THE OUTLOOK FOR COUNCIL FINANCES THIS PARLIAMENT

A review of local government spending need & funding

CCN

COUNTY COUNCILS NETWORK

ABOUT

This report on the financial outlook for councils this parliament by the County Councils Network (CCN) incorporates the findings of two projects commissioned by the network.

PricewaterhouseCoopers LLP (PwC) was commissioned by CCN to undertake an analysis of the spending pressures facing local government in England in the period up to 2029/30. This built on previous work, published in May 2019.

Part one of this report includes the full methodology on how the updated analysis was undertaken, alongside the results of two of the four spending need projections developed as part of the commissioned work.

As part of the commissioned analysis for CCN, PwC have considered the application of a 'more consistent level of service'. This estimate spending need builds on the previous approach in 2019, but applied only to non-statutory services.

With the primary focus of this report aimed at estimating the *current* financial outlook for local government based on *current* spending patterns, the forecasts contained in this report do not contain any adjustment for a consistent level of service.

PwC have produced a separate technical note with the full analysis.[1]

Pixel Financial Management Ltd was separately commissioned to provide funding projections for local government for the period 2025/26 to 2029/30, building on assumptions developed by Pixel and CCN.

CCN and Pixel Financial Management have bought together the spending need and funding projections to forecast the financial outlook for councils outside of the spending needs analysis undertaken by PwC.

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Spending Need Forecasts

Based on the **continuation** of cost pressures and current trajectory of spending, analysis conducted by PwC shows that total spending need on council services in England could increase by £26.3bn by the end of the parliament, compared to 2022/23 - a 46.7% increase.

CCN authorities could face an £11bn increase in spending need over the same period, representing growth of 49.8%. By 2030, CCN authorities account for 40% of all spending need.

The additional costs faced over this period are primarily driven in the three key service areas: adult social care, children's social care, and home to school transport.

- **Adult social care** spending in England could increase by £11.8bn over the period, representing an increase of 58.1% over the period from 2022/23 to 2029/30. CCN authorities could face a £5.6bn increase in spending need over the same period, representing growth of 58.4%.

- **Children's services** spending in England could increase by £8.4bn over the period, representing an increase of 65.8% over the period from 2022/23 to 2029/30. CCN authorities could face a £3.3bn increase in spending need over the same period, representing growth of 66.6%.

- **Home to school transport** spending in England could increase by £1.7bn over the period, representing an increase of 90.1% over the period from 2022/23 to 2029/30. CCN authorities could face a £875m increase in spending need over the same period, representing growth of 80%.

By 2030, cost increases in these three services alone account for 83% of the total increase in spending need in England. For CCN member councils this is even higher, at 89%.

PwC have produced an alternative easing of cost pressures spending need forecast, which assumes some policy intervention and national reforms to resolve the surging costs and demand in adult social care, children's services and home to school transport. This could reduce the trajectory of spending need from 2027/28 onwards in these services.

The alternative forecasts, which assumes policy interventions are made to reform service provision to address recent high costs and demands that have been causing recent pressures, suggests total spending need could be £5.9bn lower by 2030. Policy intervention could have the largest impact on CCN member councils, with spending need £2.6bn lower by the end of the forecast period.

It is critical to reiterate that PwC's estimate of an easing of cost pressures assumes some policy interventions are implemented to help address the surging demand.

However, in the absence of central government intervention and reform, it is CCN's view that there no evidence to suggest spending need will return to pre-2020 levels.

Financial Outlook Forecasts

Funding forecasts incorporate the different elements of Core Spending Power (CSP) allocations published in the local government finance settlements. Pixel have assumed that grant funding, including SFA, will be retained and remain flat in cash terms. This is broadly in line with the funding for non-protected services implied in the Spring Budget 2024.

Alongside the core assumptions used within Pixel's funding projections, in calculating forecasts it is important to recognise that the financial outlook for councils will not only be determined by the estimated trajectory of spending need and core funding levels. Policy and political decisions by central government, including on future reform, will be a large determining factor.

Therefore, on council tax, retained business rates and reform, CCN and Pixel have therefore varied the assumptions to arrive at four different financial outlook forecasts.

Our **Baseline forecast** for councils demonstrates the financial outlook before local decisions take place on council tax increases and national policy decisions on funding levels.

- The baseline financial outlook shows that next year local authorities in England have an annual funding gap of £4.9bn, rising to £17.3bn by 2029/30.
- For CCN authorities, the gap in the next financial year is £1.6bn, growing annually to reach £6.7bn over the same period. As a result of continuing surging pressures in adults, children's and home to school transport, CCN authorities share of the funding gap grows from from 33% in 2025/26 to 39% in 2029/30.
- Cumulatively the forecast shows that all local authorities combined have a £54bn funding shortfall over the five year period. CCN authorities represent 36% of the total, with a £20.3bn funding gap.

Our **Council tax increase forecast** shows the impact of a 3% rise annually before government sets out any changes to referendum principles and the continuation of the social care precept.

- The financial outlook including a 3% council tax rise annually of shows local authorities in England have an annual funding gap of £3.9bn in 2025/26, rising to £11.6bn by 2029/30.
- Cumulatively the forecast shows that by all councils increasing council tax by 3% annually throughout the forecast period, the total combined shortfall reduces by less a third (30%) to £37.6bn over the five year period.
- For CCN authorities, the gap in the next financial year is £1.1bn growing annually to reach £4bn over the same period. With council tax overwhelmingly the most important source of income for CCN member councils collectively, this reduces their cumulative gap by 40% to to £12.3bn.

By incorporating estimates on retained rates above baseline in our **All retained business rates forecast**, the analysis assumes these resources are used to fund day-to-day expenditure, which for upper-tier councils will naturally result in very limited ability to invest in growth enabling services.

- The financial outlook assuming councils use all retained business rates above baseline to fund core services shows local authorities in England have a combined funding gap of £2.4bn in 2025/26, rising to £9.5bn by 2029/30.
- Cumulatively the forecast shows the total combined shortfall reduces by a further 16% compared to the baseline forecast. The cumulative gap is £28.7bn over the five year period if councils were expected to use all retained business rates above baseline to fund core services.

- For CCN authorities, the gap in the next financial year is £717m growing annually to reach £3.4bn in 2029/30. With county councils benefitting the least from business rates retention, CCN member councils collectively see their cumulative gap reduce only by a further 12% (compared to the baseline forecast) to £9.9bn. District councils see the largest reduction of 58%, while metropolitan boroughs see a 19% reduction.

Within our **Reform forecast**, we assume reforms are enacted to reduce the trajectory of spending need from 2027/28 onwards in adult social care, children's service and SEND home to school transport. If reforms were enacted, and spending trends returned to levels experienced before 2020, the necessity to use retained business rates above baseline to fund expenditure in these services would be reduced. Therefore we exclude retained rates above baseline from this forecast for upper-tier councils.

- The financial outlook based on reforms being enacted to reduce the trajectory of spending need from 2027/28 onwards in adult social care, children's service and SEND home to school transport shows local authorities in England have an annual funding gap of £3.6bn in 2025/26, rising to £5bn in 2026/27 but broadly remaining stable up to 2029/30.

