recent YouGov polling for CCN showed that less than one in five (18%) of people find it easy to understand what services their local councils provide, with over two-thirds unsure of how local government is structured.[22]

116. While not all county councils wish to consider structural reform, an increasingly number of county councils are actively exploring the opportunities presented by local government reorganisation, both as part of a devolution deal but also post-Covid recovery plans.

117. A recent report by Henham Strategy for CCN, set out the economic and social benefits that can be achieved reforming local government.[23] Not only can unitarisation deliver aforementioned efficiency savings, but a more streamlined and effective local government structure to drive forward the recovery and long-term prosperity of UK plc, while also supporting the levelling up agenda.

118. In their recent report *Evaluating the importance of scale in proposals for local government,* PwC explored in detail the 'place implications' of different reorganisation across housing, planning, economic growth and devolution.[24] Comparing the establishment of a single

[22] **Henham Strategy** (2020) - *Making Counties Count*
[23] **Henham Strategy** (2020) - *Making Counties Count*
[24] **PwC** (2020) - *Evaluating the impact of scale in proposals for local government reorganisation*

unitary authority in each county area to multiple unitary authorities, it analysed the strategic benefits of maximising scale and the risks and challenges associated with disaggregation and the establishment of small unitary authorities.

119. PwC argued that creating multiple new authorities in a county could 'create and concentrate' economic disparities, with one part of the county a high-growth, high tax base area, and the other side a low-growth, low-tax base area without the economies of scale to address these issues. This could impact on the government's 'levelling-up' ambitions, CCN has warned. Conversely, a single unitary provides a single point of contact for residents, businesses, and the government, and a platform to maximise housing and economic growth.

- **The Local Recovery & Devolution White Paper should set out clear criteria for unitary reform. This should include confirmation of a minimum population limit 'substantially more' than 300,000 with no upper population limit; ensure proposals offer better public service delivery across the area; and provides the thresholds and tests of local consensus.**

*Regional Investment*

120. Since taking office the Government have clearly set out its invention to level up regional investment in growth and infrastructure. Capital and investment rules will be reconsidered as part of the CSR, recognising the disparities in investment that currently exist. While much of the focus has been on the north/south divide, lower levels of investment between metropolitan and non-metropolitan areas are equally as important.

121. Analysis from Grant Thornton shows that investment across a number of key funding streams is significantly lower in CCN member councils compared to major urban areas. Moreover, as a result of more generous funding for urban councils, and disproportionate capital investment, these authorities have been able to invest significantly more in growth-related services.

122. Table 3 below provides a breakdown of funding received from EU Structural Funds, Growth Deals, and Innovate UK Funding *per capita*. It also provides an illustration of potential allocations for the Town's Fund if all 100 towns received a £25m allocation.

| **Table 3: Per capita funding from EU Structural Funds, Growth Deals, and Innovate UK** | Towns funding (£/capita) | EU funding (£/capita) | Growth deal funding (£/capita) | Innovate UK funding (£/capita) | TOTAL FUNDING (£/capita) |
|---|---|---|---|---|---|
| Core Cities | 11 | 110 | 211 | 249 | 580 |
| London | - | 72 | 50 | 208 | 329 |
| Metropolitan District | 77 | 132 | 217 | 112 | 537 |
| Unitary Authorities | 59 | 85 | 161 | 163 | 468 |
| CCN member councils | 52 | 98 | 165 | 122 | 438 |

123. Table 4 shows the per capita expenditure by local authority type between 2015/16 and 2019/20 on growth related services.[25] While county, district and unitary authorities in county areas are responsible for 40% of the £82bn gross revenue and capital of investment by local

[25] **Grant Thornton**: Place-Based Growth - The Role of Counties in 'Levelling-Up' England, Source: Revenue Outturn, MHCLG (2018-19)

government on growth related services between 2015-2019, investment per capita is significantly lower than major urban areas.

124. In 2018/19 the combined investment per capita by county and district councils in two-tier local authority areas was £333, whilst by comparison, London boroughs spent over 50% more per capita and Core Cities 35% more per capita. Equally, CCN unitary authorities' investment of £347 per capita is 23% lower than Core Cities and 31% lower than London. It is important to note these figures exclude additional investment by the Greater London Authority and Mayoral Combined Authorities.

| **Table 4: Total revenue and capital expenditure by local authority type between 2015/16 and 2019/20 on growth related services** | Per capita expenditure 2015/16 – 2018/19 (£) |
|---|---:|
| CCN Counties | 168 |
| CCN Unitaries | 347 |
| Districts | 166 |
| Core Cities | 449 |
| London Boroughs | 507 |
| Metropolitan Districts | 307 |
| Unitary Authorities | 374 |

125. This clearly shows that non-metropolitan areas do not receive their fair share of infrastructure and day-to-day investment to support growth, while uncertainty on future resources such as EU funding have hampered the ability of county authorities to undertake strategic investment.

126. Of particular importance to county authorities is the future arrangements for European Union's Structural and Investment (ESI) funds which were set up with the aim of reducing disparities in the level of development in the regions of the EU, with the set to receive around £15.2bn in funding over the 2014-20 period. The Government has said that this funding will be replaced by a new Shared Prosperity Fund but has not yet shared details on the size or shape of the scheme

127. The CSR must take steps to tackle funding and investment inequalities and provide further clarity on the replacement for EU Structural Funds. We would therefore look to the CSR to deliver the investment on 'levelling-up' through growing local economies, ensure that county areas receive a sufficient share of this funding, and ensure that county authorities have a key role in directing this investment.

- **There is a requirement for prompt, targeted investment decisions by central and local government that focus on addressing place-based vulnerabilities and in doing so help to 'narrow the gap' between traditional core growth areas and those more on the periphery and in doing so support 'levelling up' local economies.** The National Infrastructure Commission Infrastructure assessments should ensure greater consideration of the infrastructure requirements in non-metropolitan areas and consider how this could link to wider growth-related matters that would help to level up the economy across the country.

- **Funding processes need to be streamlined, simplified and devolved.** New funding should be focused on both immediate recovery actions as well as building capacity to deliver strategic growth priorities. Rationalising existing fragmented funding streams will enable this to happen more efficiently. Growth Boards, supported by the county authority, could act as the mechanism for joint local governance and accountability, ensuring that funding is streamlined to local delivery.

- **The Government should commit to publish a consultation on the UK Shared Prosperity Fund as soon as possible.** It must ensure it gives counties fair opportunities to access future funding opportunities that will reduce economic disparity and generate future economic growth.

*Housing, Planning & Infrastructure*

128. CCN's work with Grant Thornton shows that, in terms of housing growth, dwelling stock in county authority areas has grown by 3.7%, compared to 3.2% nationally. However, housing affordability remains a key issue with CCN's own research finding that house prices in county areas are 10 times average annual earnings.[26] Therefore, increasing housing growth across the country will be vital to accompany levelling-up ambitions and boosting economic growth, and it will be important to ensure that housing to suit all incomes are built. CCN will be engaging with MHCLG's consultations on planning in the coming weeks.

129. CCN member authorities have also suffered from years of underinvestment in infrastructure which has hampered their competitiveness and bought challenges. For some, this challenge has focused on spatial inequality and the 'gap' in performance between county authority areas and other – often more urban – authority types. For others it is the spatial inequality that existed within the county authority area itself that is the key challenge.

130. This underinvestment is partly owing to the fragmented planning system, with district councils overseeing planning for housing, and county councils managing local infrastructure. As a result of the developer contributions system, where county councils often get overlooked in negotiations with developers, CCN members face significant infrastructure funding gaps with some reporting gaps of up to £8bn. This hampers their ability to plan for and fund strategic infrastructure projects: while initiatives such as the Housing Infrastructure Fund have partially helped to bridge some infrastructure gaps on specific sites, a more certain income stream would help to provide certainty to authorities, and confidence to developers, bringing more sites forward.

131. Through the planning reforms proposed in the *Planning for the Future White Paper* it is proposed that the duty to co-operate, which has been the only mechanism in planning policy to facilitate strategic planning, is removed. Whilst the duty-to-cooperate failed to bridge the gap that was left when Regional Spatial Strategies were scrapped, CCN members are concerned that the current proposals within the White Paper do not provide an alternative mechanism that would allow areas to plan strategically at scale and across boundaries. CCN has previously advocated for strategic planning at a county scale and we continue to call for this.

