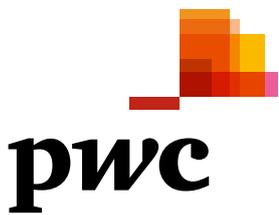




Industry in Focus

# Future of local government

July 2021



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# 1

Why are we  
talking about the  
future of local  
government now?

# Why are we talking about the future of local government now?

**The COVID-19 pandemic has changed how we live, work and think. Even as we begin to return to a degree of normality, it's clear that the way we behave as individuals, communities and society has shifted forever.**

Local government has played a central role in leading the response to the pandemic – perhaps to a greater extent than had been previously considered possible by national government. While it has been necessary to set policy at a national level, and for UK government to exert a degree of central control over civil contingency arrangements, local government has been responsible for putting this into practice and for protecting and supporting our communities.

On top of its more immediate and devastating impacts, the pandemic has also served to exacerbate and accelerate some of the more challenging issues facing our society – inequality, rapidly rising demand from some of the most vulnerable in our communities and ongoing pressure on public spending. Local government has a key role to play in addressing these agendas.

There are also a range of policy issues – including the national spending review, the future of adult social care, and levelling up – that must ultimately be addressed. These issues have necessarily been seen as less of a priority for the duration of the pandemic, but are now being revisited in the context of higher national debt, the practical implications of leaving the EU, and deep uncertainty over what the 'new normal' might mean for people and the economy both at home and internationally.

For the sector, the challenges of responding to – and now recovering from – the pandemic follow a decade of austerity, which has dramatically impacted the size, shape and purpose of local government. Given these effects, it's little surprise that local councils are now very different institutions from how they were 10 years ago. And the pressures they face seem only to be intensifying.

As a result, local authorities are re-thinking how they can best operate and support people and businesses over the long term to help them achieve their aspirations and potential. Issues centred on purpose, leadership, relevance and effectiveness are at the heart of this rethink, as well as questions around the optimal means of delivery – including greater use of technology – and the most effective ways to engage with a diverse range of people and places.





Now is the time to capitalise on the role councils can play as leaders of place and ensure they remain relevant in 2030. Local government recognises the need for change. National government needs to create the environment that allows this to happen.

## Window of opportunity

In the aftermath of COVID-19, there is a window of opportunity to seize and build on the positive collective response from the local government sector, its partners, national government, businesses and local communities to work in a different way. The current situation presents many challenges, but also offers local government a golden opportunity to redefine its purpose and maintain its relevance in a rapidly changing context. All councils are committed to delivering high-quality services for residents. But if they have an appetite to widen their role beyond this, there is the potential to shape and influence public policy to achieve it.

Similarly, national government should recognise the strength of the sector, and the relative level of trust placed in councils by their residents. They have a key role to play in reforming adult social care and supporting the levelling up agenda. As the Prime Minister has recently set out, “there is no reason why our great counties cannot benefit from the same powers we have devolved to city leaders so that they can take charge of levelling up”.

The Prime Minister’s speech signals that the Government recognises there is an inequity in the way devolved powers are exercised across the country. His commitment to “rewrite the rulebook” through a flexible approach to devolution in the form of “new deals” for county areas is significant.

This has the potential to be a game changer in delivering the levelling up agenda. Putting those councils with the size and scale to lead at a local level in the driving seat, devolving more powers to county and unitary areas, while providing opportunities to simplify governance or pursue greater collaboration, will be of critical importance.

Informed by extensive and wide-ranging discussions with the sector - including council leaders, chief executives and senior officers - this report introduces the concept of the Future Council - bringing together the changes that will need to be made to ensure councils are empowered to lead the recovery, deliver social renewal **and remain relevant in 2030**.

There is an imperative today to explore and understand in greater detail the challenges facing local government, and to set out what will be required in the months and years ahead to meet those challenges and lead an economic recovery that’s fair for all. This report is intended to contribute to that debate, particularly as national government seeks to re-set its domestic policy agenda.

Fundamental decisions must be taken now about the shape, resource and powers local authorities will need to continue to lead their places and the wider system. These choices will help to determine the path to recovery for the country as a whole. We have to be sure to get them right.



## Taking action

The headline messages emerging from this work for local government are:



**Local government should lead the response to the most fundamental challenges facing our society.** They are the only bodies at a local level with a democratic mandate and the citizen focus required to lead the place and growth agendas, as well as public service reform, and they have a vital role to play in rebuilding trust in our institutions.



**Accelerated change and investment is needed.** In the next five to 10 years, councils need to accelerate their investment in strategic capacity and expertise; their ability to connect with residents, communities and organisations with a focus on the hyper-local; their workforce and brand; and the technology that underpins their operations.



**A more equitable relationship between national and local government is needed.** Councils must see themselves, and be seen by others, as leaders in their localities. Without the local knowledge, vision, and expertise of local government, it is unlikely the levelling up agenda will be addressed successfully.

However, local government cannot deliver on this agenda alone - the headline messages emerging from this work for national government are:



**National government needs to trust councils to deliver and devolve more powers and responsibilities to the sector.** The commitment to end the inequity in devolved powers through new county deals requires putting county and unitary councils with the scale to lead at a strategic level in the driving seat when it comes to negotiating new devolution arrangements. The Levelling Up White Paper should set out a clear and equitable framework for delivering this, while local government needs to be ambitious with its proposals and collaborative with its partners.



**It should also take a longer term view about the way local government is funded.** Councils have no prospect of addressing the systemic problems associated with providing children's and adult social care services, for example, unless the sustainability of its funding model is secured. We need to move away from the sporadic use of different funding pots and enable local government to make strategic investments based on a clear picture of how it will be funded in the future.



## Learning from the pandemic:

### How councils have supported the national response to COVID-19

Every part of the public sector has stepped up to the national effort during the pandemic: from the health service, to education, to law enforcement. Among these, councils have played a pivotal part, with their role arguably the most varied: impacting on each of our lives in many different ways. **This is particularly the case for councils operating at scale and with responsibility for the services and local partnerships most integral to the interface between the national and local response.**

During the first wave of the pandemic, councils stepped up and played an integral role in the response to the national health emergency. They helped ensure that the NHS was not overwhelmed by creating additional capacity for care and acted quickly to ensure those living and working in care homes were protected against the virus.

Throughout the pandemic, social care authorities delivered support to social care settings through their infection control plans, providing additional support to care providers. In early 2021, they worked with health services once again to respond to an acute rise in hospitalisations to free up capacity and prevent services becoming overwhelmed.

One of the most disruptive national aspects of the pandemic has been to children's education. The necessity to close schools to curb the spread of the virus brought both short and long-term consequences, particularly for those that are already suffering from educational disadvantages.

As schools were periodically closed, councils acted quickly to help them adapt to remote learning, while ensuring as education authorities they worked with schools to support the national priority of a safe return for pupils to the classroom. With the reopening of schools, they are now working with their local schools to deliver catch up programmes and targeted tuition.

As public health authorities, they have worked with their partners to support their communities to stay home, protect the NHS and save lives through clear communication on restrictions, and undertaking business compliance and enforcement activity. Using their local knowledge and public health expertise, councils became integral to ensuring the nation had an effective track and trace system by developing their own local operations to support the national system, alongside coordinating and targeting mass testing of their communities.

With the vaccination programme providing a light at the end of the tunnel, councils have once again shown how a nationally devised plan can only be delivered with the support of councils – setting up mass vaccination centres and providing local logistical and administrative support.

All the while, this unprecedented situation required councils to adapt and reshape their services overnight; closing offices and moving thousands of staff to remote working; and redeploying employees in

closed services to other essential frontline activity. In both the second and third national lockdowns, councils immediately stepped up once again, keeping more essential frontline services open, from early years settings to county parks, household waste and recycling centres to click and collect services at local libraries.

**Throughout the pandemic, councils have been an integral part of the national effort; from efforts in suppressing and tracking the virus, to supporting our children and aiding the roll out of the biggest vaccination programme in the country's history.**

**Going forward, there is an opportunity for national government to make more use of the strategic capabilities of local government to deliver national priorities.**



# 2

What are the challenges?

# What are the challenges?

The current operating environment for local government is characterised by challenges at multiple levels. The challenges associated with constrained finances and rapidly rising demand for critical services are well documented, which is not to suggest they should be overlooked – the trajectory of children’s and adult social care, for example, remains a significant concern.

However, it is also important to recognise that there are more fundamental challenges facing our society. These macro-level challenges – such as climate change and inequality – manifest themselves at a local level and local government, therefore, has a key role to play in contributing to the response. Put more directly, councils should be leading the response to all of these issues at a local level and should be supported to do so by national government.

COVID-19 has served to exacerbate many of these issues. Councils are now adapting to its enduring effects – and will have to continue to do so, if they’re to remain appropriately resourced and relevant to the residents and communities they serve.

This is happening in the context of escalating global trends that are reshaping our living and working environment – trends that include not only COVID-19 response and recovery efforts, but also ongoing challenges, such as climate change and inequality. These drivers will continue to reshape the UK’s socio-economic landscape and have significant effects on citizens, businesses, financial institutions and trade, particularly as new agreements are put in place following the UK’s exit from the European Union.