- Cumulatively the forecast shows the total combined shortfall reduces by 55% compared to the baseline forecast. The cumulative gap is £24.2bn over the five year period if reforms were enacted and spending trends reduced from 2027/28 onwards, councils increased council tax by 3% per annum over entire forecast period and districts still used retained rates to offset their funding gap.

- For CCN authorities, the gap in the next financial year is £1.1m growing to £1.7bn in 2026/27. However, with these councils having disproportionately high spending need in SEND home to school transport, alongside adults and children's services, CCN councils would benefit most from national reforms that help reduce spending need over time: resulting in the funding gap stabilising at between £1.6-£1.5bn for the remainder of the forecast.

- Over the forecast period, CCN authorities still represent the largest single element of the funding gap at 30% of the total shortfall across local government, some £7.3bn.

INTRODUCTION

Local authorities are responsible for the delivery of a wide range of services, including services for the most vulnerable groups in society - such as social care and housing. There have been significant spending pressures in recent years, with rapid increases in demand for services combined with a high inflation environment.

Over many years, the financial challenges facing councils in delivering local services has been well documented by the County Councils Network (CCN), with the network putting forward an extensive evidence-base to inform government spending decisions.

With a new government taking office, the Chancellor recently set out the process for determining future spending this parliament, including for local government.

Departmental expenditure limits for 2025/26 will be outlined alongside the Budget in October, with a multi-year Spending Review - to conclude in Spring 2025 - setting out spending plans for a minimum of three years. This Spending Review will include a detailed assessment of spending pressures across different parts of the public sector.

With preparations now underway for the Budget and Spending Review, this report seeks to provide government with a detailed outlook for council finances this parliament.

Building on previous analysis conducted in 2019, part one of this report presents updated spending need forecasts for local government in England by PricewaterhouseCoopers LLP (PwC). This analysis has been conducted across seven specific areas of council expenditure, alongside other services, incorporating a detailed and robust forecasting methodology to estimate the funding requirements of the sector.

Part two of this report sets out funding projections by Pixel Financial Management. This incorporates funding both within councils Core Spending Power, and elements outside of it, projecting forward anticipated funding based on maintaining all current funding for the sector and the potential growth in locally retained resources.

This section then brings together the spending need and funding projections to present four different forecasts, providing estimates on the financial outlook for local government in England.

The findings of this report report should be read alongside CCN's Budget and Spending Review Submission 2024. This provides CCN analysis and commentary on the implications of the findings.

PART 1:

Review of local government spending need 2022/23-2029/30

Background

PwC was commissioned by CCN to undertake an analysis of the spending pressures facing local government in England in the period up to 2029/30.

This new analysis builds on PwC's previous work, published in May 2019[2] and follows the same broad approach as the previous analysis, to consider how spending need for local authorities might change in the future.

This section of the report considers the potential spending pressures over 2022/23 to 2029/30.

Service areas in scope

Spending analysis in this report is based on spending data published by the Department for Levelling Up, Housing and Communities (DLUHC). This data set is broken down into a number of categories, of which eight have been considered in this analysis:

- Adult social care
- Children's social care
- Highways and transport
- Public health
- Home to school transport
- Housing
- Environmental and regulatory
- Other services, including cultural and related services, planning and development services, central services and other services.

The in-scope spending/service categories have changed since our previous report. In particular, we no longer consider special educational needs and disabilities (SEND) spending in our analysis - as this is funded primarily through the Dedicated Schools Grant rather than from core spending power.

PwC have, however, included spending on SEND home to school transport. Moreover, they have undertaken specific analysis on housing, including homelessness and temporary accommodation.

The local authority types analysed are summarised in Box 1 on page 16.

Baseline year

The baseline year used in our previous report with PwC was 2015/16, while this new analysis uses a baseline year of 2022/23.

Unlike the previous study, the baseline year has not been selected on the basis that this year most closely aligns with the resources required to meet the costs and demand for services, and therefore funding levels. Instead, the year 2022/23 was selected as the baseline year as this represents the year with the most recently available revenue outturn (RO) figures.

Approach

The approach for assessing spending need has two key elements:

- The development of a baseline estimate of spending need for 2022/23, breaking spending into unit cost and service user volumes.

- PwC then used forecast drivers for unit costs and volume to project forward spending need from 2022/23 to 2029/30. This assumes that local government continues to provide the same range and level of services.

In the 2019 report, additional adjustments were made to baseline spending need estimates to measure spending need on the basis of a more 'consistent level of service' across different types of local authorities.

As part of the commissioned analysis for CCN, PwC have considered the application of a more consistent level of service applied only to non-statutory areas of council expenditure.

However, within this report, the spending needs analysis presented **does not contain any adjustment for a consistent level of service**.

Unit costs and volume drivers

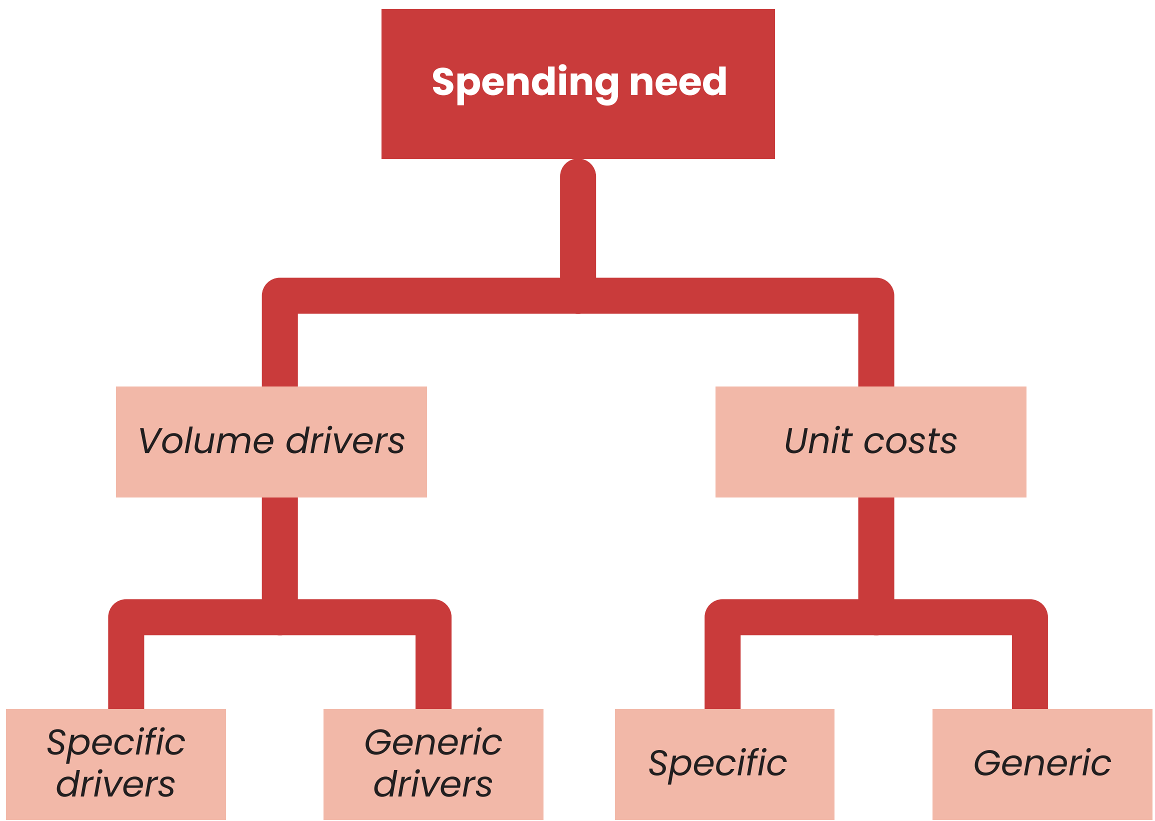
The approach to estimating spending need in the baseline year is based on the premise that spending need for each service area is a product of:

- the volume of service users/beneficiaries;
- the cost of providing the service for each user, on average (unit costs).