    - **In the coming weeks, CCN will be publishing work that will outline our vision that should replace the duty to co-operate to allow for joined-up planning, and for housing development to be matched with the right infrastructure. We would welcome further engagement with Government and officials on this when it is published.**

    - **The Government should extend the strategic infrastructure tariff to county areas allowing them to raise funds for strategically important infrastructure.**

[26] CCN media response: https://www.countycouncilsnetwork.org.uk/house-prices-in-county-areas-are-now-ten-times-higher-than-average-annual-earnings-as-affordability-crisis-hits-shires/

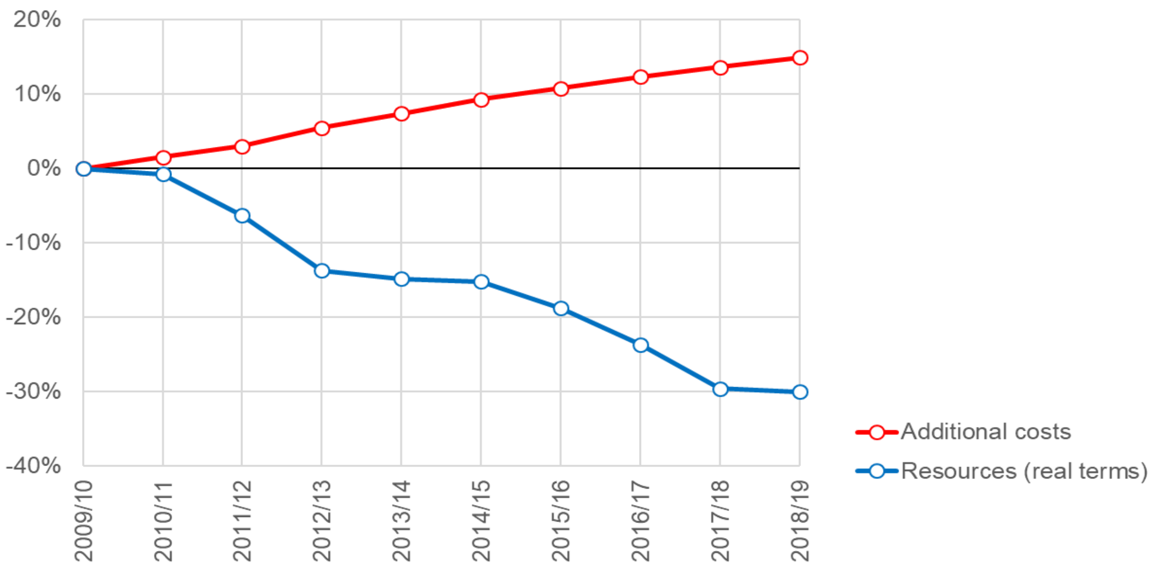
*Transport & Connectivity*

132. In May 2020, CCN commissioned LG Futures to carry out analysis of bus funding and expenditure from 2009/10 onwards.[27] The analysis includes central government grants and net spending by local councils including Bus Service Operators Grants; local authorities' net expenditure on public transport support; and local authorities' net expenditure on concessionary travel.

133. The analysis found that, between 2009/10 and 2018/19, CCN authorities support for bus services reduced by £232.9m, which represents a reduction of 30.1%. Over the same period, LG Futures estimated that the cost pressures of CCN authorities have risen by 14.9%.

134. LG Futures compared authorities' decline in resources with an estimate of their spending need (or cost pressures), to arrive at an estimate of their budget gap. Cost pressures for bus service were assumed to increase in line with each authority's projected population. Costs for concessionary travel were assumed to increase in line with the projected number of residents aged 65 and over. Overall, LG Futures estimates a budget gap of 33.4% for the CCN authorities (relative to initial spending levels), or £222.2m. This budget gap increases to 45.0% after adjusting for inflation, some £358.5m.

**Graph 4: LG Futures Estimated budget gap for CCN authorities Relative to expenditure in 2009/10, adjusted for inflation**




135. CCN members have therefore faced no choice but to cut support for bus services in order to be able to continue to provide statutory services. As a result of this, the analysis also explored service delivery across the same period of time and found that CCN authorities saw a 12.1% reduction in the annual number of bus journeys, and a 17.3% reduction in the number of journeys per resident. This reduction of services and ridership should not be seen

[27] **LG Futures** (2020) – *Buses funding, expenditure & demand analysis*

as a reduction in demand but unmet needs due to availability of services – bus services in rural areas remain a vital service that gives those without a car the opportunity to access employment, training and leisure.

136. A number of announcements have been made around funding for buses, and it is vital that any future announcements around distribution recognise the value of rural bus services, as well as the increased costs that running these service entails.

- **Based on this evidence, CCN is calling to ensure the National Bus Strategy gives adequate consideration to rural areas to support social mobility and access to job, training and leisure.** By reflecting rural needs central government will support their levelling-up agenda and also benefit the counties economic recovery through ensuring rural communities are not left isolated, but are able to travel for work and leisure

- **The CSR show ensure that bids will be allowed for the Local Public Transport Fund from county and county unitary authorities to ensure that they have the powers and funding to improve transport within counties and across local government boundaries.**

- **We are also asking Government to devolve bus franchising powers to counties to open up new routes, where this is a local ambition.** Opening up new routes will assist in addressing the emerging growth opportunities from Covid-19, and additionally improving transport connectivity will create a low-carbon economy.

137. Connectivity, however, is not just about physical infrastructure. CCN research has shown that county areas suffer from broadband speeds that are significantly lower than their urban neighbours. The recent analysis by Grant Thornton provides further evidence to support this.

138. Extending broadband to an area can positively affect productivity, the number of businesses, and local labour market outcomes such as employment, income and wages. Better broadband and mobile infrastructure could transform the rural economy with greater potential for home working and small business growth.

- **Should the CSR provide additional funding for broadband, we would welcome a clear roadmap for how this is to be achieved in partnership with county authorities.**

*Skills & Employment*

139. The geographic scale of county authorities provides an opportunity to think strategically about the commissioning of skills for places. For this to succeed some skills funding would need to be devolved to this spatial scale as well as to employers.

140. Skill levels are a further important consideration for economic recovery with research indicating that there is strong relationship between skills and productivity.[28] Having a skilled and motivated workforce will be particularly important for recovery of places, not just in terms of responding to current employer demand but also for building workforce skills for

[28] **Local Government Association** (2014) - Realising Talent: employment and skills for the future
https://www.local.gov.uk/sites/default/files/documents/realising-talent-employme-e5c.pdf

the future. There may also be increasing cases of people changing career after the lockdown due to redundancies, which will require greater upskilling of residents and re-training.

141. Grant Thornton's analysis for CCN showed that the proportion of residents qualified to NVQ Level 4 and above can vary notably across county authority areas, and the latest data shows that 24 county authority areas are below the national average.[29] Updated analysis in August by Grant Thornton showed that there are clear linkages between the proportion of people qualified to degree level and above (NVQ Level 4 and above) and mean earnings. Across the county authority areas, the proportion of people qualified to NVQ Level 4 and above varies from as low as 29.7% of the working age population up to 51.8% in the most highly qualified area.

142. Additionally, Grant Thornton's analysis of demographic data showed that county authority areas are characterised by very high levels of people aged over 65 and 85, which could result in mounting pressure on services, alongside a slower return to more 'normal' consumer behaviours. Moreover, the rising Old Age Dependency ratio points to an increased economic burden on the working age population in the future, which will only amplify the economic impacts.

143. The analysis found that low earnings are a further risk area for county authorities, with 25 of the 36 county authorities falling below the England average on mean annual earnings. People with low incomes are more likely to work in the hardest hit sectors and are therefore particularly susceptible to the impacts of any future lockdown. Grant Thornton's data also showed that income levels is closely correlated to skills levels, which re-emphasises the importance of investing in skills to drive recovery and growth.

- **Government should mandate that upper tier authorities are default partners on Skills Advisory Panels and devolve skills budgets and responsibilities so that skills and training opportunities can be maximised and align with growth plans.** By achieving this, it will assist central government in their levelling-up agenda by spreading opportunity, maximising productivity and improving the value add of each hour worked.

*Green Recovery*

144. Covid-19 coupled with an increased public focus on climate change provides an opportunity to rethink economic growth and pave the way for a green recovery. Closely linked to the essential need for a green recovery is that some sectors will grow as a result of Covid-19. A study from Oxford University suggested that government spending on low-carbon and other environmental benefiting activities would provide a bigger boost to the economy, in both the short and long term, than pursuing a traditional recovery focused on fossil fuels.[30]

145. The Government has already committed to cut emissions under the Paris Agreement, but now it would appear that there is a greater drive than ever before, with the Government recently announcing a £40m Green Recovery Challenge Fund to create new jobs in nature recovery and conservation.

146. The move to a net zero carbon economy is also likely to increase the demand for 'green jobs', with a recent report from the LGA predicting that by 2030, the low-carbon workforce

[29] **Grant Thornton** (2020) - *Place-Based Growth*; *The Role of Counties in 'Levelling-Up' England*
[30] **Oxford Review of Economic Policy** (2020) - Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change? https://doi.org/10.1093/oxrep/graa015

in England could increase by almost 700,000.[31] It is a scale of growth that could present significant employment opportunities for county authority areas. However, in order to maximise the benefits, the LGA report warns that councils would need to be given greater support and tools.

- **CCN are calling for adequate, sustainable and long-term funding for green infrastructure and creation of green jobs and this will strengthen the country's economic recovery through making green jobs and building back greener to future proofing our society.**

147. County authorities are also driving green recovery through the development of more sustainable infrastructure provision, which in turn will help to accelerate the country's pathway to net-zero carbon emissions.

148. Activities include making roads more cycle friendly, providing more electric charge points and increasing flood protection. Councils across the country have pledged to address climate change and are planning and taking action to be carbon neutral by their target dates. Not only will the work local authorities do enable them to reach their own carbon neutral goals but will also aid central government to achieve their legally binding goal of reaching net zero carbon by 2050.