## The ADAPT framework: mapping out five key challenges

We use a framework called ADAPT, developed by our global strategy lead, Blair Sheppard, to categorise these challenges. This framework captures five broad issues – Asymmetry, Disruption, Age, Prioritisation, and Trust – that, if not addressed effectively, will cause irreparable harm in the next 10 years. These challenges, which centre around prosperity, technology, demographics, institutional legitimacy and leadership, are closely intertwined. Together, they require us rethink the future – and how we will shape it.

**Asymmetry** describes the disparity in realising the benefit of globalisation, and examines what this means in different parts of the world. While COVID-19 has had similar health and socio-economic impacts on most countries, the relative scale of those impacts has differed enormously. Similarly, while climate change is an issue for the entire planet, it is already clear that certain parts of the world and sections of society will feel its impact to a greater extent than others.

**Disruption** to supply chains is something that the UK has already experienced due to new border controls and trade agreements following Brexit, and as a result of controls put in place to contain the spread of the virus. There’s also ongoing disruption from the rise of new technologies, including advancing automation in the workplace.

Turning to **Age**, the context is that the UK economy is now forecast to bounce back strongly, triggering resurgent demand for an active workforce. However, it remains unclear whether all sectors will be able to operate as before – and it is unlikely that recovery will be evenly spread. Age describes the significant shifts underway in demand and consumption patterns: take online shopping in the UK, which over the past year has become profitable in its own right for the first time. Such shifts have contributed to capacity mismatches across nations and industries, causing critical shortages in vital talent and skills.

**Polarisation** of views, decisions and communities has become more acute in recent years, manifesting itself in rising nationalism, populism and protectionism. While the economy still operates globally, events such as the reduction in international travel and fracturing of old coalitions have seen political decisions become increasingly parochial, with local concerns often driving out other priorities. The UK's exit from the EU is an example of this polarisation, leading to a repositioning of the UK on the world stage. Local government has a role to play in meeting the public sector duty to foster community cohesion, bringing people together around a set of common issues at the macro and local level and then working to address those issues collaboratively. Councils need to engage with and listen to citizens in an open and transparent way, ensuring the voices listened to are representative and then setting out how they will act – as far as possible – on what they have heard. Demonstrating that all views have been heard and understood and not simply responding to the loudest or most popular amongst them, is critical to building cohesion and trust.

Finally, **Trust** has been eroded in multiple dimensions – including in institutions, in people in positions of power, and in digital security. A debate on whether facts are more important than opinion or commentary is continuing to play out globally. Examples of its impacts include greater hesitancy over vaccine take-up among ethnic groups, with public leaders struggling to find the right mechanisms to be persuasive. This reflects a lack of trust in the system that is entrenched and historic. As is argued elsewhere in this report, local government has a key role to play in rebuilding trust in society, our political system and our institutions.

## Varying impacts from the macro issues

These are the issues that all of us in society are grappling with. Some aspects of ADAPT affect us in the UK more immediately than others: this is particularly true in the national context, where Brexit is having a significant impact on our local, national and international businesses.

The domestic context is no less complex, and is also shaped by the macro landscape. Delivering a fair recovery and levelling up the UK's economic and social geography are priorities for national government and driving much of its focus. Over the past year, the actions taken to contain the health impact of the pandemic have had an impact on the UK economy that has been sudden, sharp and unprecedented. National borrowing and debt is at a level not seen since the Second World War, and the government has had to instigate a range of measures – such as business support payments and an uplift to universal credit – in order to protect and support citizens.



While the economic outlook for the UK now appears more promising, uncertainty remains as to how quickly growth might return, and how enduring and profound the impacts of the past year will be in the longer term.

### **Change is inevitable for local government – accelerated by the pandemic**

With all of this in mind, it's vital to rethink now how councils will need to work in the future. Sticking with the status quo is not an option. As councils start to redefine how their organisations will operate and where their focus and priorities will be over the long term, there are several significant issues that also need to be addressed in the short and medium term.

Across the sector as a whole, the most urgent and immediate financial pressures associated with the pandemic have largely been addressed by national government. Assuming that the pandemic does abate in the coming year, the heaviest funding pressures may also be largely addressed in the short term, with the potential to use the COVID-19 reserve fund if necessary.

However, the legacy costs of the pandemic remain unclear, including the extent of embedded inflation to unit costs and uncertainty over whether some income streams will recover. Funding to address the longer-term and additional pressures associated with COVID-19 have yet to be allocated, and there is uncertainty about whether certain income streams will recover. In some areas, the full extent of increases in demand as a result of the pandemic is unclear, and is continuing to rise in service areas such as social care and housing. Take the understandable delays to acute care appointments and treatment as the NHS's resources became stretched to breaking point: this has inevitably led to longer waiting times for patients, some of whom will need greater support in their own homes while they await treatment.

### **Working together for a fair recovery**

It is clear that the initial characterisation of COVID-19 as a 'leveller' was wide of the mark. Different groups of people have been more susceptible to health and economic impacts of the virus. There are rising numbers of universal credit claimants – and 16-24 year olds have been particularly affected, both in terms of hardship today and reduced prospects of training or employment in the future. As we highlighted earlier, COVID-19 has amplified existing inequalities in society, and the need to address these in their local area will create new and different demands on their skills, creativity and partnerships.

All of this adds to the expectations of the sector, requiring fresh approaches to managing demand while remaining relevant to citizens. And it brings new challenges, not least the need to recruit and retain a workforce that is productive and agile, use technology and data effectively, and engage with people in the way they want to deliver services they need.



As we look to recover from the pandemic, it's critical that government and business work together to deliver a fair recovery. The experience of leading their lives closer to home has caused many people to reassess their priorities around life and work. At the same time we're seeing the pace of automation accelerate, in tandem with rising awareness of climate issues. Together, these shifts mean that some of the jobs lost to the pandemic are not coming back and that many of the new jobs created will be in different sectors. Against this background, the pandemic has exposed three big challenges that will require a response:

- How to catalyse the economy for fair and sustainable growth – supporting the rise of the digital economy and helping the UK meet its carbon reduction targets and deliver Net Zero.
- How to deal with the vulnerabilities that COVID-19 has exposed, in areas ranging from global supply chains to national borders to the UK's care and healthcare systems.
- How to tackle the challenge of inequality across society and those that exist within regions, communities and places, which has been both exposed and made worse by the pandemic – highlighting the fragility not only of the health and care system, but also of the UK's social cohesion.



## Future of Government – working together for a fair recovery

As part of PwC's Future of Government programme, we surveyed 4,000 people from across the UK about their concerns about geographical inequality and priorities for levelling up. On the back of the findings, our Levelling up the UK report sets out five success factors for levelling up:

### 1. Be proactive at a local level

Building local resilience, confidence and capacity will be key to restoring a new sense of purpose in places across the UK and ensure that communities are at the heart of building back better together. The growing number of local authorities already proactively taking a lead on the levelling-up agenda is proving that a shift in central-local relations is possible.

### 2. Address the wider issues that really matter to people

To address long term inequality challenges, the UK will need to think broadly and deeply about what interventions best respond to the public's concerns in their daily lived experience. That means investing in social infrastructure and housing, and opening up opportunities through a focus on jobs, education and skills, as well as investing in infrastructure.

### 3. Emphasise different dimensions of equality

The pandemic has highlighted geographical inequalities but it has also exposed broader social inequalities, by generation, gender, social background and ethnicity. What levelling up means to an individual depends not just on where they live, but their level of education, gender, age and ethnic background.

### 4. Activate a bigger role for business

Businesses must step up and play their part in delivering a fair recovery across the UK, with a particular focus on reskilling and upskilling to ensure people are equipped with the skills they need for future jobs. Partnering and coordination between the private and public sectors is instrumental in making interventions more effective.

### 5. Target different priorities in different places

Demarcations, such as urban-rural and the North-South divide, have often been used to support crude characterisations of 'successful' and 'unsuccessful' places. A more sophisticated approach is needed to take into account the different societal, economic and environmental pressures that places face, and to support different responses in each case.