PwC identify elements of spending and volume drivers across the eight service areas in scope. For each service area PwC split the elements of spending into:

- **Specific elements of spending**, which often form the largest share of spending and for which we can identify distinct beneficiary groups as our 'specific' volumes for calculating unit costs, e.g. looked after children.
- **Rest of spending**, which remains after accounting for elements of spending with specific drivers and is mapped against a 'generic' volume driver that captures the entire recipient population of the service, e.g. the elements of children's social care spending that are not included in the specific areas (looked after children and children in need).

Figure 1 - Approach to estimating spending need



The service areas with elements of spending with specific drivers include adult social care; children's social care; highways and transport; public health; home to school transport; and housing. The service areas that only had one generic driver that applies to the entirety of spending are: environmental and regulatory; and other services.

Table 1 sets out the different elements of spending included in the analysis and outlines the specific and generic volume drivers for each area.

PwC then calculated final spending need in the baseline year, 2022/23, by multiplying the unit costs by the volume driver. For most local authorities these spending totals would be identical to the raw data. Differences between PwC's spending need estimates and the raw spending numbers occurred where they have either:

- Inputted missing expenditure data.
- Removed spending by local authorities in areas they do not have responsibility over.

Table 1 - Elements of spending and volume drivers within service areas (specific, generic)

Service Area	Elements of spending	Volume Drivers
Adult social care	• 65+ long-term care • 18-64 long-term care • *Short-term care / universal services*	• 65+ population receiving long-term care • 18-64 population receiving long-term care • 18+ population
Children's services	• Looked after children • Children in need • *Rest of children's social care spending*	• Number of looked after children • Number of children in need • Under-18 population
Highways & transport	• Road maintenance • Concessionary bus boarding • *Rest of highways and transport spending*	• Road length • 65+ population as a proxy for concessionary bus boardings • Total population
Public health	• Services to children 0-5 • *Services to population 5+*	• Population 0-5 • Population 5+
Home to school transport	• Home-to-school transport for children with special educational needs and disabilities (SEND) • *Mainstream home-to-school transport*	• Number of SEND transport service users • Number of pupils
Housing	• Homelessness • *Rest of housing spending*	• Number of households in temporary accommodation • Total number of households
Environment and regulation	• Total spending	• Total number of households
Other services	• Total spending	• Total population

Data sources and limitations

The expenditure data used in our analysis are largely based on the 2022/23 Revenue Outturn (RO),[3] which reports net expenditure by local authorities across service areas.

Expenditure data for adult social care and home to school transport were taken from publications from National Health Service (NHS) Digital[4] and the Education and Skills Funding Agency,[5] respectively.

Volume data were from a range of sources, such as the Office for National Statistics (ONS), NHS Digital, the Department for Education (DfE), the Department for Transport (DfT). Data on SEND home to school transport users was obtained from a CCN analysis of BBC freedom of information request.[6]

Appendix 1 provides details of PwC's approach to adjusting the analysis to account for local authorities with missing data.

To focus on core spending, PwC decided to exclude spending by local authorities in an area that they were not obliged to spend, i.e. had no statutory responsibility over. For example, they removed highways and transport spending made by district councils and housing in relation to county councils. In all cases, this was a very small proportion of overall spending.

Projection of future spending need

PwC estimated spending need for the period from 2023/24 to 2029/30 by projecting forward the baseline year unit costs and volumes using forecast cost and volume drivers.

Unit costs were projected using one of the following measures of cost increase, or a combination of them.

- **Consumer Price Index (CPI) inflation** - a measure of increases in a representative basket of consumer goods. CPI inflation is often used as a benchmark for periodic increases to contractual costs. Historical CPI inflation is published by the ONS, and we use projections published by the Office for Budget Responsibility (OBR) in March 2024.

- **Growth in average weekly earnings (AWE)** - a measure of earnings for employees before tax and other deductions. Historical AWE growth is published by the ONS, and we use projections published by the OBR in March 2024.

- **No change** - for some areas, particularly where substantial revenue is generated, it may make sense not to inflate net costs going forward.

PwC projected volumes using the projected increase in one of the following volume drivers. Population and household projections were taken from the latest projections published by the ONS in 2020, while we calculated historical road length growth rates using 2020 and 2023 road length data from the Department for Transport.

- Total population
- Adult population
- Population under 18
- Population 0-5
- Population 5+
- Population 5-19
- Population 65+
- Population 18-64
- Number of households
- Recent growth rates in road length (2019/20 to 2022/23)

Table 2 below shows the forecast unit cost and volume drivers used for each spending element.

Table 2 - Forecast unit cost and volume drivers per spending element (specific, generic)

Service Area	Elements of spending	Unit Cost Driver	Volume Driver
Adult social care	65+ long-term care	*Earnings growth*	*Population 65+*
	18-64 long-term care	*Earnings growth*	*Population 18-64*
	Short-term care / universal services	*Earnings growth*	*Adult population*
Children's services	Looked after children	*Earnings growth*	*Population under 18*
	Children in need	*Earnings growth*	*Population under 18*
	Rest of children's social care	*Earnings growth*	*Population under 18*
Highways and transport	Road maintenance	*CPI inflation*	*Growth in road length (2019/20 to 2022/23)*
	Concessionary bus boardings	*CPI inflation*	*Total population*
	Rest of highways and transport	*No driver*	*Total population*
Public health	Services to children 0-5	*CPI inflation*	*Population 0-5*
	Services to population 5+	*CPI inflation*	*Population 5+*
Home to school transport	SEND home to school transport	*CPI inflation*	*Population 5-19*
	Mainstream home to school transport	*CPI inflation*	*Population 5-19*
Housing	Homelessness	*CPI inflation*	*Number of households*
	Rest of housing	*CPI inflation*	*Number of households*
Environmental and regulation	Total spending	*CPI inflation*	*Total population*
Other services	Total spending	*CPI inflation*	*Total population*

Adjustment for recent service-specific pressures

The methodology outlined above assumes future changes in spending need can be captured by economy-wide deflators and demographic change. In reality, there will be other factors that influence future spending for specific service areas.