- **Post-Covid recovery must have climate change at the heart of it, ensure clear direction and funding is provided to councils to ensure a green recovery which will ensure money is spent in the correct areas, which will help central government to reach their 2050 climate neutral goals.**

149. However, councils are facing many challenges as the current provisions are not going far enough. As county authorities are a vital part of the necessary solution to the climate emergency, through their responsibility for infrastructure, economic growth, stewardship of the rural environment, roles in waste and recycling and providing green spaces and public places, it is important they are supported to ensure a green recovery.

- **Central government departments should therefore engage with local government in a cross-departmental manner, devolving climate change budgets and powers to ensure that counties can provide leadership and create low carbon economies in their areas which will speed up the recovery process through efficient communication channels.**

- **We also believe that there should be a creation of a climate transition fund for councils, to enable the rapid conversion of assets including council properties, schools and fleets.** By ring-fencing a pot of money for this process it will ensure targeted funding which in turn will save money and decrease carbon emissions by transferring to renewable energy.

- **CCN is calling on the Government to use part of the £3 billion package of green investment set to decarbonise public buildings and cut emissions to be used on council owned school estates.** This money will aid in transforming and retrofitting schools to ensure they are low carbon and future proofed.

[31] **Local Government Association** media response (2020) - https://www.local.gov.uk/lga-over-million-new-green-jobs-could-be-created-2050

- **Government should also hold a review of discretionary charging powers of upper-tier councils for waste and recycling services, including freedom over fees and charges.**

## Section 3: Quality Public Services

**CCN Evidence Base**

- **CCN/LG Futures** (2019) – Adult Social Care and the Spending Review http://www.countycouncilsnetwork.org.uk/download/2397/
- **CCN/LG Futures** (2020) - *Children's Services Funding and Early Intervention* http://www.countycouncilsnetwork.org.uk/download/3003/
- **CCN** (2020) - *Recovering from Covid-19: Supporting Children and Families* http://www.countycouncilsnetwork.org.uk/download/3007/
- **ISOS Partnership** (2019) *- Isos Partnership: Understanding the drivers of demand in Home To School Transport* http://www.countycouncilsnetwork.org.uk/download/2534/
- **CCN Analysis** (2020) **- Managing post-Covid Child Care Markets** http://www.countycouncilsnetwork.org.uk/download/3177/
- **CCN Ideas** (2020) **- The Other Side of the Coin: Social Care Reform in a Post-Covid World** http://www.countycouncilsnetwork.org.uk/download/3166/

150. Public services are the primary means through which most citizens interact with their local authority. Therefore, it is vital for the integrity of government and the wellbeing of the community that local authorities are able to provide high quality people-based services which respond to local need.

151. The *Independent Review of Local Government Spending Need and Funding* CCN published with PwC found that for CCN member councils 76% of all spending need related to the four service areas covered in this section. The table outline the projected spending need for these services over up to 2024/25.

| **Table 5: CCN member councils Service Area / Spending Need (£bn) (PwC, 2019)** | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Adult Social Care | 8,214 | 8,553 | 8,927 | 9,328 | 9,758 |
| Children's Social Care | 3,862 | 4,018 | 4,182 | 4,347 | 4,520 |
| SEND & Home to School Transport | 2,038 | 2,085 | 2,130 | 2,172 | 2,210 |
| Public Health | 1,574 | 1,608 | 1,646 | 1,685 | 1,723 |

152. The size and shape of both the Local Government Finance Settlement and funding provided to meet the rising costs of these services will impact on the ability of CCN members to provide the quality public services that they and the communities they serve would expect.

153. But sustainable funding is only part of the solution and 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.

154. County authorities are key to delivering the CSR aim of improving outcomes in public services, including supporting the NHS. This section of our submission provides specific evidence and analysis in relation to the funding and reform of people-based services to achieve this.

*Adult Social Care (ASC) – Funding & Cost Pressures*

155. Over the course of the past spending review period there was a growing focus on the challenges of delivering high quality adult social care (ASC) for England's rapidly aging population.

156. Since the last CSR, the funding of ASC services, for both older and younger people, has been buried in a complex and opaque system of different formulae and grants, alongside an overall shift in the way councils are funded; with direct grant funding for services significantly reduced, and councils expected to fund more services from local revenues such as council tax.

157. Moreover, as Government's have responded to concerns over the sustainability of services an array of 'one off' and temporary funding streams have been introduced. This includes the Improved Better Care Fund (iBCF), several social care support grants, and the Social Care Precept.

158. In 2019 CCN commissioned LG Futures to conduct an analysis of ASC funding since 2015. This analysis was to shed new light on the current extent of Government funding for services in England. Last year, ahead of the Spending Round, CCN published part of the LG Futures analysis, including outlining the methodology adopted to estimate funding, focusing on funding for services in 2019/20.[32]

159. Below, we present the findings for the period 2015/16 to 2019/20 to inform the CSR. Alongside this, we update our funding forecasts for 2020/21 to 2024/25 to consider the impact of Government commitments at the 2019 Spending Round and Conservative Manifesto on ASC funding.

*ASC Funding & Cost Pressures 2015/16-2019/20*

160. Based on the analysis undertaken by LG Futures, Table 6 shows total grant funding attributable to ASC (excluding temporary grants) 2015/16-2019/20, with the funding reducing £2.3bn (33.8%) nationally. There is a variation across the different parts of local government with CCN member authorities having absorbed substantially larger reductions to their funding than any other type of council (42.3%). Overall nearly half of the overall £1.1bn in cuts have been drawn from CCN member councils.

| **Table 6: Total ASC Grant Funding (excluding temporary grants) 2015/16 - 2019/20** | 2015/16 (£/m) | 2019/20 (£/m) | £ -/+ (£/m) | %-/+ |
|---|---|---|---|---|
| CCN | 2,511 | 1,450 | -1,061 | -42.3 |
| Unitary (non CCN) | 1,218 | 832 | -386 | -31.7 |
| Met District | 1,969 | 1,417 | -551 | -28.0 |
| Inner London | 581 | 446 | -135 | -23.2 |
| Outer London | 617 | 417 | -201 | -32.5 |
| England | 6,895 | 4,562 | -2,334 | -33.8 |

161. Decreases in funding have been offset to a large extent since 2017/18 by an increase in temporary grant funding (such as the Winter Pressures Grant, improved Better Care Fund and social care grants). These funding streams have overwhelming been targeted on adult

[32] **CCN/LG Futures** (2019) – *Adult Social Care and the Spending Review*

social care, with flexibility only given in 2019/20 for a proportion of the £420m social care grant to be used in children's social care.[33]

162. As a result of temporary grants all council types except CCN member councils and outer London boroughs have seen a rise in grant funding in nominal terms, albeit small. CCN member councils have seen an overall reduction of £128m during the period.

| **Table 7: Change in Total Core Grant Funding for Adult Social Care (with Temporary Grant Funding) 2015/16-2019/20** | 2015/16 (£m) | 2019/20 (£m) | (£m) -/+ | % -/+ |
|---|---|---|---|---|
| CCN | 2,511 | 2,383 | -128 | -5 |
| Unitary (non CCN) | 1,218 | 1,224 | 6 | 1 |
| Met District | 1,969 | 2,107 | 138 | 7 |
| Inner London | 581 | 635 | 54 | 9 |
| Outer London | 617 | 604 | -13 | -2 |
| England | 6,895 | 6,954 | 58 | 1 |

163. Tables 8 and 9 down the estimates for total grant funding across younger and older adults. For younger adults, funding has reduced 32%, with a wide variation amongst different types of councils. The reduction for CCN member councils is again the highest. Conversely, grant funding for older adults has increased 38.9% nationally, with all councils experiencing an increase, but with the lowest rate of increase in CCN member councils.

| **Table 8: Change in Total Core Grant Funding for Younger Adults (with Temporary Grant Funding) 2015/16-2019/20** | 2015/16 (£/m) | 2019/20 (£/m) | £ -/+ (£/m) | %-/+ |
|---|---|---|---|---|
| CCN | 1,296 | 758 | -538 | -42 |
| Unitary (non CCN) | 666 | 467 | -198 | -30 |
| Met District | 1,046 | 776 | -270 | -26 |
| Inner London | 332 | 261 | -71 | -21 |
| Outer London | 355 | 246 | -109 | -31 |
| England | 3,695 | 2,508 | -1,187 | -32 |

| **Table 9: Change in Total Core Grant Funding for Older Adults (with Temporary Grant Funding) 2015/16-2019/20** | 2015/16 (£/m) | 2019/20 (£/m) | £ -/+ (£/m) | %-/+ |
|---|---|---|---|---|
| CCN | 1,215 | 1,625 | 411 | 34 |
| Unitary (non CCN) | 552 | 757 | 205 | 37 |
| Met District | 923 | 1,331 | 408 | 44 |
| Inner London | 249 | 374 | 125 | 50 |
| Outer London | 262 | 359 | 97 | 37 |
| England | 3,200 | 4,446 | 1,245 | 39 |

164. The key factor driving the decrease in younger adults funding is the recent concentration of temporary resources on older adults (such as the iBCF) coupled with reductions to formula funding and other grants prominently funding services for younger adults, such as the cuts

[33] In order to estimate the relative value of this grant for children's, LG Futures allocated funding to each service according to the share of adults' and children's Relative Needs Formula – meaning in 2019/20 it was assumed ASC received £316m (77%) and CSC £101m (23%) allocations respectively of the available resource.

to learning disabilities. Table 10 below show the change in estimated funding for learning disabilities over the period.

| **Table 10: Change in Total Core Grant Funding for Older Adults (with Temporary Grant Funding) 2015/16-2019/20** | 2015/16 (£/m) | 2019/20 (£/m) | £ -/+ (£/m) | %-/+ |
|---|---|---|---|---|
| CCN | 628 | 296 | -332 | -53 |
| Unitary (non CCN) | 247 | 148 | -99 | -40 |
| Met District | 321 | 209 | -112 | -35 |
| Inner London | 74 | 51 | -23 | -31 |
| Outer London | 141 | 85 | -57 | -40 |
| England | 1,411 | 789 | -622 | -44 |

165. Overall there has been a £622m reduction in dedicated funding for learning disabilities, with CCN member councils once again experiencing disproportionately large reductions compared to other types of councils.

