

Levelling Up, Housing and Communities Committee

Oral evidence: Financial distress in local authorities, HC 56

Monday 20 November 2023

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Kate Hollern; Andrew Lewer; Mary Robinson; Mohammad Yasin.

Questions 133 - 219

Witnesses

[I](#): Simon Hoare MP, Parliamentary Under Secretary of State (Local Government), Department for Levelling Up, Housing and Communities; Nico Heslop, Director of Local Government Finance, Department for Levelling Up, Housing and Communities.



Examination of Witnesses

Witnesses: Simon Hoare MP and Nico Heslop.

Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Select Committee. This afternoon, we have a final evidence session in our inquiry into financial distress in local authorities. We have already heard a lot from councils, council officers and others about the challenges facing local government. This afternoon, we have the new Local Government Minister, Simon Hoare MP, who is going to join us. Before I come over to you, Minister, and your official, I am just going to ask Committee members to put on record any particular interests they have that may be relevant to this inquiry. I am a vice president of the Local Government Association.

Kate Hollern: I employ a councillor.

Mohammad Yasin: I am a member of Bedford town deal board.

Bob Blackman: I am a vice president of the LGA and I employ councillors in my office.

Mohammad Yasin: Sorry, I employ a councillor in my constituency office as well.

Chair: I will tell them that you forgot about them.

Minister, welcome today. We appreciate that you have only just been appointed to the office, so we will turn the grill down a little bit today when asking the questions. You are very welcome to the Committee. I am tempted to say that we hope to see you again in the course of your ministerial career.

Simon Hoare: That makes two of us.

Q133 **Chair:** Some have been a bit more short-lived than others recently. Perhaps you could introduce your official who is with you today as well.

Simon Hoare: Thank you for the opportunity to appear before you this afternoon. I am joined by Nico Heslop, who is our director of local government finance. He is here to assist with some of the detail, as and when your Committee may require it.

Chairman, you have very kindly allowed me just to say a couple of introductory remarks with the leave of your Committee, which I will do. I am not quite sure whether I am now a poacher or a gamekeeper, having chaired the Northern Ireland Affairs Committee for four and a bit years. It is the first time that I have sat on this end of the horseshoe, and I have to say that Select Committees look very different from this side and far more intimidating than I thought they would.

Let me just say from the outset that I see myself as being, in part, a servant of this Committee. I want to work with you. I am a huge supporter of our Select Committee system. It is vital for the functioning of our



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parliamentary democracy, so I stand ready to appear before you, as and when that may be of help to inquiries that you have in hand.

Just as a headline point, in 2002, I was asked to be a parish councillor. In 2004, I was elected as a district councillor. In 2013, I was elected as a county councillor, and one of my first paid jobs was working in a local authority, so I am afraid to say that local government is somewhere deep within my DNA. It is an important part of how we deliver public services in our country.

The front of my folder says "Minister for Local Government". I prefer to see it as the Minister with local government, working in partnership with our councillors and our officers up and down the country to try to do what we are all trying to do here, which is to deliver quality public services for those who most need them. That is my starting point, and I hope that, as part of the Government team, we are able to deliver some of those outcomes for the good of all. Thank you very much again for the invitation today.

Q134 **Chair:** Thank you, Minister, for coming. We can echo the comments about proper working relationships between Ministers and Select Committees. Clearly, we are here to scrutinise and to challenge. We sometimes feel that, in raising issues very clearly and sometimes starkly about the problems that local government is facing, we can help you in your job of trying to convince the Treasury that those problems are real and need addressing as well.

Simon Hoare: You are right to indicate the Treasury. We have the Department for Education as part of the mix, and the Department of Health and Social Care, as well as my Department. None of us has, or would even pretend to have, the answers to all of the questions, but collaborative working between all parties can, hopefully, deliver something meaningful.