To address this, PwC first identified service areas that have exhibited high growth in expenditure in recent years: adult social care; children's social care; highways and transport; and home to school transport.

PwC then conducted a historical analysis of volume and unit cost growth rates across the spending elements within these service areas. They calculated the average growth rate in volumes and unit costs from 2019/20 to 2022/23 for each spending element. PwC then compared this actual historical growth rate to the growth rate that would have been implied by the cost and volume drivers listed above over the same period.

For example, given that the forecast volume driver that PwC use for SEND home to school transport is 5-19 population, PwC applied the 2019/20 to 2022/23 yearly growth rates in 5-19 population to the 2019/20 number of SEND transport service users. This allowed PwC to estimate the growth rate in the number of SEND transport service users that the model would have predicted between 2019/20 and 2022/23. They then compared their prediction with the actual historical increase in SEND transport service users between 2019/20 and 2022/23.

This allowed PwC to estimate the extent to which actual volume and cost growth in recent years has been greater than the growth in our drivers. Where they found a significant difference in growth rates, PwC applied this as an adjustment on top of the projected spending need growth rates. Based on their analysis of recent trends, PwC identified three areas of spending that exhibited large historical differences in growth rates relative to our assumed volume or cost drivers.

Unit costs:

- Adult social care - all spending elements
- Children's social care - all spending elements

Volume:

- Home to school transport - SEND spending element.

Table 3 and Table 4 below show the unit cost and volume adjustments applied for each of these spending elements.

Table 4 shows that adult social care and children's social care have seen high growth rates over 2019/20 to 2020/23 relative to what PwC's unit cost drivers would have estimated. This is driven in part by the COVID-19 pandemic, with the potential for some of related cost pressures to have become embedded. There have been other changes in demand and costs of service provision in social care services in recent years, that is resulting in significantly higher expenditure in recent years.

For example, there are now more working age adults with disabilities living longer, with more complex needs, and a greater cohort of people with mental health needs who require support. This is a large driver of increases in unit costs, as supporting adults with a learning disability has one of the highest unit costs.[7] Furthermore, LGA analysis indicates there has been an increase in the number of high-cost children's social care placements, with the number of placements costing £10,000 or more increasing from 120 in 2018/19 to 1,510 in 2022/23, though some proportion of this increase would occur naturally with inflation.[8]

Table 3 - Unit cost adjustments for recent service-specific pressures per spending element

		Unit costs		
Service Area	**Elements of spending**	**Historic 2020/23**	**Estimated 2020/23**	**Adjustment**
Adult social care	65+ long-term care	6.1%	4.0%	**2.2%**
	18-64 long-term care	6.3%	4.0%	**2.4%**
	Short-term care / universal services	6.7%	4.0%	**2.7%**
Children's services	Looked after children	6.7%	4.0%	**2.7%**
	Children in need	12.7%	4.0%	**8.8%**
	Rest of children's social care	6.8%	4.0%	**2.8%**

Table 4 shows that SEND home to school transport service user volumes have seen substantial growth in recent years beyond what PwC's drivers would have predicted, driven by increases in demand and complex cases. There has been an increase in eligibility for EHCPs, and hence eligibility for home to school transport. Other contributing factors have been an increase in the life expectancy of children needing support, and the long-term effects of COVID-19. There is therefore a case to make some adjustment to future growth rates to account for these pressures.

Table 4 - Volume adjustments for recent service-specific pressures per spending element

		Volume		
Service Area	**Elements of spending**	**Historic 2020/23**	**Estimated 2020/23**	**Adjustment**
Home to school transport	SEND home to school transport	10.5%	0.4%	**10.0%**

Given that there is uncertainty regarding how long we can expect expenditure pressures to continue into the future, PwC developed two alternative projections with the application of the adjustments:

- **Continuation of cost pressures**: Continuation of recent high-cost and demand pressures throughout the forecast period. This involves application of the adjustments for the whole period, 2023/24 to 2029/30. This reflects the risk of prolonged expenditure pressure in the absence of any significant remediation.

- **Easing of cost pressures**: An alternative scenario, which assumes national policy intervention to alleviate the trajectory of cost pressures. This involves the application of the adjustments for the period 2023/24 to 2026/27, with the adjustment removed from the forecast for the remaining period.

There is considerable uncertainty around the nature or timing of any national policy intervention to resolve the current pressures. Therefore, these projections represent a range of possible outcomes from a scenario where pressures remain unresolved in the medium term to a scenario where the pressures are resolved by the middle of the next parliament.

National Living Wage impacts

For adult social care and children's social care, PwC applied a further adjustment to account for the recent large increases in the National Living Wage (NLW) above and beyond the cost increase already factored in by the unit cost drivers identified above.[9] The adjustment was only applied to adult social care and children's social care as NLW employees are a large proportion of the cost of providing these services.

Final spending need projections

To obtain spending need forecasts for each local authority and for each spending element, PwC multiplied unit costs and volumes for 2023/24 to 2029/30. Finally, they summed the spending need results across the local authority types summarised in Box 1 below.

The following sections provide the results of the analysis across the different service areas analysed, alongside total spending need estimates.

BOX 1 - Local authority types analysed

- County and CCN unitary (i.e. county councils and 17 CCN unitary authorities),
- Non-CCN unitary authorities
- Inner London boroughs
- Outer London boroughs
- Metropolitan boroughs
- District councils

There have been some changes to the structure of local government since 2022/23, for example the creation of unitary authorities to replace both the county council and districts in Cumbria. The results have been presented to represent the structure of local government in 2024/25. This applies to three former county councils and 11 former districts, which have all been included within the County & CCN unitary total.

The analysis does not consider either combined authorities or the Greater London Authority (GLA).

Adult social care

PwC estimate that spending need on adult social care in England could increase by £11.8bn over the period, representing an increase of 58.1% over the period from 2022/23 to 2029/30. CCN authorities could face a £5.6bn increase in spending need over the same period, representing growth of 58.4%. By 2030, CCN authorities account for 47% of all spending need on adult social care.

The alternative forecasts, which assumes policy interventions made to reform service provision to address recent high costs and demands that have been causing recent pressures, suggests spending need on adult social care could be £2.1bn lower by 2030. Policy intervention could have the largest impact on CCN member councils, with spending need £1bn lower by the end of the forecast period.

Table 5: Estimated spending need on adult social care, PwC analysis (£m)

Continuation | Easing

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Inner London	1,090	1,210	1,321	1,397	1,481	1,573	1,677	1,787
						1,537	1,601	1,668
Outer London	1,750	1,933	2,102	2,213	2,334	2,466	2,616	2,775
						2,410	2,498	2,590
Non-CCN Unitary	3,478	3,835	4,164	4,380	4,618	4,879	5,171	5,479
						4,768	4,939	5,113
Metropolitan Boroughs	4,342	4,785	5,190	5,454	5,745	6,066	6,423	6,800
						5,927	6,133	6,346
County & CCN Unitary	9,541	10,535	11,450	12,055	12,719	13,449	14,261	15,115
						13,143	13,622	14,110
All local authorities	20,201	22,299	24,226	25,500	26,896	28,433	30,148	31,957
						27,785	28,793	29,827

Children’s services

PwC estimate that spending need on children’s services in England could increase by £8.4bn over the period, representing an increase of 65.8% over the period from 2022/23 to 2029/30. CCN authorities could face a £3.3bn increase in spending need over the same period, representing growth of 66.6%. By 2030, CCN authorities account for 39% of all spending need on children’s services.