166. In order to ascertain the contribution of direct government funding to the costs borne by councils for ASC services in England, total grant funding levels are now compared to PwC estimates on spending need which measures the rising costs and demand for services.

167. It is important to note in the context of ASC that the adjusted spending need figures used in PwC's estimates represent *net* rather than gross expenditure, meaning income from service users is accounted for in the estimates of spending need. Equally, while measuring a more consistent level of service at tier level, the figures produced by PwC are estimates of spending need based on service and eligibility levels in the baseline year of 2015/16. The analysis therefore estimates the additional costs required to maintain the level of service provided at 2015/16. It also excludes any costs associated with meeting the 'care market fee gap', which previous research for CCN has estimated to total £670m.[34]

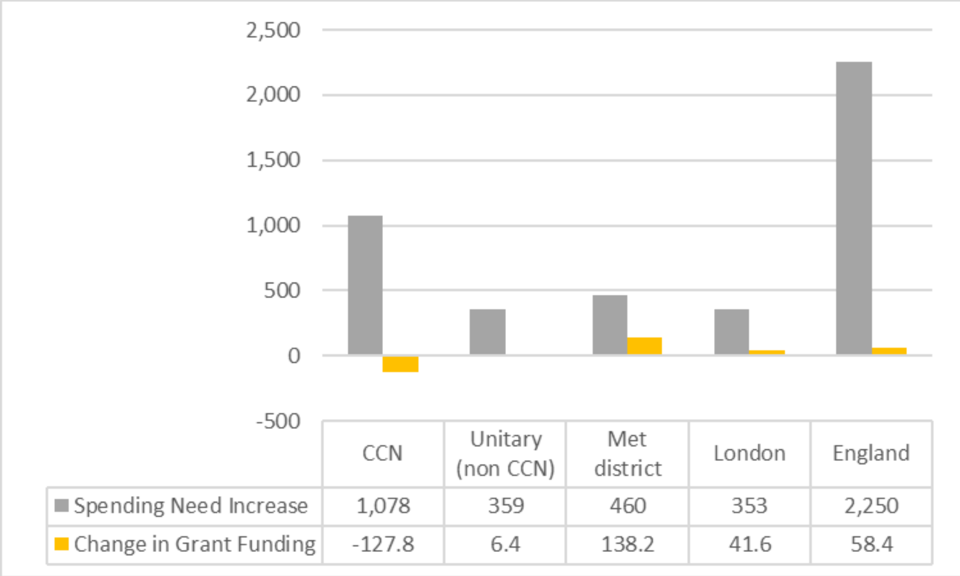
168. Table 11 shows PwC's estimates for ASC spending need nationally and by different tiers of local government and the increases between 2015/16 and 2019/20. Inner and outer London boroughs have been combined to compare funding estimates to the PwC spending need analysis.

| **Table 11: PwC spending need estimates 2015/16-2019/20** | 2015/16 (£/m) | 2019/20 (£/m) | -/+ (£m) |
|---|---|---|---|
| CCN | 6,822 | 7,900 | 1,078 |
| Unitary (non CCN) | 2,351 | 2,710 | 359 |
| Met District | 3,126 | 3,586 | 460 |
| London | 2,090 | 2,443 | 353 |
| England | 14,399 | 16,649 | 2,250 |

169. The graph below shows how the growth in estimated spending need for ASC over the same period against funding changes for different 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 CCN member councils.

[34] **PwC** (2019) - *Independent Review of Local Government Spending Need and Funding (Technical Report)*

**Graph 5: Change in funding 2015/16 -2019/20 compared to change in spending need**




170. Table 12 shows the contribution of total grant funding as a percentage of total spending need. Overall 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 CCN member councils.

| **Table 12: Total grants (including temporary grants) as a % of spending need** | 2015/16 | 2019/20 |
|---|---|---|
| CCN | 37% | 30% |
| Unitary (non CCN) | 52% | 45% |
| Met District | 63% | 59% |
| London | 57% | 51% |
| England | 48% | 42% |

*ASC Funding & Cost Pressures 2020/21-2024/25*

171. The 2019 Spending Round announced an additional £1bn for social care services in England for 2020/21. Subsequently, the Conservative manifesto committed to continuing the additional £1bn for the remainder of the Parliament.

172. To demonstrate the extent to which increased funding will meet the rising costs of services over the coming period, CCN have updated our funding estimates for 2020/21 to 2024/25 for ASC to incorporate existing government commitments on social care funding.

173. CCN has maintained all existing grants, including temporary grants for 2019/20 and incorporated allocations of the 2020/21 increase in social care grant. As with the social care grant in 2019/20, flexibility was provided to the additional £1bn of resources so that councils could use the funding for both adults and children's social care.

174. Therefore, following the methodology employed by LG Futures analysis of ASC funding for CCN, we have allocated the additional £1bn across adults and children's social care in line with the share of adults' and children's Relative Needs Formula – meaning it was assumed ASC received £770m (77%) of the available resource from 2020/21 onwards.

175. The table below shows anticipated change in funding as a result of the additional funding provided for ASC in 2020/21 and up to 2024/25 for each tier type.

| **Table 13: Estimated ASC Funding 2020/21-2024/25** | 2020/21 (£/bn) | 2024/25 (£/bn) | £m-/+ |
|---|---|---|---|
| CCN | 2,697 | 3,952 | 1,255 |
| Unitary (non CCN) | 1,351 | 1,861 | 510 |
| Met District | 2,313 | 3,136 | 823 |
| London | 1,363 | 1,854 | 492 |
| England | 7,724 | 10,804 | 3,080 |

176. Estimates by PwC for CCN show the cost of providing ASC service in England are set rise an additional £3.2bn by 2024/25. For CCN member councils they will see the costs rise by £1.54bn over the same period.

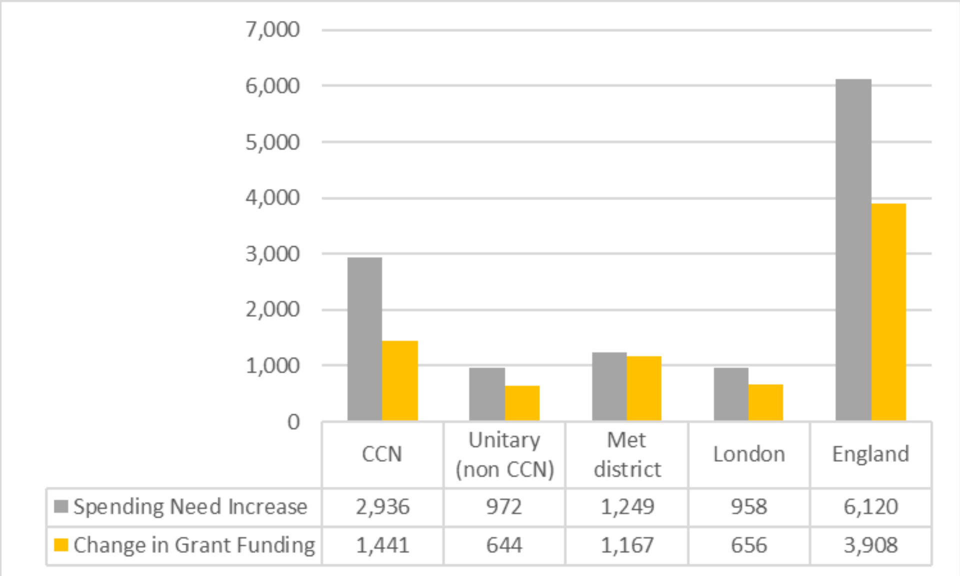
| **Table 14: PwC spending need estimates 2020/21-2024/25** | 2020/21 (£/bn) | 2024/25 (£/bn) | £m-/+ |
|---|---|---|---|
| CCN | 8,214 | 9,758 | 1,544 |
| Unitary (non CCN) | 2,812 | 3,323 | 511 |
| Met District | 3,718 | 4,375 | 657 |
| London | 2,546 | 3,048 | 502 |
| England | 17,301 | 20,519 | 3,218 |

177. The additional funding that is expected to be provided to ASC services over the next five years will fail to keep pace with rising demand for services. Nationally, the rise in service costs will be £288m greater for CCN member councils than the anticipated rise in funding, and £138m nationally.

| **Table 15: Comparison between additional grant funding and increase in spending need 2020/21-2024/25** | Additional Grant Funding (£/m) | Additional Spending Need (£/m) | Difference in funding/spending need (£/m) |
|---|---|---|---|
| CCN | 1,255 | 1,544 | -289 |
| Unitary (non CCN) | 510 | 511 | -1 |
| Met District | 823 | 657 | 166 |
| London | 492 | 502 | -10 |
| England | 3,080 | 3,218 | -138 |

178. Taking the two periods analysed above together, the graph below shows the change in spending need and total grant funding for the period 2015/16 to 2024/25. Due to rising demand for services outpacing the additional funding for ASC over the 10-year period, increased funding will only meet 49% of the increased costs of providing services in CCN member councils, and 64% nationally.