Q135 **Chair:** Could I, first of all, come to the financial challenges facing local government? Until five years ago, everyone would scratch their heads if you mentioned a section 114 notice and ask, "What are they?", because they simply had not been issued. Now we have had eight local authorities in that period of time issued with section 114 notices. Is this just a failure of the authorities or is it a failure of Government not to have identified the problems that they were having before they got to that point?

Simon Hoare: It is a mixed mosaic. There are, as you say, a number of councils receiving a variety of supports and interventions. I am tempted to say, "If only it was as easy as to say that there is one singular cause for all of them". They are different and varied, which is why each one will need a very bespoke solution to assist them in getting out of the problems that they face.

In the Department, we have a two-sided coin. The first is to work alongside those who find themselves in that situation and to make sure that they are in it for as short a period of time as possible and back up on a firm and



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stable footing. The other is to work very closely with councils to ensure that no more fall into that trap.

If I may, through you, sir, make this offer to local government, I am not a Minister who is going to be looking to point fingers, name and shame, and rub people's noses in problems. I am interested in trying to find collaborative solutions that deliver for local people. We would much prefer to have councils coming to us and saying, "We have a few alarm bells ringing. How can you stop us making them ring? How can you help us solve the problems before they become a major conflagration?"

They will be able to do that in confidence. My officials have a very good working relationship and are on first name terms across the whole of the local government family. I want to see that built upon, and we stand ready in order to help as best we can, but it is not a one-size-fits-all solution because it is not a one-size-fits-all problem.

Q136 Chair: We will come back to the differences between authorities in just a second. Just in terms of authorities coming to you, is the only way that the Department can identify whether authorities have problems when they pick the telephone up to your office and say so? How is the Department trying to address the need to monitor authorities and to identify itself when the alarm bells are ringing and financial failure may be just around the corner?

Simon Hoare: By definition, because of the range of services that our local authorities are providing, it is not just my Department that keeps a weather eye on these issues, but also the Department of Health and Social Care, the Department for Education and, in some instances, the Home Office with regards to certain elements, so there are a number of people.

I do not want that to be portrayed as being big brother hovering and helicoptering local government. Hopefully, many eyes can spot problems. There are a number of interventions, as I say, that we can make. There are a number of reporting mechanisms that local authorities can avail themselves of. When it comes into fruition and gets up to speed, Oflog will be quite helpful in helping us collate data and trends of information, et cetera. I am trying to nip as much of this in the bud as we possibly can at as early a stage as we possibly can.

Q137 Chair: We will come back to Oflog later. Precisely how are you identifying councils? Maybe the ones that get in the worst mess are not the ones that are going to come shouting "help" but the ones that you are going to have to proactively identify for yourselves. How is that being done?

Simon Hoare: Members of the public are certainly never backward in coming forward. Members of Parliament will clearly have, irrespective of party affiliation, a concern to ensure the best deal for their electorate. They are a very useful mechanism of saying, "You might just want to have a look here. I am a little bit worried about this". If I may, I will turn to Mr Heslop, who will have it chapter and verse. We did toy with whether it was going to be a waste of your time having such a fresh Minister, as you kindly



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mentioned, before you. I was very keen to come, but I add the caveat that I will not have all of the detail to my fingertips on all of your questions. Mr Heslop, however, does.

Nico Heslop: I hope that I do.

Simon Hoare: No bigging up there, Nico.

Nico Heslop: You are right that, over the last three to five years, we have significantly increased our understanding of what is happening in the sector. We work very closely with colleagues in the LGA and CIPFA. We have taken a lot of feedback from reports that this Committee and the Public Accounts Committee have done. We have a good set of internal models, which we have discussed previously at these sorts of Committees. Broadly, they are similar to models that CIPFA and others have. CIPFA's financial resilience model looks at things like inflexible spend, reserves and service pressure, and identifies local authorities that may be at higher risk or moving through the risk profiles.