3

Change has  
already begun

# Change has already begun

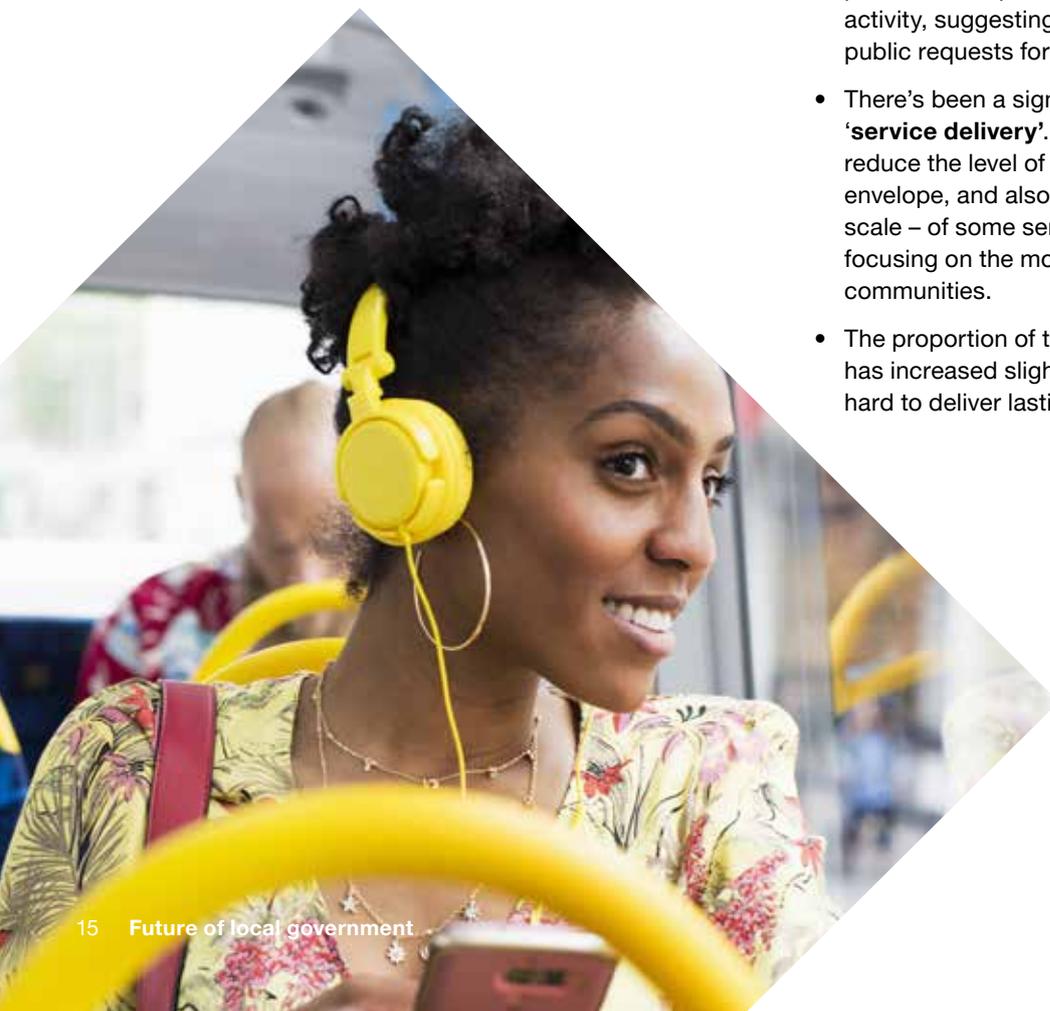
Local government is at the heart of our society – playing a fundamental role in shaping our communities and the places where we all live and work. Perhaps now more than ever before, the UK needs its councils to do more than survive. It needs them to be relevant, proactive, engaging and resilient – capable of helping people to realise their hopes and achieve their aspirations, and of supporting local populations and economies as they look to recover and rebuild.

However, these needs actually pre-date the pandemic, and councils have already been changing in response. To find out how far and how fast councils have evolved as organisations we've conducted an analysis of their activities and finances. The findings leave little doubt that local government today looks very different when compared to a decade ago. Ten years of financial pressure, rising demand, rapid technological change and a radically evolving policy landscape have had a dramatic impact both on the form local councils take and perceptions of what local government is for.

## Our activity analysis: major shifts in service areas

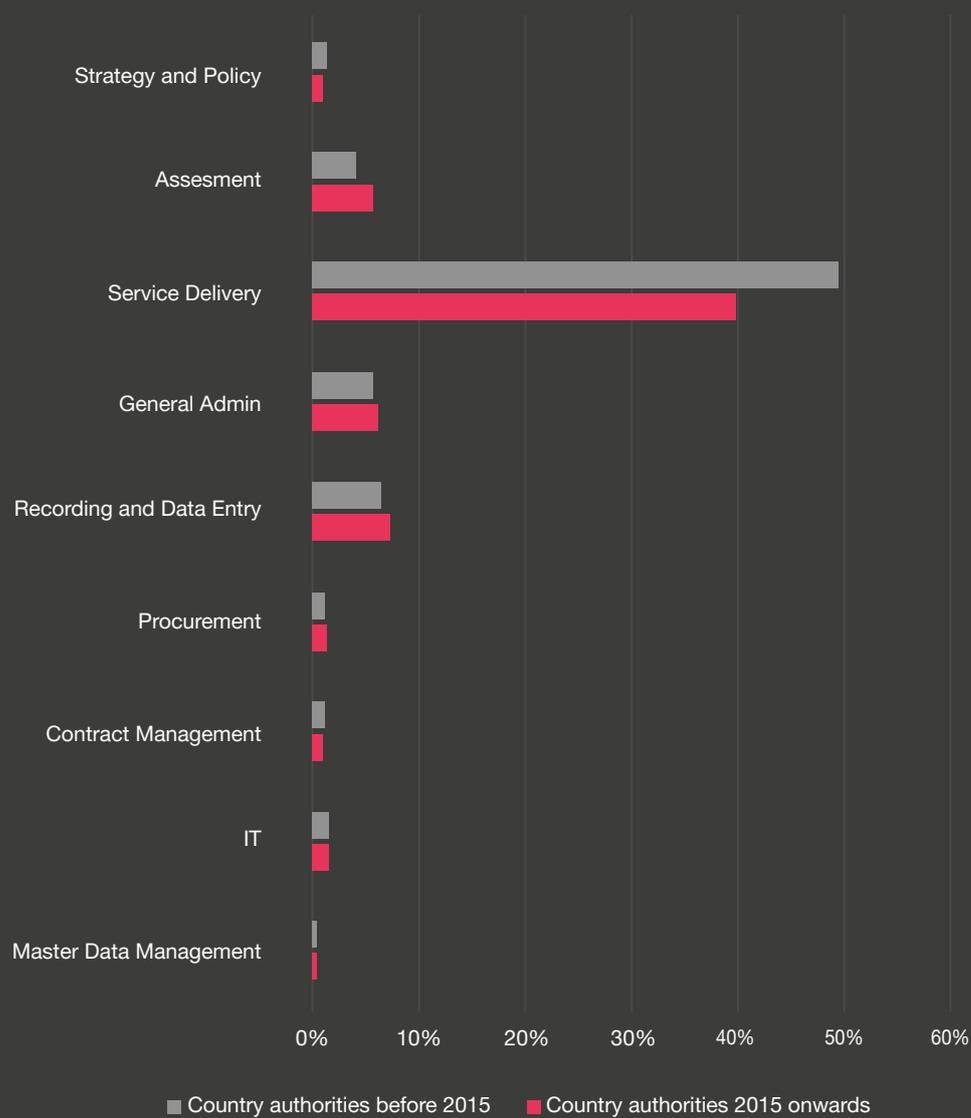
Our activity analysis involved a broad assessment of the amount of time councils spend on a range of different service areas. Collected over a 10-year period, the data shows changes in council activity over time. The analysis identifies a number of key trends, with four in particular coming to the fore:

- The **'corporate core'** has been eroded in many organisations – and with it their ability to dedicate time and resources to developing strategy and planning responses to their most difficult challenges. In the past year councils have been under intense pressure to understand the complexity and intersectionality of issues that people in their locality deal with on a daily basis. Currently, many councils lack the capacity or expertise to do this effectively.
- More time is being spent on **'customer contact management, assessment'** and decision making processes. In particular, there is increasing 'assessment' activity, suggesting that greater scrutiny is being applied to public requests for council services.
- There's been a significant fall in staff effort dedicated to **'service delivery'**. This reflects both councils' moves to reduce the level of service offered in line with their funding envelope, and also the changing nature – and potentially scale – of some service areas, with some local authorities focusing on the most urgent and pressing needs in their local communities.
- The proportion of time spent on **'general administration'** has increased slightly, suggesting that councils have found it hard to deliver lasting transformative change in this area.





**Figure 1: Change in FTE effort across county authorities before and after 2015**



Source: PwC's Activity Analysis data

## Learning from the pandemic:

### How councils have supported their communities at time of crisis

The pandemic has brought with it much economic and social hardship. The effects have been felt by households and individuals financially and emotionally, while exacerbating social deprivation, isolation, health and education inequalities.

The vital role of local government, and in particular county and unitary councils, in delivering large-scale projects and services to protect our health and care services is understandably the most visible aspect of their response to the pandemic. But equally important is the tailored support they have provided right down to local neighbourhoods and individual households to help ease the burden felt by those suffering the worst socio-economic impacts of the pandemic.

From the start of the pandemic, councils worked with their partners to protect the most vulnerable residents from the virus by shielding them in their own homes. Councils took on substantial extra workloads to ensure that those people receive food parcels and medicine to their doors, along with emotional support.

In the second and third lockdowns, councils have worked with partners to bring back this support overnight for those that continue to need help with everyday essentials. Many councils have also gone the extra mile for those also in care settings. For instance, providing

residents in care with the means to speak to their friends and family during lockdown, to tackle the devastating impacts the restrictions have had on those unable to see their loved ones.

The economic hardship caused by the pandemic has been most vividly demonstrated by the number of families falling into hardship. County and unitary councils were provided with resources to support those in need of welfare support and they have stepped up and delivered for their communities through these grant schemes. The dedicated support and continuation of free school meals, cash payments and vouchers has been a lifeline for many families across the country. Moreover, these councils have also sort to undertake further schemes to support a wider range of welfare needs; from setting up community pantries to provide low cost food, to helping people with the cost of energy and water bills.

The impact of lockdown has also intensified many of the challenges facing young people and at-risk groups, particularly vulnerable children and those suffering from mental health challenges.