**Graph 6: Change in funding 2015/16 -2024/25 compared to change in spending need**




179. Moreover, despite the increase in funding, government funding as a percentage of overall costs will only be marginally higher in 2024/25 compared to 2015/16. Nationally, 53% of costs will be covered by government grants, with only 41% of costs being met in CCN member council areas.

| **Table 16: Total Government grant as a % of spending need** | 2015/16 | 2020/21 | 2024/25 |
|---|---|---|---|
| CCN | 37% | 33% | 41% |
| Unitary (non CCN) | 52% | 48% | 56% |
| Met District | 63% | 62% | 72% |
| London | 57% | 54% | 61% |
| England | 48% | 45% | 53% |

180. One other policy intervention by Government has been the introduction of the Adult Social Care Precept. Up to 2019/20, this has allowed upper-tier councils to levy an additional 2% of council tax per year (capped at a 6% point rise over a three-year period) to specifically fund ASC services in England. In 2020/21, the policy was extended for a further year.

181. Table 17 shows that, even including the income raised from the precept by different local authority types,[35] only 53% of the costs of ASC for CCN member councils are being meet through government policy interventions, rising to 64% nationally.

| **Table 17: Total Government grant as a % of spending need including ASC precept income** | 2024/25 |
|---|---|
| CCN | 53% |
| Unitary (non CCN) | 68% |
| Met district | 81% |
| London | 71% |
| England | 64% |

182. The analysis demonstrates that the funding set out for ASC at the time of the last spending review up 2019/20 was insufficient to meet pre-existing shortfalls in funding, unmet needs

[35] It is presumed that all authorities implemented the precept in full for the four years the policy was available. No precept is presumed from 2021/22 onwards.

and the rising costs of services. Measures by Government to provide one-off or temporary funding streams – which are often provided last minute with specific conditions – have simply served to counteract large cuts to core funding sources for ASC.

183. The overall impact has been to shift a significant proportion of adult social care funding into temporary and piecemeal pots. This resulted in a situation where in 2020/21 temporary grants represented 54% of all direct government support for adult social care in CCN member councils and 59% nationally. The short-term nature of these grants has made it increasingly difficult for local authorities to be able to adequately plan services for the medium- to long-term.

184. From 2020/21 onwards, although the existing commitment to increase social care funding over the course of this parliament will help to meet the rising costs of services, it will be insufficient to provide investment to improve services beyond current service levels or meet existing unmet needs within the system. Further reductions to efficiencies and reductions to service will be required for CCN member councils just to meet rising costs of services despite the resources provided by Government.

185. Moreover, while government funded support as a percentage of overall costs has increased marginally by 2024/25, the introduction of the precept has further shifted the burden for paying for services on council taxpayers. While council tax will continue to play at role in funding services, the burden on local residents is unsustainable going forward.

- **The CSR should deliver a long-term sustainable funding package for delivery of high-quality adult social care and for reform of the system.** This should provide further resources in addition to the £1bn of additional funding already committed to as part of the Government's manifesto. This should be sufficient to avoid a situation where Government is required to provide additional funding through time-limited grants as has been the case over the past five years, while easing the burden on local council taxpayers.

- **The CSR must confirm the continuation of all existing resources for adult social care up to 2024/25, including all temporary grants, to enable councils to plan effectively over the course of the CSR period.**

*ASC Care Markets & Covid-19*

186. The under investment in adult social care has been brought into sharper relief by Covid-19. It has shown councils on the front-line, working to protect the most vulnerable residents from the virus by shielding them in their own homes. It has helped to protect the NHS from being overwhelmed by creating additional capacity for care, whilst ensuring those working in care homes are protected against the virus.

187. Under Section 1 of this response, we outlined that to date the Government have provided funding to cover the majority of additional costs in adult social care caused by Covid-19. However, coupled with existing underfunding of services, uncertainty remains regarding future costs and financial risks caused by short- and medium-term expenditure in relation to ASC.

188. Of particular concern is the continuing impact on the social care provider market. Ahead of Covid-19, estimates by LaingBussion for CCN showed a care market fee gap totaling £670m

in county areas.[36] Since March, county and county unitary councils quickly concluded negotiations with care providers in extra fees whilst channelling additional money infection control funds and supplies such as personal protective equipment (PPE) directly and urgently to them in the pandemic.

189. However, the COVID-19 pandemic has now dramatically disrupted the market for ASC well beyond these existing structural problems. Residential care homes for the elderly in particular are facing a range of threats including reduced capacity (to cope with isolation for COVID-affected residents) which may last indefinitely; significant extra costs, such as through using more PPE and enhancing cleaning routines; as well as facing a dramatic dip in demand as relatives become increasingly concerned about placing their loved ones in an environment which they see as a health risk and instead opting for alternatives.

190. While we welcome the recent announcements on the extension of infection control payments and provision of free PPE, it is likely that further short and medium costs will be incurred to support providers through a second wave of the pandemic. Moreover, many of our members believe that short-term fee rises for providers will remain permanent baseline costs. These costs not included PwC's projections on estimated increases in service costs up to 2024/25.

191. The Government has acknowledged that the system desperately needs long-term funding reform and have repeatedly committed to publish proposals for reform. These are now expected to publish early next year. Ahead of the publication of Government proposals, it is imperative that Government uses the CSR to provide urgent clarity on funding for services over the coming period.

192. Faced with escalating costs, further resources are required beyond those already committed to ensure councils can continue to fund services at higher levels than is currently the case, ahead of a long-term solution in the Government's expected Green or White Paper.

- **Clarity should be provided through the CSR on what mechanism will be used to provide additional funding so councils can prepare for a second wave of Covid-19, and deal with any further financial implications resulting from a second wave or local lockdowns.**

193. ASC services in England are most commonly associated with the elderly requiring care in later life. However, many of the most critical and essential care is provided to working age adults between the ages of 18 and 64, including those with learning disabilities. These service users tend to be the highest cost individuals for councils to provide services to, and most have very little wealth or assets to contribute to the costs of their care in comparison with older adults who often own property or have built up savings through their life.

194. Our analysis with LG Futures shows that due to temporary grants such as the iBCF being concentrated on older adults, support for working age adults have faced the most significant funding reductions since the last CSR.

- **The CSR should consider additional dedicated funding to support investment in services for working age adults.**

[36] **LaingBuisson** (2017) - County Care Markets - 2017 Update

195. Our analysis also shows that CCN member councils have also received the highest reductions in core government support over the core of the past five years, with counties still receiving significantly less financial support in meeting the future costs of providing ASC services compared to other types of councils.

196. In line with our proposals under Section 1 on the Fair Funding Review, the CSR should seek to ensure greater fairness in the distribution of ASC resources during this parliament.

- **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.**

197. CCN recently set out the principles which should underpin reform in our new publication The Other Side of the Coin: adult social care reform in a post-Covid world.[37] We would expect that as well as placing the service on a more sustainable financial footing, that it also recognises the value of maintaining this as a locally and democratically-led service.

- **The CSR should support the model of adult social care remaining a local service, in line with the principles set out in the CCN paper The Other Side of the Coin: adult social care reform in a post-Covid world.**

*Children's Social Care – Funding & Cost Pressures*

198. In May 2020, CCN published new research showing the trends in changes to children's services funding between 2015/16 and 2019/20.[38] The analysis based on LG Futures conducting the same funding analysis as undertaken above for ASC.

199. Unlike the above analysis of ASC, the publication Children's Services Funding and Early Intervention published in May 2020, outlined the full results of the analysis for the period 2015/16 to 2019/20 and detailed the methodology used to arrive at the figures. Therefore, rather than present the analysis in detail, below we provide the headline findings.

200. This report showed that total grant funding earmarked for CSC 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.

201. The allocation of 23% of 2019/20 social care grant to children's social care merely reduced the 39.5% decline in core grant funding to CSC to just under 36% in CCN member authorities over the past five years. Overall across England the amount of funding lost in this time comes down from just under a third, but still remains well above a quarter.