The alternative forecasts, which assumes policy interventions are made to reform service provision to address recent high costs and demands that have been causing recent pressures, suggests spending need on children’s services could be £3bn lower by 2030. Policy intervention could have the largest impact on CCN member councils, with spending need £1.2bn lower by the end of the forecast period.

Table 6: Estimated spending need on children’s services, PwC analysis (£m)

Continuation | Easing

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Inner London	900	1,000	1,094	1,162	1,238	1,320	1,404	1,495
						1,254	1,268	1,281
Outer London	1,287	1,426	1,554	1,643	1,746	1,862	1,979	2,105
						1,766	1,780	1,793
Non-CCN Unitary	2,499	2,772	3,019	3,190	3,384	3,599	3,824	4,071
						3,425	3,460	3,501
Metropolitan Boroughs	3,148	3,500	3,829	4,066	4,329	4,625	4,937	5,278
						4,404	4,474	4,548
County & CCN Unitary	4,956	5,518	6,030	6,396	6,805	7,251	7,726	8,260
						6,899	6,988	7,098
All local authorities	12,791	14,217	15,525	16,457	17,502	18,657	19,870	21,209
						17,748	17,970	18,221

Home to school transport

PwC estimate that spending need on home to school transport in England could increase by £1.7bn over the period, representing an increase of 90.1% over the period from 2022/23 to 2029/30. CCN authorities could face a £875m increase in spending need over the same period, representing growth of 80%. By 2030, CCN authorities account for 55% of all spending need on home to school transport.

The alternative forecasts, which assumes policy interventions made to reform service provision to address recent high costs and demands that have been causing recent pressures, suggests spending need on home to school transport could be £775m lower by 2030. Policy intervention could have the largest impact on CCN member councils, with spending need £392m lower by the end of the forecast period.

Table 7: Estimated spending need on home to school transport, PwC analysis (£m) Continuation Easing

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Inner London	69	80	88	99	110	122	134	148
						111	111	111
Outer London	143	165	182	200	222	246	270	296
						223	222	222
Non-CCN Unitary	248	283	308	336	368	405	441	483
						372	372	374
Metropolitan Boroughs	315	363	401	445	492	548	605	668
						500	502	506
County & CCN Unitary	1,092	1,230	1,321	1,427	1,544	1,676	1,809	1,967
						1,560	1,562	1,575
All local authorities	1,867	2,121	2,300	2,507	2,735	2,997	3,258	3,562
						2,766	2,770	2,787

Highways and transport

PwC estimate that spending need on highways and transport in England could increase by £420m over the period, representing an increase of 18.5% over the period from 2022/23 to 2029/30. CCN authorities could face a £196m increase in spending need over the same period, representing growth of 13.4%%. By 2030, CCN authorities account for 62% of all spending need on highways and transport.

Table 8: Estimated spending need on highways and transport, PwC analysis (£m)

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Inner London	-137	-128	-126	-124	-122	-119	-115	-112
Outer London	82	96	100	104	109	115	120	126
Non-CCN Unitary	350	374	380	387	394	403	413	422
Metropolitan Boroughs	513	541	548	556	564	574	585	595
County & CCN Unitary	1,455	1,518	1,537	1,556	1,576	1,600	1,625	1,650
All local authorities	2,262	2,401	2,439	2,479	2,522	2,574	2,627	2,682

Public health

PwC estimate that spending need on public health in England could increase by £760m over the period, representing an increase of 19.8% over the period from 2022/23 to 2029/30. CCN authorities could face a £277m increase in spending need over the same period, representing growth of 20.5%. By 2030, CCN authorities account for 35% of all spending need on public health.

Table 9: Estimated spending need on public health, PwC analysis (£m)

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Inner London	377	400	408	416	425	435	445	456
Outer London	368	388	394	400	407	414	423	432
Non-CCN Unitary	729	771	784	798	813	830	849	868
Metropolitan Boroughs	1,012	1,071	1,091	1,112	1,134	1,160	1,187	1,214
County & CCN Unitary	1,353	1,434	1,461	1,490	1,520	1,556	1,592	1,630
All local authorities	3,839	4,065	4,137	4,216	4,298	4,395	4,496	4,599

Housing

PwC estimate that spending need on housing in England could increase by £490m over the period, representing an increase of 23.1% over the period from 2022/23 to 2029/30. CCN unitary authorities could face a £44.2m increase in spending need over the same period, representing growth of 23.9%.

Table 10: Estimated spending need on housing, PwC analysis (£m)

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
District Councils	400	426	436	446	456	468	481	494
Inner London	356	380	390	399	409	421	432	444
Outer London	370	394	403	412	422	433	444	456
Non-CCN Unitary	387	411	420	429	438	449	461	472
Metropolitan Boroughs	425	452	462	471	482	494	507	520
County* & CCN Unitary	185	197	202	207	212	217	223	229
All local authorities	2,124	2,262	2,312	2,364	2,419	2,483	2,548	2,615

*Spending need estimate excludes county councils.

Environment and regulation

PwC estimate that spending need on environment and regulation in England could increase by £1.2bn over the period, representing an increase of 21.1% over the period from 2022/23 to 2029/30. CCN authorities could face a £369m increase in spending need over the same period, representing growth of 21.6%.

Table 11: Estimated spending need on environment and regulation, PwC analysis (£m)

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
District Councils	983	1,045	1,067	1,089	1,113	1,140	1,168	1,197
Inner London	513	546	557	569	582	596	611	626
Outer London	549	582	593	604	615	629	643	657
Non-CCN Unitary	941	998	1,017	1,037	1,058	1,082	1,107	1,133
Metropolitan Boroughs	1,037	1,101	1,123	1,145	1,168	1,196	1,224	1,253
County & CCN Unitary	1,711	1,818	1,856	1,895	1,936	1,982	2,031	2,080
All local authorities	5,734	6,090	6,213	6,339	6,471	6,625	6,784	6,945

Other services

PwC estimate that spending need on other services in England could increase by £1.6bn over the period, representing an increase of 21.1% over the period from 2022/23 to 2029/30. CCN authorities could face a £402m increase in spending need over the same period, representing growth of 21.6%.