Many councils have shown how they have innovated to ensure that those families and children who were already vulnerable before the pandemic continue to receive the support services they need. Moreover, in these tough times for young people, they have also put in place targeted support to help find employment

opportunities, career and further education advice, alongside new support programmes to overcome the legacy of lockdowns on childhood development and mental health.

As we look ahead, the long-term socio-economic impacts of COVID-19 will bring challenges for our communities to overcome. The ability of councils to think imaginatively and reach into the heart of their communities has been critical for those most in need during the pandemic. Going forward we must continue to harness the reach and commissioning capacity of councils, mixed with intimate local knowledge and understanding of their communities to help tackle the socio-economic legacy of COVID-19.

As councils continue to navigate these changes, the course of COVID-19 has seen them assume a role in the 'front line' of responding to the pandemic, due to their responsibility for providing essential services such as social care, housing and public health. Against the backdrop of an already challenging financial outlook, cost and demand pressures for local authorities have intensified over the past year, while their income has reduced as a result of COVID-19 lockdowns and measures restricting social and economic activity.

Given this squeeze between rising demands and declining resources to meet them, it's hardly surprising that agreeing the right level of funding is a continuing challenge. The effect is to put into question the longer-term resilience and sustainability of local government as a whole, specific areas such as health and social care integration, and partnerships with the wider public sector.

### **Our financial analysis: intensifying pressures**

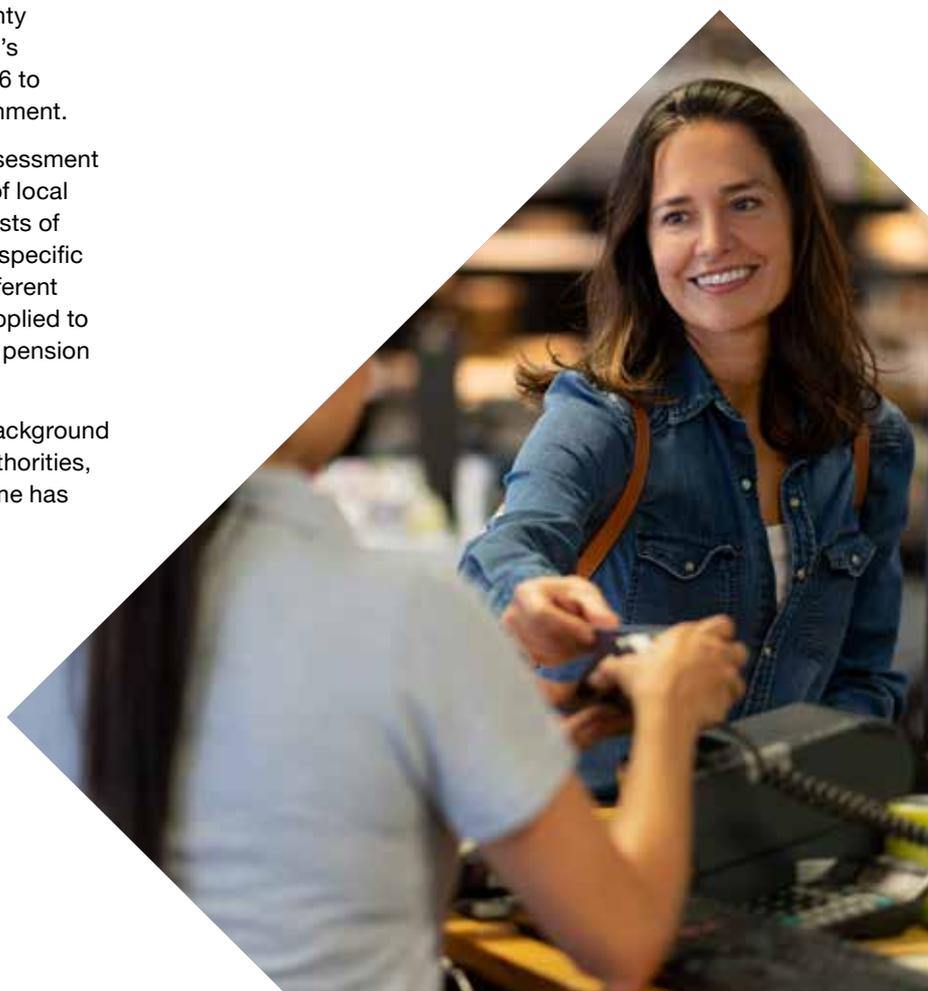
Our 2019 'Independent review of local government spending need and funding' report – commissioned by the County Councils Network (CCN) – assessed local government's spending need and funding for the period from 2015/16 to 2024/25, broken down by different tiers of local government.

Our estimates of spending need were based on an assessment of the resources local government, and specific tiers of local authority would require to meet future demand and costs of services. The original model used 17 different service specific cost drivers (volume/demand indicators) across 10 different service areas. In addition, generic cost drivers were applied to unit costs over time, such as inflation, the living wage, pension obligations and the apprenticeship levy.

Since our original report was published, against the background of an already challenging financial outlook for local authorities, cost and demand pressures have increased and income has fallen as a result of measures to address COVID-19.

As of March 2021, local authorities were reporting an estimated COVID-19 related cost pressure and lost non-tax based income totalling £9.6bn for the 2020/21 financial year. Some £9.3bn of additional funding for expenditure and non-tax-based lost income compensation had been announced by national government. However, there is considerable uncertainty regarding the ongoing level of additional expenditure and lost income in 2021/22 and beyond, alongside how demand patterns for key services may change as a result of the pandemic.

In our financial analysis, we provide further insight and context around the environment in which local government will be operating over the next 10 years, and the funding spending pressures it will continue to face. Given the uncertainty on the future impact of COVID-19 on councils' operating costs, demand and income, our analysis has focused on core spending need excluding the potential, unknown, impact of these factors.



Our core 2019 spending need has been updated to provide an extended forecast to 2029/30, taking inflation and population changes into account. This has involved updating the spending need estimates for 2024/25 onwards, building on the original model and using population projections for the period up to 2029/30.

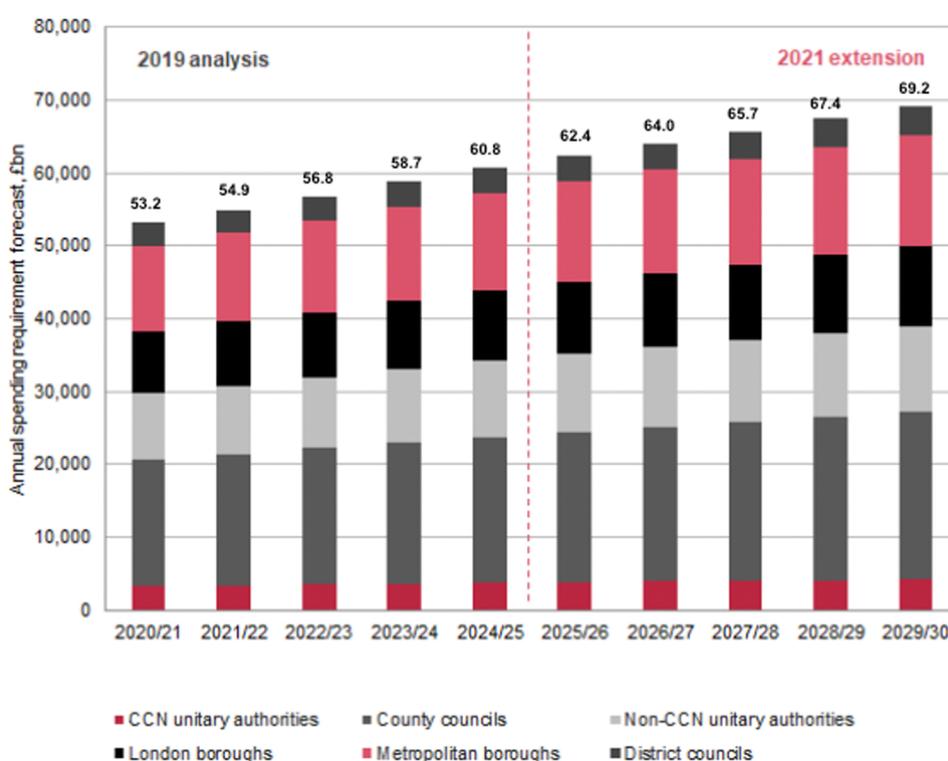
Our key findings are set out below, and further information can be found in the appendix to this report.

### Estimated spending need 2020/21-2029/30

Our original analysis showed that for the period 2020/21 to 2024/25 councils expected their costs to rise by £7.5bn (14.2%). Our extended analysis shows that by 2029/30 costs will rise a further 13.8%, some £8.4bn. Total spending requirements are expected to increase from £53bn in 2020/21 to over £69bn in 2029/30, a rise that could be further exacerbated by the cost pressures and loss of income experienced during 2021/2022.

For the 10-year outlook, spending need increases will be similar across all types of upper-tier councils, ranging from 31.2% to 29.4% and lower at 25.1% for district councils. CCN member councils will see the largest increase of 31%, some £5.4bn over the course of the next decade. On average, county councils are expected to see a rise in spending of £218m by 2029/30, while an average CCN unitary will see a rise of £88m. County councils make up the largest proportion of spending requirements (at 33%), requiring around £23bn of funding per year by 2029/30, an average of £917m per council, while CCN unitary authorities will require an average of £383m.