We have, through the Levelling-up and Regeneration Act—I need to keep saying Act, not Bill—taken additional powers particularly around borrowing. We have recently consulted on three or four public metrics around the amount of borrowing that people have made versus their budgets. Oflog has recently published that data. As the Minister said, there will, in the future, be more and more of a role for Oflog.

The really important thing to say is that you can have all the data that you want—it is very important and we use it a lot—but there is no one single bit of data that tells you what is going on in a local authority. We use that to guide us towards which local authorities we might have conversations with, and we get intelligence from the LGA, from MPs and from councillors. It is quite multifaceted.

Q138 **Chair:** Finally, this is more of a political question, looking at comments made about authorities that have been issued section 114 notices and others. The Secretary of State has said that financial distress in local authorities is about the quality of local leadership. The Prime Minister said something similar on Friday. Everyone can see that, in some authorities that have got themselves into a financial hole, some of the decision-making has been questionable, to say the least. Putting that to one side, the evidence we have had in the first two sessions has been that, with so many authorities saying that, now, next year or the year after, they simply will not have the funds to deliver their statutory services, this is not a failure of decision-making, managerial expertise or councillors in local government in general. The problem is that they simply do not have the funds to meet their requirements to fulfil the services needed in their communities. Do you accept that?

Simon Hoare: Let us pause for a moment and look at some of the figures. Despite the challenging fiscal environment, which we all recognise, we have made over £5 billion available in 2023-24. We are assessing local



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government funding in the round ahead of the local government finance settlement, and I want that to be as clear and as speedy as it possibly can. It is equivalent to a 9.1% cash increase. Every local authority has received a 3% increase before council tax, and the most deprived areas of England will receive 17% more per dwelling.

I do not think that it is as easy as to say that this is a question of pounds, shillings and pence, as important as that is as an issue. We have given the two-year certainty and we will see what, if anything, the autumn statement this week contains that may help our sector.

The important thing that I would like to stress, Chairman, if I may, is that we do not anticipate people rushing to the lever of section 114 notices as, if I can phrase it in this way, the easy "get out of jail free" card. It is a serious issue. There are other ways of raising alarm and concern before that is done, and local authorities are not only aware of that, but will do it. It does have reputational issues for both the section 151 officer and the senior political and management team.

On the wider governance side of things, this is important and we do need to keep a weather eye on it. I am very proud of our public sector, both centrally and locally. There is a special motivation to all of us who say that we want to go and do some public service, either in the very granular sense of our local community or here in Westminster, but let us be absolutely frank with each other. The quality of elected Members of Parliament covers a whole range of the spectrum, as it will in local government or with officers.

We have to try to ensure, particularly if councils are looking to find novel, innovative, explorative ways to either reduce expenditure and/or increase income, that elected members have the relevant skills to closely scrutinise and cross-examine the officers, but also that officers themselves do not fall into the trap of believing that they should be the receptacle of all knowledge, and that they can advise the senior management team at the political level of the necessity of bringing in external expertise, particularly on property matters, for example.

These are very complex and not without risk. They can have some benefits and we should not throw the baby out with the bathwater, but I am not going to say that it is either all brilliant or all terrible. It is a curate's egg. It is a mixed picture. We have to find the best in organisations. SOLACE, CIPFA, the LGA and others are phenomenally good, which is why the Department supports quite a lot of the work that the LGA does in order to identify the deliverers and authors of best practice, to use that and to spread it around in order to maximise benefit and minimise risk.

Q139 Chair: The issue that we have heard in evidence is that it is not just about individual authorities now, but is a generality across the board of financial concerns being expressed. I will pass on in a minute to Mary, who is going to look at this problem specifically, but the National Audit Office has said that spending power has reduced by 26% since 2010. Whatever the last



years brought, it is against that background and reserves being used up almost completely in some cases. That is the challenge of the funding gap, as well as pressures of demand, which Mary is going to explore now.