Table 12: Estimated spending need on other services, PwC analysis (£m)

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
District Councils	1,318	1,401	1,430	1,460	1,491	1,528	1,565	1,603
Inner London	578	615	628	641	655	671	688	705
Outer London	764	810	825	840	856	874	894	914
Non-CCN Unitary	1,227	1,301	1,326	1,352	1,379	1,411	1,444	1,477
Metropolitan Boroughs	1,794	1,904	1,942	1,981	2,022	2,070	2,119	2,170
County & CCN Unitary	1,865	1,982	2,023	2,066	2,110	2,161	2,214	2,267
All local authorities	7,545	8,014	8,175	8,340	8,514	8,715	8,924	9,136

Total spending need

Bring the different elements of service expenditure together, PwC estimate that total spending need in England could increase by £26.3bn over the period, representing an increase of 46.7% over the period from 2022/23 to 2029/30. CCN authorities could face a £11bn increase in spending need over the same period, representing growth of 49.8%. By 2030, CCN authorities account for 40% of all spending need.

The alternative forecasts, which assumes policy interventions are made to reform service provision to address recent high costs and demands that have been causing recent pressures, suggests total spending need could be £5.9bn lower by 2030. Policy intervention could have the largest impact on CCN member councils, with spending need £2.6bn lower by the end of the forecast period.

Table 13: Estimated total spending need, PwC analysis (£m)

Continuation | Easing

LA Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
District Councils	2,702	2,872	2,933	2,995	3,060	3,136	3,214	3,293
						3,136	3,214	3,293
Inner London	3,745	4,103	4,360	4,559	4,777	5,018	5,276	5,550
						4,906	5,040	5,179
Outer London	5,313	5,796	6,152	6,417	6,710	7,039	7,389	7,760
						6,865	7,025	7,189
Non-CCN Unitary	9,859	10,746	11,417	11,910	12,452	13,059	13,708	14,403
						12,741	13,044	13,359
Metropolitan Boroughs	12,586	13,719	14,585	15,230	15,937	16,732	17,586	18,499
						16,325	16,731	17,152
County & CCN Unitary	22,158	24,233	25,879	27,092	28,422	29,894	31,482	33,199
						29,118	29,857	30,639
All local authorities	56,363	61,468	65,326	68,204	71,358	74,878	78,655	82,704
						73,091	74,911	76,813

PART 2:

Financial outlook forecasts 2025/26-2029/30

Background

Pixel Financial Management Ltd was commissioned to provide funding projections for local government for the period 2025/26 to 2029/30. The funding projections have been used alongside the expenditure projections developed by PwC to calculate the financial outlook for local government this parliament.

The funding projections are broadly based on the model that Pixel provides to local authorities to forecast their own funding allocations in future years. This model includes the latest funding allocations (from the 2024/25 final local government finance settlement) and council tax (from the CTR1 return for 2024/25).

Overview of modelling

Funding forecasts are largely based on the Core Spending Power (CSP) allocations published in the local government finance settlements. These include Settlement Funding Assessment (SFA), council tax and core grants, including New Homes Bonus and social care grants. Public Health grant has been included, even though it is not within CSP. Our view is that this is a core and substantial funding grant for local government.

On council tax, all forecasts assume tax base growth, but Pixel have varied the assumption on council tax rises, providing projections with no council tax increase and 3% growth per annum over the period up to 2029/30.

Equally, while outside CSP, Pixel's funding forecasts also include and exclude Business Rates Retention Scheme (BRRS). CSP only includes income from the BRRS at baseline (that is, the Baseline Funding Level); any above-baseline growth is outside CSP.

Funding reforms

During this parliament it is expected that there will be reforms to the way councils are funded. These potentially include updating funding formulas to reflect the 2021 Census, recent council tax data, and other needs assessments. Other reforms could also include a reset to BRRS income and changes to specific grants, including New Homes Bonus. Redistribution from these changes could be considerable, and would change the distribution of future funding gains between individual authorities and local authority classes.

Pixel have assumed that there will be **no funding reforms over the forecasting period**. There is no certainty about what the changes would be or their timing so they have have excluded them from the analysis. They have also not applied a baseline reset to the BRRS income either. So retained rates will grow over time, with no baseline reset to redistribute business rates income.

Core Spending Power assumptions

The starting point for the funding forecasts is the final 2024/25 local government finance settlement, but with actual council tax income rather than the assumed council tax levels used in the settlement.

Pixel have assumed that grant funding, including SFA, will remain flat in cash terms. This is broadly in line with the funding for non-protected services implied in the Spring Budget 2024. Most commentators agree (IFS, Resolution Foundation) that non-protected services are likely to receive real-terms cuts in funding over the current parliament.

Table 14 below provides the key assumptions applied to different funding streams contained in all funding forecasts used in the analysis.

Table 14: Funding component and core assumptions

Funding Component*	Core assumptions
Settlement Funding Assessment	Cash-flat from 2025-26 onwards. No transfers or any other rolled in grants from 2026-27.
Social Care grant	CSP 2024/25 funding levels for social care grant (£5bn) included across full forecast period alongside Discharge Fund (£500m) and Market Sustainability & Improvement Fund (£1bn).
Public Health grant	Although outside CSP, included it within funding forecasts. Cash-flat from 2025-26 onwards.
Minimum Funding Guarantee	Set at 0% from 2025-26 onwards, and assume continues after 2025-26. £267m in 2024-25, falling to £159m in 2025-26. Pixel have used a simple projection for MFG, with allocations reducing in line with council taxbase growth from 2026-27 onwards.
New Homes Bonus	Assume continues in 2025-26 and in later years. No change in calculation for NHB allocations (estimated cost in 2025-26 increases from £291m to £303m) and distribute on same shares as 2024-25 in all future years.
Cap compensation s31 grant payments	These should be included where the multiplier is not fully indexed. Assume both the small and standard multiplier are fully indexed from 2025-26 onwards. Only small increases in cap compensation because prior years' cap compensation needs to be indexed as well as SFA.

*NHS funding transfers, such as the Better Care Fund, which sit outside core spending power have not been included. The use of net-expenditure within PwC's analysis means these funds are already accounted for.

Council Tax

The modelling treats council tax base growth and council tax rate increases separately. For base growth, a two-year moving average is used, resulting in assumptions of a national average uplift in tax base of 1.4% annually throughout the forecast period.

Forecasts used within the analysis have different assumptions on council tax rate growth over the period. For the baseline and central forecasts, no rise in council tax is assumed from 2025/26, only base growth. In the council tax increase and reform forecasts a 3.0% increase in “core” Band D is assumed across the forecast period in line with the current referendum principles. With the current government not indicating whether the social care precept will continue beyond 2024/25, this is not included within the forecast period.

Business rates

In the forecasts *excluding* BRRS income, Pixel have excluded all above - or below-baseline BRRS income, and assumed business rates income is being collected at baseline. This effectively assumes income in line with the Baseline Funding Level (BFL), and this is shown within CSP. Within CSP itself, Pixel have assumed that BFL is indexed and Revenue Support Grant (RSG) is the balancing figure between SFA (fixed in cash terms).

In the forecast including BRRS income, Pixel have:

- Applied growth assumptions to individual authority net rates payable. Assumptions are based on the calculated growth rates for individual authorities on the 2017 Rating List (i.e. between 1 April 2017 and 1 April 2023). Average real-terms growth is 1.1% annually.
- Calculated levy and safety net payments based on the parameters in the 50% retention scheme.
- The effect of business rates pools and the 100% business rates pilots have been excluded.