**Figure 2: Local government spending need analysis by authority type 2020 - 2030, £bn**



Source: PwC analysis

## Estimated spending need by service area

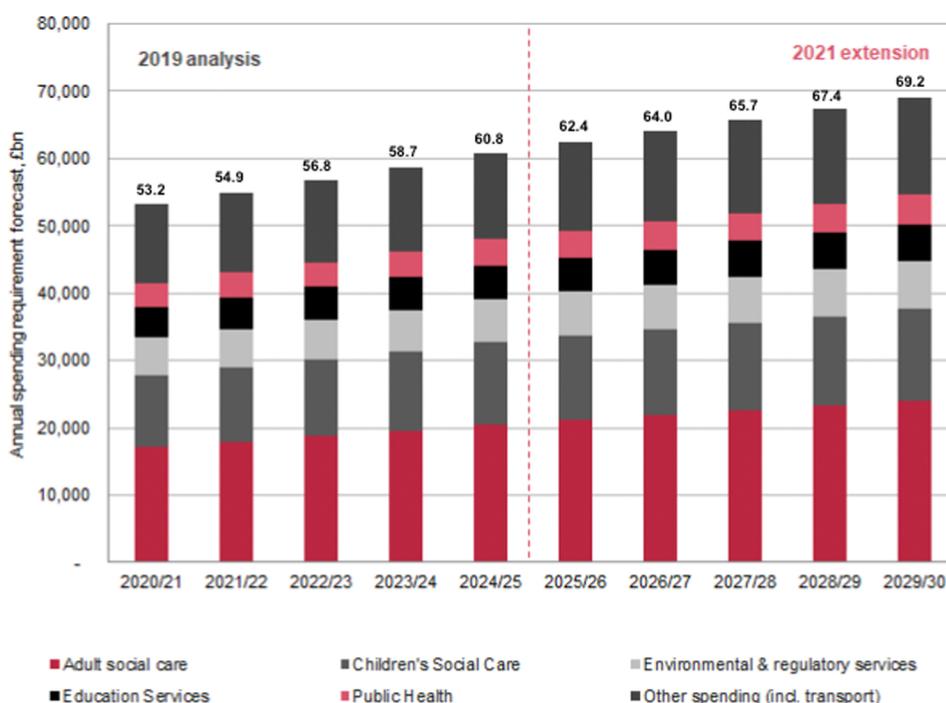
Our original analysis in 2019 assessed spending need across the major areas of council service provision, including adult social care, children’s services, education (including SEN), public health and environment and regulation. These five service areas account for 78% of all council spending need in 2020/21, rising to 79% by the end of the decade and some 85% for county councils.

The overall spending requirement across different service areas is expected to increase from between 19.6% in Education to 39.2% in Adult Social Care over the 10-year period. Much of this rise will be driven by underlying service demand and changes in population demographics.

For all councils, spending on adult social care – the largest single service area – is projected to reach 35% of total spending by the end of the period. This equates to a rise from £17bn in 2020/1 to £24bn in 2029/30. Children’s social care is set to rise by £3bn (29.2%) and environment and regulation £1.5bn (26.4%) over the same period.

CCN member councils will see an above average rise in adult social care spending need (39.7%) between 2020/21 and 2029/30. The increased adult social care costs (£3.2bn) will account for almost half (48%) of the total national increase. Children’s social care will rise by £1.1bn (28.9%) during the period, and combined with adult social care, will constitute 68% of cost increases for these councils during the period, compared to 61.5% for all authorities.

Figure 3: Local government spending need analysis by service area 2020 - 2030, £bn



Source: PwC analysis

Overall, our analysis shows that irrespective of how COVID-19 may impact on local government finances in the longer term, councils will continue to face a considerable rise in demand and core service costs at a time when fiscal restraint is once again expected to be a feature of the funding landscape.





4

COVID-19  
recovery and  
levelling up the UK

# COVID-19 recovery and levelling up the UK

National government has reiterated its commitment to levelling up and reducing geographical inequalities across the UK, in order “to ensure that no community is left behind, particularly as we recover from the COVID-19 pandemic”. Many people have led their lives closer to home during the pandemic and this has seen them reassess their priorities around life and work.

To help kick-start the levelling up process, and building on some of the government’s previous plans relating to devolution, changes are being proposed to the way that economic growth is supported at a local level. The aims include spurring the regeneration of town centres and high streets, helping individuals find jobs and develop new skills, improving local transport links and investing in local culture, while also giving communities a stronger role in sustaining cherished local assets. It is also considering governance structures at a local and regional level, including reviewing local enterprise partnerships.

## Levelling up – think local

As we look to move on from the pandemic, it’s critical that all levels of government work together with public sector partners and businesses to deliver a fair recovery. A better balance is needed between central and local government, where local actors – public, private and third sector, and communities themselves – are empowered to deliver levelling up. Just as the pandemic has forced us all to stay local, government should adopt a ‘think local’ approach to make levelling up more than a slogan.

Local engagement and involvement in decision-making is vital to reduce inequalities, but must also happen in a context that’s aligned to national objectives set centrally. Just as local government is considering how it can release its own assets to support the levelling up agenda, national government can use the relocation of civil service jobs away from London as an opportunity to help it reset how it engages locally and sets national policy objectives. There is the potential for national government to harness its previous plans for devolution in support of this agenda, and put those councils with the scale to lead at a local level in the driving seat.

## Future Council:

### How strategic authorities can lead a place-based recovery

Throughout the pandemic, councils played an important role in helping businesses weather the economic storm of national lockdowns. Alongside administering government grants quickly to local enterprise, they have provided tailored support and schemes to their local areas: from subsidising broadband in an era of working from home, providing enterprise hubs for new businesses to flourish, to establishing additional local grant schemes to support businesses forced to close.

If the short-term challenges have been tough, the long-term issues facing localities could be set to be even more substantive and raise questions over a narrow levelling up agenda focused on northern towns and cities. Recent CCN analysis has shown that the number of people claiming out of work benefits has grown fastest in county areas – rising by 123% since March 2020. These economies are projected to contract by almost £60bn due to the pandemic, with some 5.9m people in county areas working in employment at risk of widespread closures, some 53% of the entire workforce.

Getting economies back on their feet will require the Future Council to use its size and expertise to set the vision for how they fight back from dramatic changes in local economies; working with the private sector at scale and pace to reshape and reform as they recover. Alongside

financial investment, previous CCN research<sup>1</sup> has shown that county and unitary authorities already have the key attributes to drive a place-based recovery:

- Setting the vision – leading across multiple partners in establishing a clear and unified place-based growth strategy.
- Convenor and facilitator – bringing together different parties and stakeholders to create and then deliver the strategic vision for a place and removing barriers to growth.
- Communicator – taking the lead role in communicating about the place and individual projects, leading on discussion with government around investment and promoting the strengths and opportunities that exist within a particular place.
- Capacity – bringing additional capacity around delivery, such as providing resources to support the development and delivery of key projects and programmes or drawing on personal and political networks to engage with national government.
- Seed funder – use their financial resources to enable strategic leadership by using capital programmes to fund projects, secure private investment and release wider opportunities or unlock latent potential.

The Future Council will be a vital place leader for driving the economic recovery through investment, influence and action at scale, while also enabling the retraining and upskilling of the workforce to adapt to fundamental changes in the labour market. Through local recovery plans, county and unitary authorities are already showing how they can attract private and public investment, support the industries that produce for the good of the nation, unlock large redevelopment projects, and reshape places and their ways of working to drive a green recovery.

COVID-19 and the response of strategic authorities has only strengthened the argument for ensuring that a place-based, Future Council-led, response should remain at the forefront of policy making in relation to both the short-term economic recovery as well as the delivery of longer term, sustainable growth.

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

## The citizen's-eye view

PwC's Future of Government research provides a snapshot of citizens' priorities and the role they think local government should play in delivering what matters most to them. The findings suggests that if levelling up is to succeed it must go deeper than tackling broad concepts such as the North-South divide, and address the inequalities that exist within regions, communities and places, not just between them. And, critically, the interventions made within places need to respond to the public's real concerns in their daily lived experiences.

These concerns are reflected in citizens' priorities, as highlighted by our research. Asked what government interventions they believe would be most effective in levelling up the country and reducing inequality, people rank housing as being of the utmost importance, in addition to investment in jobs, skills and places (see Figure 1).

**Figure 4: What government interventions do you believe would be most effective in levelling up the country and reducing inequality?**



Source: PwC's Future of Government research

Our findings also tells us that citizens' trust in local government is high, and that three of the issues they regard as priorities – local public services, green spaces, and community safety – are seen as being the responsibility of councils. Overall, a net 40% of citizens trust local authorities to deliver a fair recovery.

Some priorities highlighted by citizens are the direct responsibility of local government: notable examples include the quality of towns and high streets. Combine these with green spaces and community safety – also seen as a responsibility of councils – and there are clear drivers for councils to shape the place as well as delivering high-quality services.

