

**Rt Hon Rachel Reeves MP**

Chancellor of the Exchequer  
1 Horse Guards Road  
Westminster, London  
SW1A 2HQ

15<sup>th</sup> October 2025

Dear Chancellor,

**Autumn Budget 2025: County Councils Network Submission**

I am writing on behalf of the County Councils Network (CCN) in response to the call for submissions for this year's Autumn Budget. CCN's submission focusses on four key areas, providing evidence about the pressures facing not only the 38 county and unitary councils that make up CCN's membership, but which in many cases are also being experienced by the wider local government sector.

Local Government Finance & Fair Funding Review

As CCN and others have repeatedly stated, local government finances remain precarious after a number of years where cost-pressures resulting from increased demand for statutory services and rising delivery costs has outstripped any additional government funding. This has left councils reliant on annual increases in council tax and simultaneous reductions in services where they do not have statutory responsibilities. Our Spending Review submission, submitted last year,<sup>1</sup> set out modelling by PwC on the financial pressures facing the sector this parliament. This modelling is currently being updated and will be presented to the Treasury later this month.

Whilst the announcement at this year's Spending Review that grant funding for councils would rise by 1.1% per year provided some additional resources to meet these demand-led pressures, the distribution of this is now dependent on the outcome of the Fair Funding Review currently being led by MHCLG.

CCN continue to support the ambition of the government to update the local government finance system, recognising reforms to the way council funding is distributed are long overdue. Our response to the consultation in August welcomed proposals for new formulae for distributing funding for adult social care and home to school transport, alongside an adjustment for the costs of delivering services in rural areas. However, our financial modelling suggests that as result of the proposals, some 16 county and rural councils across the length and breadth of the country will see reductions in grant funding, while the government's proposals place a disproportionate burden on council taxpayers in county areas to fund local services and redistribute funding to urban areas.<sup>2</sup>

In total, across 38 county and CCN unitary councils, our modelling suggests that grant funding will rise by just £374m, with 90% of the total increase in Core Spending Power (CSP) for these councils coming through maximum 5% council tax rises. Without council tax rises of 5% over the next three years, our modelling shows that 33 of the 38 county and

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<sup>1</sup> CCN (2024), [Budget and Spending Review: CCN Submission](#)

<sup>2</sup> CCN (2025), [County and rural council tax-payers set to foot the bill of forthcoming government reforms to the funding system for local authorities](#)

rural unitary authorities would see a real-terms reduction in funding.<sup>3</sup>

Given the existing funding gap, wider pressures facing council finances, and disproportionate reliance on council tax for CCN member councils to fund CSP increases over the next three years, we believe that insufficient resources were made available at the Spending Review to smoothly implement changes of this scale and nature. This is especially so for councils delivering sensitive social care services, with a national profile. It is simply unrealistic to expect major social care authorities to provide these services, now and in the near future, while receiving significantly below average CSP increases over the next three years and ultimately reductions in Government grant. Even those seeing funding increases will still face an extremely challenging funding outlook, with rising costs outstripping new funding.

**Government must therefore take steps through providing significant further additional funding at the Autumn Statement to help protect county and CCN unitary authorities from reductions in funding and reduce the overall dependency on council tax to fund increases in CSP over the next three years.**

### SEND Deficits

One of the key areas of concern for CCN members, where demand and cost-pressures are significantly impacting on the financial stability of councils, remains Special Educational Needs & Disabilities (SEND). Data released in June by the Department of Education shows that the number of pupils this year in receipt of an Education Health and Care Plan (EHCP), a legal document outlining special needs support, has now reached over 638,000 young people, more than treble the number in 2017.

At the same time, SEND deficits which have been kept off councils' books due to the statutory override have risen sharply in tandem with increased demand. These deficits are currently estimated to rise to £5.9bn by March 2026 nationally, and to £2.7bn in CCN member councils. A survey carried out by the CCN found that if the override ended in March next year with the deficit placed onto budget books, 18 county and unitary councils will be insolvent overnight: half of its member councils. A further six would follow in 2027, bringing the total to 24 councils.<sup>4</sup>

Alongside the short to medium term sustainability risk caused by these deficits, they are also impacting core revenue budgets today. The cumulative deficit is real money that has already been spent. As such, this is money that local authorities no longer hold in their bank accounts. This can have two implications. Either local authorities (if their financial reserves are in credit overall) will be foregoing interest that they could have earned on the positive balance or (if their financial position is in debit overall) they will be paying interest to service a loan to cover the deficit.

Therefore, at the Spending Review, CCN welcomed the statutory override being extended by a further two years to March 2028. But without a long-term plan to address these deficits, many CCN members would still be required to immediately declare a Section 114 Notice and halt all non-essential spending.

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<sup>3</sup> CCN (2025), [CCN, SCT and ACCE: Fair Funding Review 2.0 consultation response](#)

<sup>4</sup> CCN (2025), [Councils warn of financial catastrophe in 12 months time, with 'unmanageable' SEND deficits risking bankruptcy](#)

Later this Autumn the government is expected to publish its plans to reform the SEND system through a Schools White Paper. The network has worked closely with the Department for Education in setting out the reforms that we believe are necessary to fundamentally overhaul a broken system that is not working for pupils, parents, schools and councils. Our report with Isos Partnership last year set out this comprehensive blueprint for reform,<sup>5</sup> and we hope that forthcoming proposals will adopt many of the measures set out.

However, reform will take time to implement, and councils are facing an immediate cliff edge. It is urgent that government provides immediate clarity to councils and a national solution on how the Treasury intends to manage councils' high needs deficits. This should include a programme of SEND deficit write-off by central government. At the same time, local authorities that went through the Safety Valve programme should also be compensated as they invested their authority's reserves in order to obtain some relief from central Government in good faith.