[37] **CCN Ideas** (2020) - The Other Side of the Coin: Social Care Reform in a Post-Covid World
[38] **CCN/LG Futures** (2020) - *Children's Services Funding and Early Intervention*

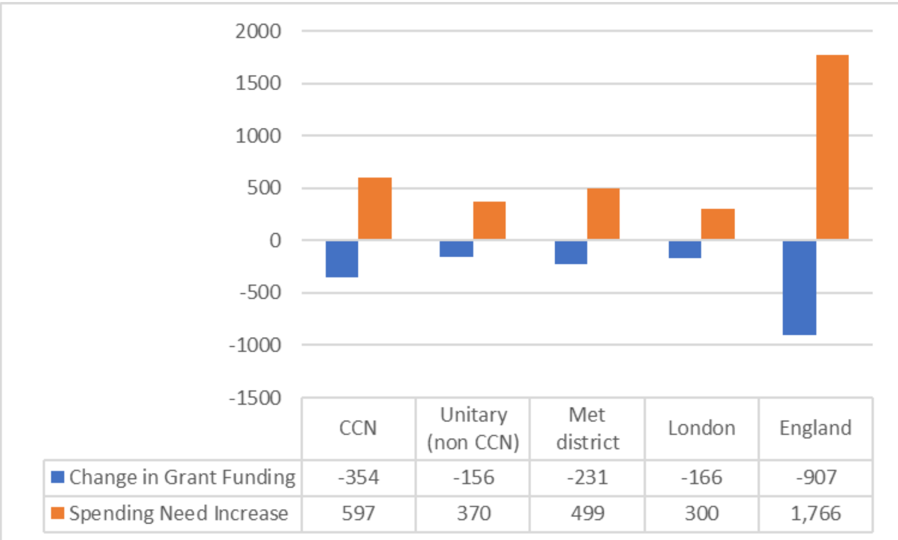
| **Table 18: Total Government grant funding for CSC including temporary grants** | 2015/16 (£m) | 2019/20 (£m) | (£m) -/+ | % -/+ |
|---|---|---|---|---|
| CCN | 989 | 635 | -354 | -36% |
| Unitary (non CCN) | 586 | 430 | -156 | -27% |
| Met District | 905 | 674 | -231 | -26% |
| Inner London | 376 | 304 | -71 | -19% |
| Outer London | 418 | 323 | -95 | -23% |
| England | 3,099 | 2,367 | -907 | -28% |

202. At the same time as funding has reduced, estimated spending need for children's services has grown at a faster pace than all other service areas. Table 19 shows change in spending need for the period for different types of councils, with inner and outer London combined.

| **Table 19: PwC spending need estimates 2015/16-2019/20** | 2015/16 (£m) | 2019/20 (£m) | (£m) -/+ | % -/+ |
|---|---|---|---|---|
| CCN | 3,123 | 3,720 | 597 | 19 |
| Unitary (non CCN) | 1,627 | 1,997 | 370 | 23 |
| Met District | 2,106 | 2,605 | 499 | 24 |
| London | 1,446 | 1,746 | 300 | 21 |
| England | 8,303 | 10,069 | 1,766 | 21 |

203. The graph below shows how the growth in estimated spending need for ASC over the same period against funding changes for different types of councils. Funding and the costs of services has diverged dramatically over the past five years.

**Graph 7: Change in funding 2015/16 - 2019/20 compared to change in spending need**




204. As a result of growing demand for services and costs, the difference between funding and service costs has grown some £951m for CCN member councils. While smaller in monetary terms, the relative divergence for CSC is far greater than for ASC previously.

*CSC Funding & Cost Pressures 2020/21-2024/25*

205. As outlined in the previous ASC section, the Spending Round announced an additional £1bn for social care services in England for 2020/21, with a Conservative manifesto commitment

to continue this funding over the course of the Parliament. It is expected that as in 2020/21, flexibility will be provided so this additional resource can be used to fund both adults and children's services.

206. To demonstrate the extent to which increased funding will meet the rising costs of services, CCN have updated our funding estimates for 2020/21 to 2024/25 for CSC to incorporate existing Government commitments on social care funding.

207. CCN has maintained all existing grants, including temporary grants for 2019/20 and incorporated allocations of the 20202/21 increase in social care grant, as with the social care grant in 2019/20. Following the methodology employed by LG Futures analysis of ASC funding for CCN, we have allocated the additional £1bn across adults and children's social care in line with the share of adults' and children's Relative Needs Formula – meaning it was assumed CSC received £230m (23%) of the available resource from 2020/21 onwards.

208. The table below shows anticipated change in funding as a result of the additional funding provided for CSC in 2020/21 and up to 2024/25.

| **Table 20: Estimated CSC Funding 2020/21-2024/25** | 2020/21 (£/m) | 2024/25 (£/m) | £m-/+ |
|---|---|---|---|
| CCN | 729 | 1,104 | 375 |
| Unitary (non CCN) | 468 | 620 | 152 |
| Met District | 735 | 981 | 246 |
| London | 664 | 811 | 147 |
| England | 2,597 | 3,517 | 920 |

209. Estimates by PwC for CCN show the cost of providing CSC service in England are set rise an additional £1.8bn by 2024/25. For CCN member councils they will see the costs rise by £658m over the same period.

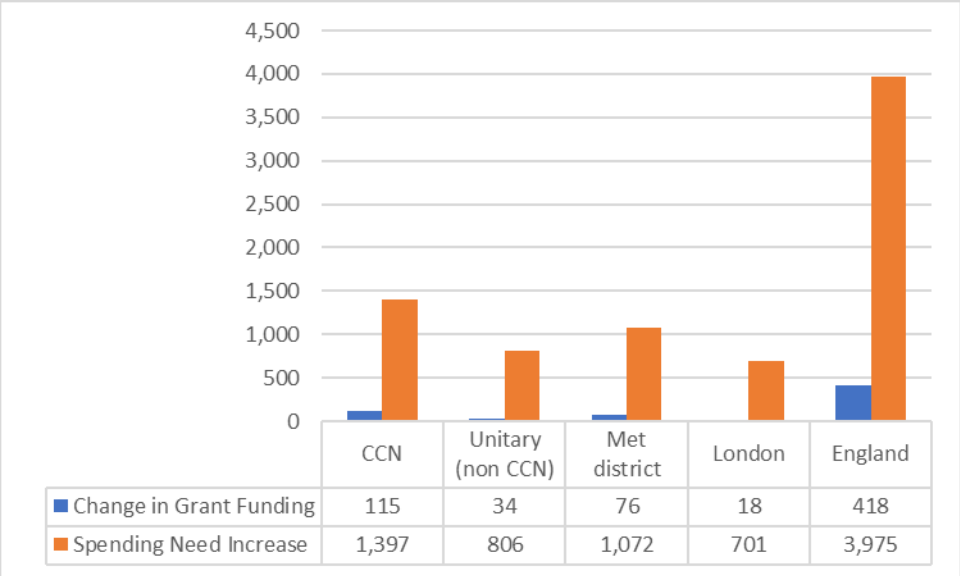
| **Table 21: PwC spending need estimates 2020/21-2024/25** | 2020/21 (£/m) | 2024/25 (£/m) | £m-/+ |
|---|---|---|---|
| CCN | 3,862 | 4,520 | 658 |
| Unitary (non CCN) | 2,076 | 2,433 | 357 |
| Met District | 2,707 | 3,178 | 471 |
| London | 1,820 | 2,147 | 327 |
| England | 10,466 | 12,278 | 1,812 |

210. The additional funding that is expected to be provided to CSC services over the next five years will fail to keep pace with rising demand for services. Nationally, the rise in service costs will be £282m greater for CCN member councils than the anticipated rise in funding, and £892m nationally.

| **Table 22: Between additional grant funding and increase in spending need 2020/21 – 2024/25** | Additional Grant Funding (£/m) | Additional Spending Need (£/m) | Difference in funding/spending need (£/m) |
|---|---|---|---|
| CCN | 375 | 658 | -283 |
| Unitary (non CCN) | 152 | 357 | -205 |
| Met District | 246 | 471 | -225 |
| London | 147 | 327 | -180 |
| England | 920 | 1,812 | -892 |

211. Taking the two periods analysed above together, the graph below shows the change in spending need and total grant funding for the period 2015/16 to 2024/25. Due to rising demand for services significantly outpacing the additional funding for CSC over the 10-year period, increased funding will only meet 8% of the increased costs of providing services over the period in CCN member councils, and 11% nationally.

**Graph 8: Change in funding 2015/16 - 2024/25 compared to change in spending need**




212. Moreover, despite the increase in funding, government funding as a percentage of overall costs will still be significantly lower in 2024/25 compared to 2015/16. For CCN members, just 24% of costs will be covered by government grants, down from 32% despite the additional resources. Nationally it will fall from 37% to 29%.

| **Table 23: Total Government grant as a % of spending need** | 2015/16 | 2020/21 | 2024/25 |
|---|---|---|---|
| CCN | 32% | 19% | 24% |
| Unitary (non CCN) | 36% | 23% | 26% |
| Met District | 43% | 27% | 31% |
| London | 55% | 36% | 38% |
| England | 37% | 25% | 29% |

213. The evidence set out demonstrates the increasing pressure that has been placed on local authority children's services. Despite the cost pressures faced by adult social care, this analysis shows children's social care has borne a bigger share of cuts than adult social care, whilst spending has still been increasing driven by rising demand, particularly for statutory services.