Fire adjustment & GLA

Spending need on fire functions has been excluded form PwC’s spending need analysis and therefore it was necessary to make assumptions to remove funding for these functions from the projections for some effected authorities.

Excluding funding for combined fire authorities, metropolitan fire authorities and the Greater London Authority (GLA) is straightforward. However, to remove funding for the fire function within unitary and shire county councils is more difficult because these resources are not specifically identified.

Whilst it is possible to identify the fire funding within SFA for these authorities, there are other aspects within CSP that are more difficult. For council tax in particular, there is no basis for identifying the amount that is raised to fund the fire function. Instead, we have adjusted the relevant authorities’ funding based on the actual expenditure for each authority (per 2022-23 RO Form).

All funding and expenditure for the Greater London Authority has been removed.

Financial outlook: **forecasting overview**

Bringing together the spending need analysis and funding projections, we now analyse the financial outlook for councils for the period 2025/26 to 2029/30.

Alongside the core assumptions used within Pixel's funding projections, in calculating forecasts it is important to recognise that the financial outlook for councils will not only be determined by the estimated trajectory of spending need and core funding levels. Policy and political decisions by central government, including on future reform, will be a large determining factor.

On council tax increases, these are ultimately determined locally based on financial and political judgements. However, they are also largely dictated by the level of central government funding and the current policy of annually set referendum principles.

Our **Baseline forecast** for councils therefore demonstrates the financial outlook before local decisions take place on council tax increases and national policy decisions on funding levels. Separately, our **Council tax increase forecast** shows the impact of a 3% rise annually before government sets out any changes to referendum principles and the continuation of the social care precept.

In relation to retained business rates, the argument for including BRRS income above baseline is that it is now very considerable, with Pixel estimating that post-levy retained business rates are ~£1.5bn above baseline. In the absence of additional funding and national reforms to reduce long-term costs, not including this income would risk materially mis-representing the income that is available to local government, and to some types of authority in particular.

However, this funding sits outside of CSP. This reflects that in designing the original BRRS regime, income from this funding source was primarily a growth incentive. While for district councils in particular, previous spending patterns suggests this has become a source of funding for some day-to-day services, its purpose is not necessarily to fund "core" or ongoing expenditure related to key upper-tier services such as adult social care or children's services.

By incorporating estimates on retained rates above baseline in our **All retained business rates forecast**, the analysis assumes these resources are used to fund day-to-day expenditure, which for upper-tier councils will naturally result in very limited ability to invest in growth enabling services.

Lastly, national policy reforms and interventions by central government to remedy recent high costs, market failure, and reduce current surging demand could have a substantial impact on the financial outlook for upper-tier councils.

Within our **Reform forecast**, we assume (in line with PwC) reforms are enacted to reduce the trajectory of spending need from 2027/28 onwards in adult social care, children's service and SEND home to school transport. If reforms were enacted, and spending trends returned to levels experienced before 2020, the necessity to use retained business rates above baseline to fund expenditure in these services would be reduced. Therefore we exclude retained rates above baseline from this forecast for upper-tier councils.

Table 15 below provides an overview of the financial outlook forecasts analysed, including the spending needs estimate adopted, council tax and retained business rates assumptions.

Table 15: Overview and key assumptions of each funding gap forecast

Forecast	Description	Spending need estimate	Council tax assumption	Retained business rates assumption
1 **Baseline**	Financial outlook based on spending need continuing to rise in line with current trends and all existing CSP funding is maintained.	Continuation of cost pressures	0% rise, 1.4% tax base growth	No retained rates above baseline
2 **Council tax increase**	Financial outlook based on spending need continuing to rise in line with current trends; CSP funding is maintained; and an increase council tax.	Continuation of cost pressures	3% rise, 1.4% tax base growth	No retained rates above baseline
3 **All Retained business rates**	Financial outlook based on spending need continuing to rise in line with current trends; CSP funding is maintained; all locally retained business rates are used to fund core services; and an increase council tax.	Continuation of cost pressures	3% rise, 1.4% tax base growth	Retained rates above baseline, annual 1.1% real terms growth
4 **Reform**	Financial outlook based on spending need reducing over time through national reforms and market intervention; CSP funding is maintained; all locally retained business rates are used to fund core services for district councils only; and an increase council tax.	Easing of cost pressures	3% rise, 1.4% tax base growth	No retained rates above baseline, except for district councils (annual 1.1% real terms growth)

Forecast 1: **Baseline**

The baseline financial outlook shows that next year local authorities in England have an annual funding gap of £4.9bn, rising to £17.3bn by 2029/30.

For CCN authorities, the gap in the next financial year is £1.6bn growing annually to reach £6.8bn over the same period. As a result of continuing surging pressures in adults, children's and home to school transport, CCN authorities share of funding gap grows from from 33% in 2025/26 to 39% in 2029/30.

Cumulatively the forecast shows that all local authorities combined have a £54bn funding shortfall over the five year period. CCN authorities represent 36% of the total, with a £20.3bn funding gap.

Table 16: Estimated funding gap, baseline forecast, Pixel and CCN analysis (£m)

LA Type	2025/26	2026/27	2027/28	2028/29	2029/30	Cumulative Total
District councils	545	607	678	751	823	**3,405**
Inner London	265	458	672	903	1,148	**3,446**
Outer London	437	682	960	1,256	1,572	**4,907**
Non-CCN Unitary	1,356	1,807	2,321	2,873	3,469	**11,826**
Metropolitan Boroughs	692	1,299	1,991	2,740	3,544	**10,265**
County & CCN Unitary	1,603	2,706	3,947	5,302	6,786	**20,344**
All local authorities	4,899	7,559	10,569	13,825	17,342	**54,194**

Forecast 2: **Council tax increase**

The financial outlook including a 3% council tax rise annually of shows local authorities in England have a annual funding gap of £3.9bn in 2025/26, rising to £11.6bn by 2029/30.

Cumulatively the forecast shows that by all councils increasing council tax by 3% annually throughout the forecast period, the total combined shortfall reduces by less a third (30%) to £37.6bn over the five year period.

For CCN authorities, the gap in the next financial year is £1.1bn growing annually to reach £4bn over the same period. With council tax overwhelming the most important source of income for CCN member councils collectively, this reduces their cumulative gap by 40% to to £12.3bn.

However, over the forecast period, CCN authorities still represent the largest single element of the funding gap at 33% of the total shortfall across local government.

Table 17: Estimated funding gap, council tax increase forecast, Pixel and CCN analysis (£m)

LA Type	2025/26	2026/27	2027/28	2028/29	2029/30	Cumulative Total
District councils	500	515	537	556	572	**2,681**
Inner London	223	370	536	715	906	**2,749**
Outer London	343	488	661	845	1,043	**3,380**
Non-CCN Unitary	1,193	1,470	1,800	2,158	2,547	**9,168**
Metropolitan Boroughs	508	920	1,406	1,937	2,510	**7,281**
County & CCN Unitary	1,111	1,692	2,379	3,147	4,008	**12,339**
All local authorities	3,879	5,456	7,319	9,358	11,586	**37,598**

Forecast 3: **All retained business rates**

The financial outlook assuming councils use all retained business rates above baseline to fund core services shows local authorities in England have a annual funding gap of £2.5bn in 2025/26, rising to £9.5bn by 2029/30.