**Figure 5: What priorities for levelling up are the responsibility of different actors?**

	Central govt	Devolved admin	Local govt	Business	Charities	Comm. groups	Individuals	Don't know
Quality of healthcare	40%	26%	24%	6%	6%	5%	4%	11%
Transport infrastructure	30%	22%	34%	8%	6%	5%	3%	10%
Quality of education	27%	26%	38%	6%	5%	5%	4%	10%
Quality & affordability of housing	21%	19%	39%	8%	7%	5%	5%	12%
Digital Connectivity	18%	15%	16%	32%	6%	5%	5%	16%
Local public services and facilities	7%	10%	59%	7%	6%	6%	4%	9%

Source: PwC's Future of Government research

## Future Council

### Place-based health and social care reform

Emerging from the pandemic, there has never been a higher profile or a greater impetus to 'fix' social care.

Understandably, the national discourse on reform is dominated by the need for a long-term funding solution for services – both in terms of the quantum of funding to meet rising demand and how to manage the risk of catastrophic care costs.

Securing a solution to these challenges is of uppermost priority. Nonetheless, research for CCN<sup>2</sup> has shown that it is equally important to consider how we optimise local delivery of services by ensuring that local government remains at the heart of this most community-focussed of services, whilst being given the mandate to deliver closer place-based integration on the ground with health partners.

Our Future of Government polling showed that the majority of people believe that it is central rather than local government's responsibility for driving up the quality of healthcare provision. But the impact of the pandemic has brought into sharp focus the importance of a thriving, high quality adult social care sector to health outcomes, and in particular the integral inter-relationship between social care and health. The learning from the pandemic shows that going forward health and social care need to be viewed as two equal and intertwined aspects of a local rather than national approach to health and wellbeing.

Local authorities have already begun to work more closely with their NHS partners over the past decade, through Health and Wellbeing Boards; their responsibilities for Public Health; and now the emergence of local Integrated Care Systems (ICS). The Health & Care White Paper's promise to put ICSs on a statutory footing will present the Future Council further opportunities to shape this agenda locally – not least by embedding some of the closer working relationships and practices which have emerged during the pandemic by necessity.

The Future Council will seek to work closely with partners in both health and the voluntary sector to ensure the delivery of high quality joined-up care services locally through optimising local delivery. Supported by a long-term funding solution to social care, it will seize the initiative by shaping its own service offer at local level, consistently driving its effectiveness through a cycle of continuous improvement. Social care services in these councils will be marked by attributes such as:

**Committed leadership** – setting out clear strategic goals and providing appropriate guidance and support to social care staff.

**Balanced services** – offering the right provision of services which promote independence and community based support for those with care needs.

**Citizen-led provision** – seeking to design service offers which are tailored to the specific needs of individuals rather than developing a one-size-fits-all system.

**Innovation and quality improvement** – refreshing local systems regularly mindful of striving for excellence and taking advantage of new technologies and approaches.

**High quality commissioning and partnership-working** – quality provision involves working as a whole-system across a range of stakeholders and partners including providers, health, housing, families and communities.

<sup>2</sup> Newton: The Future of Adult Social Care (2021) <http://www.countycouncilsnetwork.org.uk/download/3392/>

## Differing responsibilities

Drilling down into citizens' views on who should take the lead on different priorities, local government – across all tiers and the wide range of services that county, unitary and district councils deliver – is regarded as holding more responsibility for infrastructure factors, but national government and business are seen as having a key role to play in healthcare and digital connectivity respectively. Councils have the best understanding of their local areas and places, and will be pivotal to efforts to address the inequalities that have been further exposed by the pandemic.

As these efforts ramp up, one of the main lessons from the COVID-19 crisis has been that councils have proven their ability to innovate successfully and have established new service delivery arrangements at speed. While all councils have made a significant contribution to the pandemic response, the

importance of scale in leading across different geographies, the coordination of effective system working (particularly health and social care integration) and the provision of better access to jobs and greater prosperity has been thrown into sharp relief. This has strengthened the case for greater integration and devolution in some parts of the country, and for tackling the inequity in the way power is exercised across different regions and between different types and tiers of local government.



## Future Council

### Delivering devolution and reform through levelling up

As we emerged from the first wave of COVID-19, issues of structural change and devolution gained renewed interest and currency in the debate surrounding the Government's Devolution White Paper. However, as the second wave of the pandemic took hold, devolution was once again put on the backburner; with only three areas invited to bring forward proposals for local government reorganisation and long-trailed devolution proposals superseded by a Levelling Up White Paper.

Many speculated that this could mark the end of the Government's devolution ambitions. But the recent Levelling Up speech by the Prime Minister and commitment to devolve powers to our 'great counties' demonstrated it remains a central part of the levelling up agenda, while signalling a new, more structured yet flexible, approach outside our major cities.

The financial impact of the pandemic and economic downturn requires an unrelenting focus on levelling up, recovery and supporting the jobs market at both a national and local level. It also has highlighted that there is a need now, more than ever, for an integrated, joined-up approach from the *Future Council*.

Our Future of Government polling has demonstrated the public priorities for government interventions on levelling up centre on housing and investment in jobs and skills, town centres and public services. These are also most viewed by the public as being the responsibility of local rather than national government.

But across the country, a patchwork of inequitable devolution arrangements, and complexity inherent in existing two-tier structures, has hampered the ability of each area to act on these priorities at the necessary scale. Moreover, recent attempts to overcome this through devolution arrangements have been held back by contested views on what constitutes an appropriate geography, the added complexity of combined authority arrangements in two-tier or rural settings, and a lack of central government guidance.

The reference to 'county deals' and the initial guiding principles provided to local authorities seeks to address these challenges, and would suggest that county geographies will form the building blocks of new devolution settlements. A new flexible approach to governance will also be taken, while retaining a desire to see demonstrable improvements in governance, efficiency and local service join-up as part of the deal that supports the delivery of levelling up.

The pandemic has strengthened the case for greater integration and devolution at scale through the *Future Council* and recent developments provide a clearer pathway to achieving this. **However, we now need to see action at both a local and national level to make it a reality.**

The commitment to end the inequity in devolved powers through new County Deals requires putting county and unitary councils with the scale to lead at a strategic level in the driving seat when it comes to negotiating new devolution arrangements. While initial guidance is

welcome, the Levelling Up White Paper should continue to set out a clear and equitable framework for securing substantive powers and enabling a platform to genuinely encourage different forms of structural and non-structural reform.

Equally, local government needs to be ambitious with its proposals, governance, and collaboration with its partners. In developing approaches to new devolution arrangements, they will need to consider; how they drive recovery in a way that empowers communities and encourages social mobility; establish strong, high performing services and more accountable leadership to unlock access to opportunities; deliver savings to underpin financial sustainability; and foster effective and meaningful collaboration with partners across economic geographies at scale.



5

What does the  
sector think?

# What does the sector think?

Over the past few months, we have held a series of conversations with council leaders and chief executives from across the sector to help inform the thinking and ideas in this report. These discussions have – of course – been taking place at a time when local authorities have been continuing to play a key leadership role in the response to COVID-19. Having the right resources and powers will be critical as they now refocus on leading the post-pandemic reset and recovery, and on shaping and delivering outcomes for their place and its residents over the next 10 years.

## Four themes emerging from our engagement

In particular, we've explored four broad themes with the local government leaders we have spoken to:



### Place and system leadership:

Effective government for a place requires a different set of skills, with place-based leadership and the ability to create and grow collaborative partnerships playing an essential role.

Collaboration is a critical enabler for resetting the relationship between local government, businesses, community groups and other stakeholders – and during the pandemic, local government's greater use of collaboration has made it even more apparent how many levers are available to it.

In responding to the pandemic, local authorities have led local resilience partnerships, convening partners and working across place and organisational boundaries. This has involved activities such as standing up shielding and tailored support to households, overseeing testing and track & trace arrangements, and taking on new relationships with the care and VCS sectors. This is also the route to evolving the council brand – being a leader of place that is seen as flexible and agile rather than a static organisation.

### Community engagement:

Local government needs to consider how to stay relevant to the communities it serves, prioritising the most important outcomes and pivoting resources rapidly as needed. Strong engagement with residents is required to understand need and demand. However, there is often a divergence between how local government operates and connects with communities, and the way in which the communities themselves want to be engaged in democracy and decision-making.

To close this gap, stay relevant and facilitate the delivery of community-led services, local government needs to become more outward-looking and take advantage of new channels and platforms.

County and unitary councils clearly played this role in standing up the response to the pandemic, ensuring support was coordinated and provided to vulnerable households, working with parish and district councils, as well as the VCS sector to deliver that and ensuring that public health messages were clear and consistent across the place.



### **Workforce and productivity:**

Over the past year, council employees have shown how well they can prioritise, work flexibly and remain resilient under pressure. Thousands of council officers have set up track and trace systems, been redeployed into new roles, managed shielding support for vulnerable households and worked with partners to ensure children's education was maintained.

As organisations move to hybrid working and assess what skills are going to be most in demand in future, it is even more important that an attractive 'deal' is established with the workforce in order to remain competitive in the employment market and recruit and retain the best possible talent. Hybrid working creates an opportunity to attract a wider talent pool with the right balance of specialists and generalists who will have the ability to work flexibly. That said, given the nature and complexity of local government and the services they are delivering, some connection to the place and citizens who live and work there will continue to be essential.