214. This is because successive governments have provided one-off injections of funding for adult social care which has not been matched for children's social care. As a result, central government funding of services is significantly lower in 2020/21 with this only set to marginally increase over the coming period.

215. The evidence set out demonstrates the increasing pressure that has been placed on local authority children's services since 2015/16. Funding has been significantly reduced by over a quarter across England, whilst spending has still been increasing driven by rising demand, particularly for statutory services.

216. While the Government have provided additional resources, our analysis shows that this funding 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 as we outline below, have seen significant reductions over the past five years.

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

218. As with ASC, PwC's estimates spending need do not account for the potential additional costs and demands created by Covid-19.

219. Our recent report *Recovering from Covid-19; Supporting Children & Families* outlined that alongside existing demand, Covid-19 is likely to give rise to further acute costs from latent demand for services created by the lockdown and the creation of more complex needs.

220. During lockdown as few as 5% of vulnerable children who are eligible were attending school; children's social care referrals are reported to have as much as halved; calls to domestic abuse helplines have increased by 120%; and police have warned that school closures have if anything, put children more at risk of exploitation through county lines drug trading even despite the restrictions on travel. These are all warning signs that now schools and services are reopening, there may be an increase in real problems – and problems which would normally be first noticed by the regular contact with teachers and school which doesn't presently exist for most.

221. Both the pre and post Covid-19 landscape for CSC should be equally occupying the minds of Ministers during the CSR. Without a similar series of in-year grants and top-up funding to keep the system afloat, akin to those provided for adults, local authorities have largely been left to address a shortfall in children's funding caused by increased demand from within their own budgets.

222. The Spending Review provides an opportunity for issues around children's social care to be addressed. As well as ensuring that children's social care receives an uplift that is in line with additional support provided to adults social care, we would hope that the increase in funding available to councils and their children's services department is such that they are able to invest in early intervention programmes given the positive impact that this can have on vulnerable members of the community and reduction in strain on council budgets.

- **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 (see below).

*Troubled Families*

223. CCN members are also concerned that the £165m made available via the Troubled Families Programme for 2020/21 will be hard to access as the criteria for payment by results (such as school attendance or moving parents into work) will be severely distorted by the impact of lockdown. Yet this money will be needed more than ever to support families locally who have been affected by the pandemic – many of whom it is anticipated will not previously have been known to our councils.

224. County authorities are already looking ahead to planning for recovery after the immediate alert has passed and the impact on children and families is foremost in these considerations. One almost certain outcome, though, is that the number of children and their families who will need support of the sort offered by the Troubled Families programme is likely to significantly grow – and potentially grow unpredictably as the effects of the lockdown and the impact of the economy affect different individual families in different ways.

- **Disapply payment-by-results criteria for Troubled Families during 2020/21. Instead distribute this funding directly to all authorities on the existing 'earned autonomy' principle to support local Covid-19 recovery efforts with families.**
- **Begin to set out reforms for the Troubled Families programme beyond 2020/1 centred on helping families to recover from the Covid-19 emergency across the medium- to long-term.**
- **Rename the Troubled Families programme to become less stigmatising and more inclusive as the nature of the families targeted by the programme change due to the impact of Covid-19.**

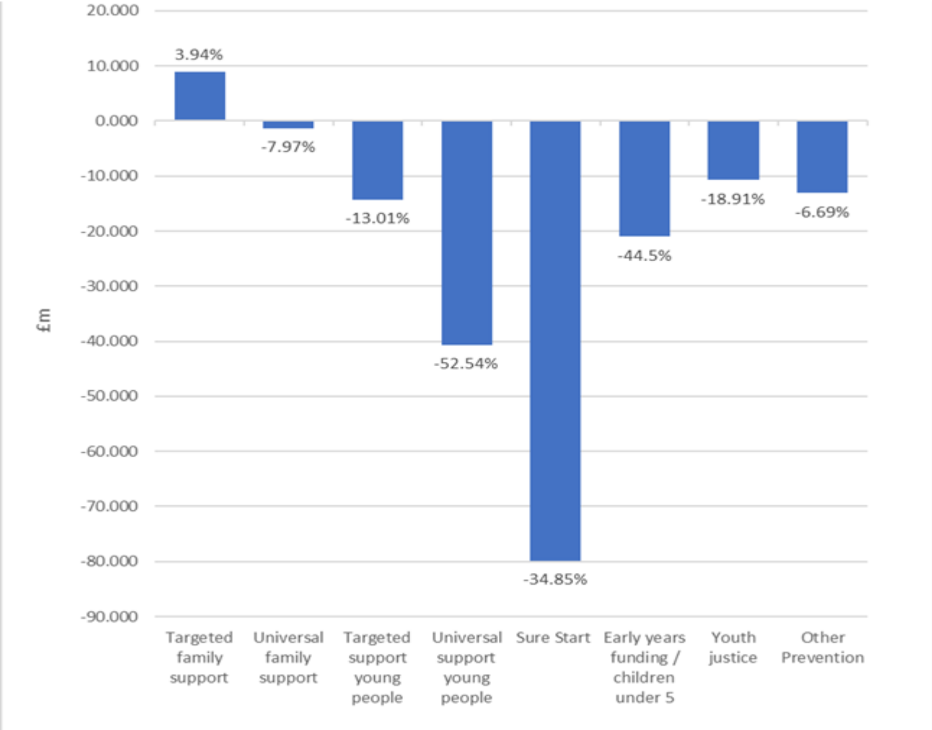
*Early Intervention & Prevention*

225. Since the last spending review, councils have met their statutory duties around children's social care by diverting funding that would previously have been spent on preventative services. Our recent report recent *Children's Services Funding and Early Intervention* with LG Futures showed that in England, 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%.[39]

226. Based on analysis in this report, the graph below shows how the profile of spend on early intervention has changed in county authorities between 2015/16 and 2019/20. It is worth noting that spending on Targeted Family Support has been protected in part because investment in this specific area secures funding from the Troubled Families programme.

[39]**CCN/LG Futures** (2020) - *Children's Services Funding and Early Intervention*

**Graph 9: Change in expenditure on prevention and early intervention children social care in CCN member councils 2015/16-2019/20**




227. While reductions to non-statutory early intervention and preventative services were an inevitable consequence of the funding reductions to CSC outlined in this submission, in the longer term it is now becoming clear that the gradual erosion of services designed to help children and their families deal with low-level issues (preventing them evolving into larger more expensive problems) may have created a vicious cycle which CCN member authorities believe is now feeding the increasing demand for statutory services.

228. For early intervention to work it cannot be piecemeal but needs to be imbued across communities – sometimes referred to as 'building community resilience'. No single body is better placed to effect such a change than the local authority. But as the evidence from our recent report shows,[40] without new approaches to the resourcing of children's services, local authorities will be left to firefight the problems without being able to tackle their root causes – particularly county authorities, which face greater degrees of under-funding in children's services compared to other types of council.

229. The benefits of early years have been well documented and are currently being looked at again for the government by Rt Hon Andrea Leadsom MP, through a review of early years health. We would therefore hope that as part of the renewed focus on early years that will result from Andrea Leadsom's review, that the CSR will result in an uplift in the support that is provided to early years funding, and which in particular seeks to provide more equitable patterns of spending on these services, properly recognising the pressures that exist on county authority budgets and their early years provision.

230. Alongside additional funding and given the success of the Troubled Families programme, CCN has recommended in its recent report *Children's Services Funding and Early Intervention* that Government considers how a broader framework of funding modelled on

[40] **CCN/LG Futures** (2020) - *Children's Services Funding and Early Intervention*

the Troubled Families programme could incentivise investment in other areas of early intervention – for instance children's mental health support.

- **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 focussed 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.

*Child Care Markets*

231. The childcare market has been hit hard by the disruption caused by the pandemic. CCN has recently examined this issue in its report *Managing post-Covid childcare markets*. To date, the market held up better than expected thanks to a combination of generous support from the Government, a swift reaction by local authorities (using the emergency funding provided to local authorities), and dedicated commitment from providers. However, local authorities are concerned that as financial support is withdrawn across the autumn – including the Coronavirus Job Retention Scheme (CJRS), the Self Employed Income Support Scheme (SEISS), and the direction to pay free entitlement on the basis of 2019 take up rather than actual take up the market may begin to collapse.

232. High quality childcare and early education is not only crucial to young children's wellbeing and development a crucial means to level up opportunities for those from the poorest families. It is also a vital public utility which is crucial to supporting economic growth.

233. CCN member authorities have expressed concern that up to 10% of the market at least is under threat, with some concerned this figure could be higher. But market failure is likely to be piecemeal and affect different areas in different ways. County authorities are particularly concerned about whether they lose sufficient provision in more remote areas where parents have little alternatives. If such provision is lost then it may disrupt the recovery and be hard to replace quickly or easily.