Cumulatively the forecast shows the total combined shortfall reduces by a further 16% compared to the baseline forecast. The cumulative gap is £28.7bn over the five year period if councils were expected to use all retained business rates above baseline to fund core services.

For CCN authorities, the gap in the next financial year is £717m growing annually to reach £3.4bn in 2029/30. With county councils benefitting the least from business rates retention, CCN member councils collectively see their cumulative gap reduce only by a further 12% (compared to the baseline forecast) to £9.9bn. District councils see the largest reduction of 58%, while metropolitan boroughs see a 19% reduction.

Over the forecast period, CCN authorities still represent the largest single element of the funding gap at 34% of the total shortfall across local government.

Table 18: Estimated funding gap, all retained business rates forecast, Pixel and CCN analysis (£m)

LA Type	2025/26	2026/27	2027/28	2028/29	2029/30	Cumulative Total
District councils	191	154	142	127	107	**722**
Inner London	127	254	409	577	757	**2,124**
Outer London	272	402	569	747	939	**2,930**
Non-CCN Unitary	968	1,201	1,508	1,841	2,204	**7,723**
Metropolitan Boroughs	203	560	1,016	1,516	2,057	**5,351**
County & CCN Unitary	717	1,236	1,881	2,605	3,419	**9,857**
All local authorities	2,479	3,807	5,526	7,413	9,483	**28,707**

Forecast 4: **Reform**

The financial outlook based on reforms being enacted to reduce the trajectory of spending need from 2027/28 onwards in adult social care, children's service and SEND home to school transport shows local authorities in England have a annual funding gap of £3.6bn in 2025/26, rising to £5bn in 2026/27 but broadly remaining stable up to 2029/30.

Cumulatively the forecast shows the total combined shortfall reduces by 55% compared to the baseline forecast. The cumulative gap is £24.2bn over the five year period if reforms were enacted and spending trends reduced from 2027/28 onwards, councils increased council tax by 3% per annum over entire forecast period and districts still used retained rates to offset their funding gap.

For CCN authorities, the gap in the next financial year is £1.1bn growing to £1.7bn in 2026/27. However, with these councils having disproportionately high spending need in SEND home to school transport, alongside adults and children's services, CCN councils would benefit most from national reforms that help reduce spending need over time: resulting in the funding gap stabilising at between £1.6-£1.5bn for the remainder of the forecast.

Over the forecast period, CCN authorities still represent the largest single element of the funding gap at 30% of the total shortfall across local government, some £7.3bn.

Table 19: Estimated funding gap, reform forecast, Pixel and CCN analysis (£m)

LA Type	2025/26	2026/27	2027/28	2028/29	2029/30	Cumulative Total
District councils	191	154	142	127	107	**722**
Inner London	223	370	423	479	536	**2,031**
Outer London	343	488	486	481	472	**2,271**
Non-CCN Unitary	1,193	1,470	1,482	1,493	1,503	**7,142**
Metropolitan Boroughs	508	920	999	1,081	1,163	**4,671**
County & CCN Unitary	1,111	1,692	1,604	1,523	1,449	**7,380**
All local authorities	3,570	5,096	5,137	5,185	5,228	**24,216**

Footnotes

1. http://www.countycouncilsnetwork.org.uk/download/5436/?tmstv=1727446691

2. PwC (2019), Independent review of local government spending need and funding, https://www.countycouncilsnetwork.org.uk/wp-content/uploads/dlm_uploads/PwC-Technical-Report-Independent-review-of-local-government-spending-need-funding-1.pdf

3. DLUHC, Local authority revenue expenditure and financing England, https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing

4. NHS Digital, Adult Social Care Activity and Finance Report, Adult Social Care Activity and Finance Report, England, 2022-23 - NHS England Digital

5. Education and Skills Funding Agency, Section 251 documents, https://www.gov.uk/government/publications/section-251-2022-to-2023

6. CCN analysis of BBC Freedom of Information Request, SEND home to school transport data https://www.countycouncilsnetwork.org.uk/councils-call-for-reform-of-send-school-transport-services-as-costs-double-for-local-authorities-in-county-areas-over-the-last-five-years/

7. NHS Digital, Adult Social Care Activity and Finance Report, Adult Social Care Activity and Finance Report, England, 2022-23 - NHS England Digital

8. Local Government Association, Children's social care placements costing £10,000-plus rise sharply in five years, https://www.local.gov.uk/about/news/childrens-social-care-placements-costing-ps10000-plus-rise-sharply-five-years-new-lga

9. The NLW increased by 9.7% in April 2023 and 9.8% in April 2024. Going forward, it is assumed that future NLW increases are in line with growth in earnings.

Appendix 1 - PwC approach to missing data

On the expenditure side, 22 local authorities are missing data in the 2022/23 RO, due to not submitting spending figures within the deadline for publication; 18 are shire districts, and therefore not relevant for many service areas. All but four of these have entries in MHCLG's Revenue Account (RA) publication, which set out budgets for 2022/23. However, the 2022/23 RO also features MHCLG estimates of totals for all of England, which implicitly include estimates for the missing data.

PwC's approach to impute missing expenditure data is:

- Step 1: for local authorities that were missing both RO and RA data, we find suitable proxies that are of the same type (e.g. shire districts), are in the same region and have as close a population as possible. The expenditure of the chosen proxy was then scaled to account for the difference in population between the proxy and the local authority for which there are missing data.

- Step 2: for local authorities that were missing RO data but have RA data, we used the proportions of their relative RA budgets to assign the difference between our allocated spending and the England total from the RO files. The key assumptions here are that the England total estimated by MHCLG accurately accounts for the missing data, and that the anticipated proportions of spending in the RA files closely match proportions of actual spending.

On the volume side, PwC's data also features some missing values. The scale of the issue is smaller than in the expenditure datasets, with data missing for only a small number of local authorities in a small number of spending elements. To address missing volume data, PwC applied slightly different approaches depending on the data source:

- For adult social care and children's social care, there are missing volume data for only one local authority. PwC's solution was to use the difference between the national volumes and the total of the other local authorities.

- For SEND home to school transport volumes, PwC calculated a ratio of service users to Education and Healthcare Plans (EHCP) data, by local authority type. They then applied this ratio to the 16 local authorities where service user volume data are not available.

- Within housing, volumes are missing for six local authorities for the number of households in temporary accommodation. In this case, PwC again found proxies for these local authorities, and used the relative proportions of the proxy data to apportion the difference between the non-missing figures and the aggregate of the available local authority data.

CCN is the voice of England's counties. Representing the local authorities in county areas, the network is a cross-party organisation which develops policy, commissions research, and presents evidence-based solutions to issues on behalf of the largest grouping of councils in England.

In total, the 20 county councils and 17 unitary councils that make up the CCN represent 26 million residents, account for 39% of England's GVA, and deliver high-quality services that matter the most to local communities.

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