### **Technology and digital:**

The move to digital services has accelerated in the past year, resulting in new technologies being adopted much faster than would have occurred under normal circumstances. The immediate pressures of the pandemic meant that as much work as possible had to move online to reduce social interactions and ensure that services could still be delivered and accessed safely.

While technology has been high on the agenda for councils for a long time, only now – due to the impact of COVID-19 – are we beginning to see the true long-term potential of flexible working and digital connections free of geographic restrictions. Failing to build on the rapid progress achieved to date would be a missed opportunity and a retrograde step.

## Reflections from the sector

To help councils remain agile and relevant in an evolving landscape, we have worked with the sector to identify objectives relating to each of the four themes. The objectives set out below reflect our discussions with a range of leading politicians and senior officers from the sector.

### Place and system leadership

- Councils are the right bodies to lead system working and set the strategy for delivering improved outcomes for the people they serve – local government must continue to be ambitious in pursuing greater devolved powers and responsibilities, and recognise they are the only organisations with a democratic mandate to lead at a local level.
- The sector should push for a more mature and equitable relationship with national government. The past year has proven the case for changing the terms of engagement, including involvement in policy development across all relevant Whitehall departments.
- The pandemic has demonstrated the importance of scale and organisational resilience. The sector should feel emboldened about its vision for the future being underpinned by the desire to operate at scale.
- While devolution deals and proposals for structural change can create local tensions, councils should continue to be proactive in proposing new governance models for their areas – driven by a commitment to creating better and more efficient services. National government does not appear to want to prescribe how these models should be developed, creating an opportunity for councils to shape their own destinies.
- Working in partnership and investing in place will be key to delivering a fair recovery from the pandemic. In its efforts to protect frontline services during the period of austerity, the sector's ability to work in this way has been eroded somewhat (as specialist corporate capacity has reduced) – councils now need to invest in developing the capability and specialist skills required to address the place agenda.

### Community engagement:

- An enduring feature of the pandemic is how organisations have embedded themselves in the heart of their communities, providing support right down to the neighbourhood and individual level for those shielding, and disadvantaged families requiring welfare support. The ability of councils to think imaginatively and reach into the heart of their communities has been critical for those most in need during the pandemic. The real localism shown by county and unitary councils in particular could be a positive legacy of the pandemic, demonstrating categorically that they can do both the strategic, and the hyper-local. The challenge now is how councils embed this support within a new approach to community engagement.
- During the past year, many people have needed extra support or felt isolated. Local authorities have had to find new ways of engaging with those most in need as well as helping to release capacity in communities. The sector must work out how to retain the connections it has helped to cultivate as we shift to a new 'business as usual' and continue to support organisations which focus on hyper-local responses to critical issues.
- Our own research indicates a growing proportion of the population actively want to engage with their councils via digital channels. It is likely the pandemic will have accelerated this trend. Councils need to accelerate their investment in the infrastructure that can support virtual engagement with communities and service users (including platforms that will enable different groups to engage with each other).

### Workforce and productivity:

- More and more councils are recognising the importance of adaptability and flexibility in their workforce. The professions and specialists will always have a role to play in local government, but the importance of generalist and conveyors skills and the ability to take a broad view across services will be even more important over the next 10 years. Councils need to put arrangements in place to support individuals whose careers are more multidisciplinary in nature.
- The local government workforce is characterised by its commitment and the strong sense of purpose which comes from a focus on delivering outcomes. However, the brand of local government is seen by some as an inhibitor when it comes to attracting talent. Creating a compelling brand will be vital if local government is to attract the next generation of problem solvers, data scientists, strategists, innovators and leaders.
- Other industry sectors are witnessing the rise of so-called 'portfolio careers' (where employees pursue different, and sometimes unrelated roles in rapid succession), as well as examples of employees who work entirely remotely. There is now the potential for councils to tap into a much greater pool of talent than may previously have existed on their doorstep (albeit consideration would also need to be given to the broader implications and potential disbenefits associated with recruiting people who live in other geographies). Local government needs to consider how it can be more flexible in its approach to recruitment and reward in order to harness the potential benefits of this developing trend.
- As we emerge from the pandemic, councils will need to consider how to secure maximum benefit from hybrid working. This will be more challenging than in some other industry sectors due to the breadth of services local authorities provide. Focus will need to be placed on how people work, as much as on where they work – adopting mechanisms to support the development of positive cultures within teams, effective communication and an ability to map and improve productivity will be of critical importance.

### Technology and digital:

- In the past, technology has often been at the bottom of a long list of competing demands for limited funding. However, this has been changing and the past year has proven the case for accelerating investment in technology. There is no doubt that technology will underpin the development of more resilient services, and open up new opportunities to engage with residents and communities.
- The leading councils recognise that they need to move beyond fragmented data storage – information and data must be stored and managed in a consistent way if it is to be used to inform decisions at all levels. There have been some good examples of this, particularly throughout the response to the pandemic, but it is widely acknowledged that more could be done.
- There are still examples of councils which rely heavily on on-premise data centres with large application estates and few examples of effective integrations. Many councils are increasing their focus on cloud technologies and are retiring old infrastructure and rationalising applications, but opportunities associated with moving technology to the cloud remain and councils could go further still when in terms of integrating their systems (and increasing their resilience in terms of disaster recovery, cyber security and backup procedures).
- While new digital ways of working are being piloted in many places - there are some good examples of the use of Robotic Process Automation and low code applications – opportunities exist for councils to ensure solutions are consistent across their directorates, adopt 'best in class' Customer Relationship Management and Enterprise products and develop their own centres of excellence.





6

What needs  
to be done?

# What needs to be done?

## Shaping the future of places and people

The role of local government is continuing to evolve. Councils have moved from direct delivery of services to facilitating change through partnerships – and to empowering communities to drive change for themselves. These shifts needs to be matched by a change in skills, values and behaviours that is visible not only at a leadership level but across the whole organisation. Staff must be empowered to manage their performance against a new set of aims and ambitions, be rewarded for the right things, and contribute to delivering against those expectations in a meaningful way.

External partners have a significant interest in the aims, ambitions and performance of local authorities. There is an expectation on all public sector organisations to ensure decision-making is transparent and show how those choices benefit the wider population – both in terms of the outcomes

they are trying to achieve and how they go about delivering them. An ambitious strategy – supported by a clear set of outcomes and robust performance and business planning framework – helps organisations to provide clear evidence to external partners and citizens about the impact of activities they undertake, and also to play an effective system leadership role.

Local government is already shaping the future of the nation's people and places, but to fulfil its potential it also needs to focus on shaping its own future. While the support of national government in creating the environment to facilitate this change will be essential, each council has the opportunity to make conscious choices about the type of organisation it wants to be.

The graphic below highlights just some of the areas councils should consider when making these choices, highlighting the considerations for any successful Future Council.



## Four potential archetypes

To support councils in adopting a conscious and design-led approach to their future state, we have identified four organisational archetypes they may wish to consider.

Starting from the assumption that the core objective of any local authority is delivering high-quality services that meet the needs of the local community, the four archetypes provide a way of describing and exploring how different councils might choose a particular purpose or role to play, and how they would then need to be set up to achieve that. This would include revisiting their functions, skills, capabilities and level of technology, how they implement change at pace and how they operate with partners.

There isn't a simple, single answer to which type of organisation a council might want to be – and it isn't a binary either/or choice. Nor is there any suggested hierarchy in terms of the archetypes identified – they all represent legitimate choices or philosophies for councils to adopt. But there is a need to be quite deliberate in choosing an approach. Attempting to be all things to all people – especially given the challenging socio-economic, environmental and financial challenges, isn't really a viable option. What is clear is that delivering successfully in the future will require active intervention and the adoption of a design-led and systematic approach.



### Interventionist

**“We use our own resources to directly solve problems”**

The interventionist council takes a direct approach to tackling problems using its own resources to support the achievement of outcomes, this includes working with partners.



### Activist

**“We shout about what we stand for”**

The active council is loud and leads from the front, it has active engagement with government and communities and is vocal and clear on what it stands for.



### Provider

**“We focus on service delivery as the way to solve problems”**

The provider council is ambitious yet efficient and internally focused. It allows its people the space to define how services are shaped and delivered



### Influencer

**“We give space for our communities”**

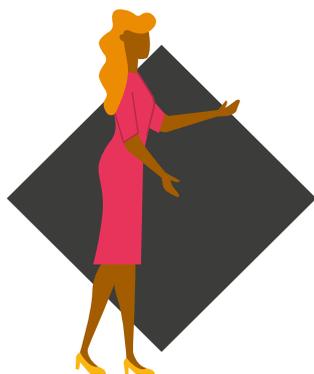
The influencer council harnesses the strengths of community groups and partners taking a step back from service delivery and focusing on convening services for the place.

The focus councils put on a particular archetype will need to be reflected in the capabilities where they will need specialist resource and focus. While each of the archetypes would require all of the capabilities set out below, there is a case for suggesting the emphasis on these functions will be different depending on the archetype adopted.

However these archetypes are used by authorities to consider the traits that will matter most when reimagining their futures, it is the ability to implement change at scale and with pace, at the same time as remaining connected to their workforces,

residents and communities, that will determine whether or not they are successful over the longer term.