**CCN would urge the government to use the Autumn Budget to set out a clear route through which this will be achieved so that councils are able to plan their budgets for the next two financial years with greater confidence.**

### National Living Wage Increase

As outlined above, councils are facing a range of significant demand and costs pressures, particularly in relation to adult social care and children's services. As is the case every year, the National Living Wage increase, due to come into force from 1<sup>st</sup> April 2026, will place further strain on local budgets unless it is fully funded. At present we are awaiting the announcement from the Low Pay Commission on the recommended rate for the next financial year, which we understand is due to be published at the end of October.

Given their significant responsibilities for people-based services such as adults' and children's social care, and the large workforces employed to deliver these services, county and unitary councils can find themselves highly exposed when there are increases in employment costs.

Following the higher than anticipated increase in the National Living Wage last year, analysis by the CCN and the SCT showed that the costs of the National Living Wage increase added £454m of unfunded cost pressures for the 40 county and rural unitary authorities.<sup>6</sup> The financial impacts of increased employment costs are felt across provider markets, with the Health and Social Care Committee recently noting the adult care provider market to be "in distress", in large part due to "facing underfunded increases in the National Living Wage".<sup>7</sup>

As a result of this, and the insufficient funding provided to compensate councils for the rise in employers' national insurance contributions, four in five CCN councils said they were in a worse financial position this year as a result of the decisions taken at the last Autumn Budget.<sup>8</sup>

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<sup>5</sup> Isos Partnership (2024), [Towards an effective and financially sustainable approach to SEND](#)

<sup>6</sup> CCN (2025), [Provisional Local Government Finance Settlement consultation: CCN response](#)

<sup>7</sup> Health and Social Care Committee (2025). [Adult Social Care Reform: The cost of inaction – Second Report of Session 2024/25, House of Commons.](#)

<sup>8</sup> CCN (2025), [Four in five county and unitary councils in a worse position than before the Autumn Budget and finance settlement, survey reveals](#)

**It therefore vital that councils are fully compensated for any increase in the National Living Wage to ensure adults and children’s services do not face unfunded new burdens that place further pressure on councils’ finances.**

### Local Government Reorganisation

The other significant reform agenda facing the sector at the current time is Local Government Reorganisation. Despite the significant opportunities that can be delivered through reform, if LGR is not designed and delivered in the right way, there is a real and present risk that it has a detrimental effect on outcomes for residents and on costs for taxpayers.

Previous work by PwC, commissioned by CCN and cited by the government within the Devolution Whitepaper, has shown the significant financial savings that can be achieved through reorganisation. However, it also demonstrated the significant one-off and recurring disaggregation costs of splitting up and duplicating county-wide social care services where more than one unitary council replaces a county council.<sup>9</sup>

CCN analysis of updated PwC data in March this year showed that replacing the 21 existing county councils with 29 unitary authorities with a population above 500,000 or more could deliver a net-savings of £1.8bn over five years. However, the same analysis also showed that replacing these councils with 58 new unitary councils based on a population threshold of 300,000 would create £3.7bn of disaggregation costs over five years, resulting in a net-cost to local taxpayers of £850m.<sup>10</sup>

However, the challenges associated with disaggregation in people-services stretch beyond the direct financial impact of the potential savings profile from LGR. These include the potential upward pressure on unit costs due to reductions in purchasing power; workforce deployment and the recruitment and retention of staff; reductions in provider capacity and placement sufficiency; and risks to the continuing quality of services. All these factors will have a major impact on the stability of care services and may even risk the sustainability of some or all of the new councils themselves, given the proportion of local authority budgets that will continue to be devoted to people services.

To evidence this, CCN recently published research with Newton from an extensive programme of work to assess the potential impact of LGR on local authorities’ people services. Specifically, this work has explored the impact of the geographical footprint and population sizes of new unitary councils on the costs, opportunities and risks associated with the disaggregation of county-wide services.<sup>11</sup>

The report’s findings indicate that decisions about unitary authority size and configuration will have profound, long-lasting impacts on the most vulnerable members of society who depend on people-based services.

Taken together, the evidence from PwC and Newton demonstrates that local government reorganisation - if it results in excessive fragmentation into smaller councils - will increase service delivery costs, erode economies of scale, deepen workforce pressures, reduce service quality, and threaten the financial sustainability of vital services. Following over a

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<sup>9</sup> PwC (2025): [Evaluating the impact of scale in proposals for local government reorganisation](#)

<sup>10</sup> CCN (2025): [Local government reorganisation – evaluating the financial impact of population thresholds](#)

<sup>11</sup> Newton (2025): [Local Government Reorganisation – analysing the impact on people services](#)

decade of funding reductions and increased demand for services, the risk to service continuity, quality, and cost is further heightened as the government embarks on a much wider reform agenda such as the Fair Funding Review and reforms to both children's services and SEND.

**We would therefore welcome the government using the Budget as an opportunity to maintain its previously-set direction of travel on local government reorganisation, with a commitment to create new unitaries with minimum populations of 500,000, on the basis that this will help support the government's agenda to achieve efficiency savings in the public sector whilst delivering reform that improves the quality of public services.**

We would urge you to take these areas into account when determining the next Budget, which of course has the potential to significantly impact on councils' finances for the next couple of years. There is significant potential across a number of key areas for central government to work in hand with local authorities to reform public services in a way that will deliver better outcomes and improve financial sustainability and – as ever – CCN members stand ready to work with the government to progress this.

Yours sincerely,



**Cllr Steven Broadbent,**  
CCN Vice-Chair and Finance Spokesperson  
Leader, Buckinghamshire Council