234. Whilst the Government has offered useful support through guaranteeing free entitlement funding, this only supports the market which the state pays for. But many childcare providers are predicted not to survive if they lose the private fees which help subsidise them to offer the free entitlement. Particularly at risk will be childminders who are less likely to provide the free entitlement and, as they are often sole traders, less likely to have reserves to cover a dip in demand.

235. The Government is urged to consider how it can support the childcare market in line with the economic recovery post-Covid. In particular, a grant pot should be established for local authorities to help protect strategically important childcare providers that are struggling now

but have proven viable when the market is functioning properly. The Government should review the rates that are provided through the Early Years Block to support childcare providers going forward and initiatives for supporting local childcare markets should be costed into future Emergency Covid funding should further support be needed by local authorities.

- **Recognise local authorities' childcare responsibilities in their Spending Review settlement and further rounds of emergency funding for COVID-19 costs.**

- **Set up an emergency grant scheme to help support childcare providers which are strategically important for childcare sufficiency but need additional support to ride out the pandemic.**

- **Review the levels of funding for the free entitlement within the Early Years Block of the Dedicated Schools Grant.**

*LGR & People-based services*

236. Elsewhere in this document, CCN have outlined the potential implications of local government reorganisation.

237. In their recent report *Evaluating the importance of scale in proposals for local government,* PwC explored in detail the implications for adults and children's social care of different reorganisation proposals.[41] Comparing the establishment of a single unitary authority in each county area to multiple unitary authorities, it analysed the strategic benefits of maximising scale and the risks and challenges associated with disaggregation and the establishment of small unitary authorities.

238. The report concludes that splitting up children's social care and adult social services currently delivered by the county council could cost between £1.9bn and £3.3bn if a two or three unitary model is pursued. More pressingly, PwC's report argues this this 'disaggregation' has the potential to disrupt performance across a range of service areas, especially in people-based services.

239. When considering adult social care, the report argues that 'when you add in the fact that social care services are currently under financial pressure and facing rising demand, there is a chance of a drop in performance, particularly in high performing areas.' It also finds there would be 'substantial disruption' in pulling apart existing partnership arrangements, particularly in health and social care integration and a risk that local care markets in which the existing county council manages are destabilised. When the report was published, CCN's chairman warned these changes could impact on the quality and availability of care support packages and care home placements.[42]

240. The report finds that splitting up children's care services could increase the likelihood of delays and errors which can pose 'significant safeguarding challenges and risks' to vulnerable young people, adds layers of complexity, and these new departments could need more funding, at least in the short-term, to become fully functional. It also warns that splitting these services could lead to a 'postcode lottery' for care, in terms of both the quality and availability of care for both children and adults.

[41] **PwC** (2020) - *Evaluating the impact of scale in proposals for local government reorganisation*
[42] CCN media response: https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/

241. In analysing the two-unitary plus a children's trust model, the report concludes that there is insufficient evidence on whether a trust can result in improvements to children's services, immediate or otherwise.

242. Recommendations in relation to LGR and devolution are provided in Section two of this document.

*Public Health*

243. Covid-19 has brought into focus many of the health inequalities that exist within England, which have had an impact on the way that the pandemic impacts on individuals and communities. Local authorities have been at the forefront of the public health response, but the pandemic has exposed the vital importance of a robust, properly funded, locally-led system of public health which is able to employ local knowledge to engage with and effect change for communities.

244. As the Government dissolves Public Health England and looks to reorganise delivery around the National Institute for Health Protection, there is an opportunity to strengthen links with councils and devolve more public health responsibility to local areas. Local authorities now have a proven track record of delivery in this area as outlined in a CCN commissioned report from 2019 – *Learning the lessons from the public health transfer*. This reputation has been further enhanced by the solid record of delivery throughout the pandemic including the local co-ordination of Test and Trace.

245. Additionally, public health has a key role in prevention of demand for social care in both adults and children's services – an issue which CCN strongly advocates prioritising within this CSR. Part of achieving this objective should be by ensuring enhanced public health budgets, which can better respond to lower level issues – for instance enhancing Tier 1 or Tier 2 mental health issues; or developing programmes to address emerging attachment or trauma issues in children and young people.

246. Public health funding should be increased through the CSR as part of the levelling up agenda, to ensure that local government can work to improve the health of the communities they serve through reducing these inequalities. Public health requires significant investment in the wake of the pandemic and councils are looking to the Spending Review to deliver significant uplifts in funding so they are able to help ensure the ongoing impact of the Covid-19 crisis can be minimised locally.

- **The CSR should delivering a sustainable funding settlement for public health, recognising the service's essential role in continuing to respond to the Covid-19 pandemic in local communities.**

*Special Educational Needs and Disabilities*

247. 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.

248. The principal cause of the rise in costs has been driven by reforms in the Children and Families Act 2014 which introduced Education, Health and Care plans to replace the former system of statementing alongside lower-level school-based support such as School Action and School Action Plus. In 2019 CCN published an analysis of the impact of the SEND reforms on county authorities.[43]

249. The number of pupils on Education, Health, and Care Plans (EHCPs) has risen by almost 50,000 since the 2014 legislation was introduced. CCN member councils have seen a rise of 47%, with almost 10,000 extra each year in the number of young people being granted EHCPs. Much of the rise has been created by the extension of SEND support to 18-25 year olds – a cost which is still working its way through the system as more young people take up their entitlement year-on-year. County authorities support the principles behind the reforms, but have not received additional funding to help meet additional demand.

250. CCN's analysis showed that overspends on high needs budgets had increased 83% between 2016 and 2019, despite overall spending increasing 18% over the same period. The report also contained data drawn from CCN's 36 county authority members responding to a survey on this issue:

- 27 out of 31 authorities providing end of year figures confirmed they had overspent on the HNB during 2018/19.
- The total overspend across these 31 authorities amounted on balance to a £115m deficit.
- Together the 27 authorities reporting a deficit had a total shortfall of £123m.

251. These 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. The report noted "in order to meet the deficit councils are having to run down their DSG reserves and increasingly transfer money from the Schools' Block of the DSG which is nominally allocated to be spent on schooling for all children."[44]

252. Additionally, there is additional pressure being placed on local authorities by the impact of SEND Tribunal decisions. The number of cases going to tribunal has increased substantially. In a survey of 14 CCN member councils ahead of this submission we found every authority had seen an increase in the number of tribunals since 2014. Many had seen triple digit increases, with the most extreme seeing a 900% increase in the number of SEND tribunals from 3 in 2014 to 27 in 2020.

253. This has not only placed extensive additional legal costs on LAs but also increased administration costs, amounting in some areas to several hundred thousand pounds. This is despite several authorities noting anecdotally that they were less likely to contest SEND appeals by taking them to Tribunal since the reforms in case.

254. The Government established a SEND Review in late 2019 to consider the concerns around these sensitive issues. The reporting of the Review has been delayed due to the pandemic and CCN understand this is now expected in early 2021. However, costs for local authorities continue to increase.

[43] **CCN Analysis** (2019) - Special Educational Needs & Disabilities: The Challenge Facing Counties
[44] **CCN Analysis** (2019) - Special Educational Needs & Disabilities: The Challenge Facing Counties

- **The CSR 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.**

*Home-to-School Transport*

255. Councils also face continued challenges in ensuring that they are able to provide children with a 'superb education', which is one of the goals of the Spending Review. One of the biggest cost pressures that county authorities currently face is that of delivering home to school transport (HST), given the rural communities served by many CCN members.

256. Last year CCN, alongside the Local Government Association and the ISOS Partnership published research setting out the scale of the challenge for the continued delivery of HST. Understanding the drivers of demand in home-to-school transport found that between 2014-15 and 2017-18 the total national spend on home-to-school transport has increased from £1.02 billion in 2014-15 to £1.08 billion in 2017-18 – an overall increase of 6.5%.[45]

257. Furthermore, the percentage of councils that are overspending their home to school transport budgets has consequently increased from 71% to 83%. This has resulted in a total national deficit on home to school transport which stood at £111 million last year.

258. The research found that the increased expenditure was being driven by the costs of providing transport for children with SEND, which now accounts for 69% of all home-to-school transport expenditure.

259. The cost pressures on HST could have been exacerbated this autumn had councils been required to maintain strict social distancing on HST. The more realistic approach of the Department for Transport, backed up by an additional £40m in investment, will ensure that this vital service can largely continue to be provided without a further uplift in these costs. It remains to be seen how significant these are, but we would anticipate that the Treasury would seek to place the HST service on a more sustainable financial footing, with a particular emphasis on ensuring that HST costs are met.

260. The Treasury should also be aware that the final provisions of the Public Service Vehicle Accessibility Regulations (PSVAR) under the 2000 Act were meant to come into force for HST on 1 January 2020. A temporary exemption was granted by DfT as the impact may have nullified many vehicles in the HST fleet across the country from active service. Nevertheless, a capital injection will be required for HST before the PSVAR exemption can be lifted without extensive disruption.

- **Deliver a sustainable settlement for Home-to-School Transport, based on pre-Covid challenges and additional pressures created by September school return.**

[45] **ISOS Partnership** (2019) - *Isos Partnership: Understanding the drivers of demand in Home To School Transport*