It should also be noted that, while some of the choices described are for local authorities themselves to take (albeit in collaboration and consultation with others), they will need ongoing support and trust from government to continue to transform. Local government has a highly successful record when it comes to reducing duplication and streamlining its operations, but additional capacity and expertise will be required to reach the next level.



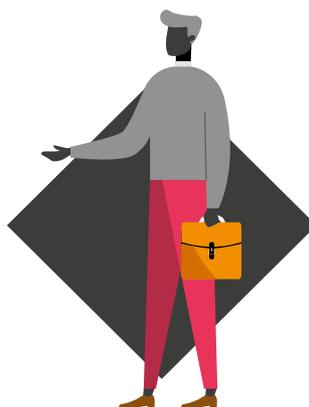
### Interventionist

- Data and insight to understand issues and outcomes
- A desire to invest capital and revenue to stimulate improved outcomes
- Agility in decision making and focusing resources on priority issues



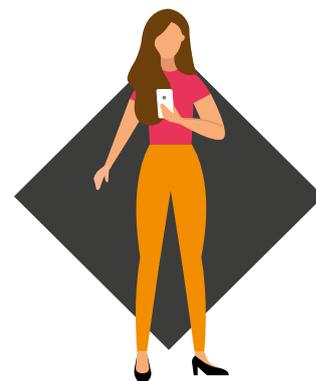
### Activist

- Vision and strategy to support the development of a national profile
- Communications and engagement
- Innovation



### Provider

- Business planning and management information
- Deep operational delivery expertise
- Continuous improvement and efficiency



### Influencer

- Locally visible leadership
- Data and insight to understand issues and outcomes
- Partnership and collaboration



# 7

## Seizing the agenda

# Local government is already shaping the future of the nation's people and places

All the issues explored in this report reinforce the complexity of the environment in which local government is operating today. While the debate about global megatrends and problems may seem too large to be relevant, the consequences are something that government at all levels deal with every day, including the need to address the existing inequalities that have been exacerbated as a result of the pandemic. Active choices are needed, not least as the challenging financial context in which the sector is operating persists.

The objectives set out in the previous section reflect the views of leading figures from the sector as they focus on building their own Future Council. The headline messages emerging from this work for local government are:



Local government plays a fundamental role in shaping the places in which we live and work and in supporting the fabric of our society. **Local government should lead the response to the most fundamental challenges facing our society.** They are the only bodies at a local level with a democratic mandate and the citizen focus required to lead the place and growth agendas, as well as public service reform, and they have a vital role to play in rebuilding trust in our institutions.



Given the immediacy of the challenges we face, as well the opportunity that exists to capitalise on new ways of working we have seen develop during the pandemic, **now is the time to accelerate change and investment in the following five critical areas:**

- **the capacity, capability and specialist skills required to deliver the place agenda** – local government should be bold in its desire to retain the very best strategic leaders and attract the next generation of future leaders and place shapers;
- **the resources, tools and technology required to engage effectively with residents and communities, and especially those partner organisations with a focus on the hyper-local** – for example, councils could collaborate to design and build common approaches that would allow them to tap into the latent capacity in our communities;
- **their workforce and brand** – councils need to focus on attracting and retaining the right talent, capitalising on the opportunity for staff to be based anywhere and developing professional career paths for generalists and convenors. They need to tap into the strong sense of purpose, which is one of the defining characteristics of the local government workforce. Councils could also consider collaborating on the design of a platform to facilitate the sharing of talent at a national level;
- **their ability to interrogate the data they hold and generate real insight** about the interventions and actions that can be taken to improve outcomes for the people they serve; and
- **the infrastructure, skills and capacity required to unleash the power of technology.** Councils are improving their use of technology all the time, but there is an opportunity to double down on their investment and accelerate the delivery of the Future Council.



# Now is the time to capitalise on this role and ensure they remain relevant in 2030



The role local authorities have played in responding to the pandemic should cause us all to reflect on their ability to operate at scale at the same time as connecting with the hyper-local. **Councils must see themselves, and be seen by others, as leaders in their localities.** A more equitable relationship between national and local government is needed. Without the local knowledge, vision, and expertise of local government, it is unlikely the levelling up agenda will be addressed successfully.

However, local government cannot deliver on this agenda alone – the headline messages emerging from this work for national government are:



**National government needs to trust councils to deliver and devolve more powers and responsibilities to the sector.** The commitment to end the inequity in devolved powers through new county deals requires putting county and unitary councils with the scale to lead at a strategic level in the driving seat when it comes to negotiating new devolution arrangements. The Levelling Up White Paper should set out a clear and equitable framework for delivering this, while local government needs to be ambitious with its proposals and collaborative with its partners.



**It should also take a longer term view about the way local government is funded.** Councils have no prospect of addressing the systemic problems associated with providing children's and adult social care services, for example, unless the sustainability of its funding model is secured. We need to move away from the sporadic use of different funding pots and enable local government to make strategic investments based on a clear picture of how it will be funded in the future.

As we begin to emerge from the pandemic, now more than ever we need our local authorities to be thinking innovatively, creatively and ambitiously about the difference they can make to our lives. Similarly, there is a window of opportunity for government to recognise just how important councils have been throughout the pandemic, and how important they will be in the coming years.

**Now is the time to capitalise on the role our councils can play as leaders of place and ensure they remain relevant in 2030. Local government recognises the need for change. National government needs to create the environment which allows this to happen.**

As a society, we cannot afford to miss this opportunity.





# 8

## Appendix

# Appendix

## Methodology and approach

This report has introduced the concept of the Future Council - a consideration of the changes that will need to be made to ensure councils remain relevant in 2030 - and is the result of wide-ranging discussions with sector leaders.

In order to inform the thinking, concepts and recommendations that are set out in this report, an extensive engagement programme with County Councils Network members was undertaken. This included a series of around twenty 1:1 discussions with Leaders and Chief Executives. Workshops were also convened for each theme (set out on page 31 and 32) and included representatives from Chief Executives and senior officers from across the county councils involved, as well as officers from CCN and representatives from PwC.

## Activity analysis

Our activity analysis involved a broad assessment of the amount of time councils spend on a range of different service areas. Collected over a 10-year period, the data shows changes in council activity over time. The analysis identifies a number of key trends, with four in particular coming to the fore that are set out on pages 15 and 16.

## Financial analysis

The 2019 'Independent review of local government spending need and funding' report – commissioned by the County Councils Network – assessed local government's spending need and funding for the period from 2015/16 to 2024/25, broken down by different tiers of local government.

That analysis has been updated to provide a forecast to 2029/30, taking inflation and population changes into account. This has involved updating the spending need estimates for 2024/25 using the GDP deflator and population projections for the period up to 2029/30.

Our estimates of spending need were based on an assessment of the resources local government, and specific tiers of local authority would require to meet future demand and costs of services. The original model used 17 different service specific cost drivers (volume/demand indicators) across 10 different service areas. In addition, generic cost drivers were applied to unit costs over time, such as inflation, the living wage, pension obligations and the apprenticeship levy.

The outputs of that analysis are set out on pages 18, 19 and 20 in the report and in this appendix.

## Total (by local authority tier type) (£m)

	2020/21	2029/30	£ change 2020/21-2029/30	% change 2020/21-2029/30
CCN unitary authorities	3,237	4,208	971	30.0
County councils	17,482	22,937	5,455	31.2
Non-CCN unitary authorities	9,083	11,765	2,682	29.5
London boroughs	8,414	11,004	2,590	30.8
Metropolitan boroughs	11,817	15,295	3,478	29.4
District councils	3,153	3,945	792	25.1
<b>Total</b>	<b>53,188</b>	<b>69,153</b>	<b>15,965</b>	<b>30.0</b>

### Average spending need by local authority type, £m

	2020/21	2029/30	£ change 2020/21-2029/30
CCN unitary authorities	294	383	88
County councils	699	917	218
Non-CCN unitary authorities	197	256	58
London boroughs	255	333	78
Metropolitan boroughs	328	425	97
District councils	17	21	4
Average across all tiers	157	204	47

### Total local government spending need by service area, £m

	2020/21	2029/30	£ change 2020/21-2029/30	% change 2020/21-2029/30
Adult social care	17,301	24,079	6,778	39.2
Children's Social Care	10,466	13,521	3,055	29.2
Environmental & regulatory services	5,663	7,155	1,492	26.4
Education services	4,606	5,508	902	19.6
Public Health	3,539	4,397	858	24.3
Other spending (incl. transport)	11,613	14,493	2,880	24.8
Total	53,188	69,153	15,965	30.0

### County council and CCN unitary authority spending need by service area, £m

	2020/21	2029/30	£ change 2020/21-2029/30	% change 2020/21-2029/30
Adult social care	8,214	11,474	3,260	39.7
Children's Social Care	3,862	4,977	1,115	28.9
Environmental & regulatory services	1,504	1,893	389	25.9
Education services	2,038	2,434	396	19.4
Public Health	1,574	1,955	381	24.2
Other spending (incl. transport)	3,527	4,412	885	25.1
Total	20,719	27,145	6,426	31.0



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# About CCN

The County Councils Network (CCN) is the national voice for England's counties. It represents 23 county councils and 13 county unitary authorities. Collectively, they represent 25 million people, or 47% of the country's population. For more information visit <https://www.countycouncilsnetwork.org.uk/>.

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