Simon Hoare: If I could just comment, I well remember trying to do my council budget as a cabinet member for finance post 2010. There is no point in me sitting here and trying to treat you lot like a bunch of naïfs who do not know what is going on. It has been difficult and the local government family has sustained a very significant reduction in its spending power.

However, when you consider the increased demands for service across the piece, they have risen, in the main, magnificently to meet those challenges, and they deserve our thanks and adulation for so doing. The low-hanging fruit has clearly been picked. Things become a lot more difficult as one moves on, but I do not detect a deterioration in the appetite across local government for seeking new and better ways of delivering quality public service. Certainly, the Government as a whole, and my Department in particular, are acutely understanding of the key importance that local government has in delivering those services, and we stand ready to help.

Chair: I am sure that local government is still very keen to find new ways. It is a question of whether that meets the funding gap that exists, but Mary is going to explore that.

Q140 **Mary Robinson:** May I start by welcoming you to your post and to the Committee, Minister? It is good to have you here.

These are challenging times for local government. We have been hearing, as the Chair has said, from councillors and local government over the past few weeks and months. We have heard from the LGA that, over the next two years, local authorities are £4 billion short of the resources required to maintain their services at where they should be today. Do you agree with the LGA's estimate? Is that figure of £4 billion a concern to you?

Simon Hoare: Let me deal with the easy part of your intervention first, Mrs Robinson. Thank you for your kind words of introduction. You and I came in in the same cohort in 2015. I have always considered you a friend and I look forward to working with you on this Committee.

As a Department, both my predecessor and I, as well as my officials, have followed the process of this inquiry. There are a number of figures that have been bandied around. I am not keen, I must say, on attaching particular status of the mosaic tablets of stone to one figure or another.

What we can all unite around is that there are challenging pressures. Treasury is alert. Government Departments are alert. We have the autumn statement, as I say, coming up on Wednesday. As much as I would love to be able to take you into my confidence as to what it says, I am afraid that I have as much idea as you lot do, which is precisely nothing.

There may be something there, but, even if there is not, we will work alongside councils to make sure that none of them fall over and that all of



them can continue to deliver service. Whether that requires help and advice on the management of resources, whether it is reducing costs or whether it is increasing income, my Department can do some stuff, as can the LGA and others.

Nobody is going to be left behind in this process. One thing that we probably do not all forget, but which is worthwhile reminding ourselves of, is that one can argue about percentages, increases and decreases in settlements, and all the rest of it, but, at the end of the day, we are talking about people sitting at home with an expectation and need of service, whether that is for young kids who have been statemented as having special educational needs or whether it is granny or grandpa who needs some adult social care. It is the whole range. If we keep focused on that, that is a much better goal for us to work out how we can achieve these things.

I appreciate that, for some, that sounds incredibly naïve, like motherhood and apple pie, but I happen to believe that it is true and it is a motivation of the Government. We are not going to walk away from somebody and say, "You sort it out by yourself". We stand ready.

Q141 Mary Robinson: You will get broad agreement there. However, we are interested in what the Department is thinking about the funding gap. Presumably, those arguments are being made and the pleas have been put into Government for the autumn statement and the spending rounds, et cetera. If it is not £4 billion, would the Department have a figure in mind as to what it may be?

Simon Hoare: As tempting as your question is, I am not sure that it is particularly useful at this stage in the process to provide a running commentary on conversations within Government. Hopefully, it will give you and your colleagues on the Committee confidence to know that those conversations are taking place. Nobody is saying or believes—and this is an important point—that this is all just a made-up dream, nightmare or fabrication. We do understand the pressures. We get that and we will seek to find ways of attenuating against them. I hope that you will forgive me and understand that I am not going to give a running commentary, at this late stage, on what those submissions may or may not have said.

Q142 Mary Robinson: Does the Department have an assessment as to whether the funding that has been given to them is matching the demands on their services, spending, et cetera? We have been hearing that a lot of these cost pressures have become really difficult for local authorities to manage.

Simon Hoare: It is something that we keep under review to make sure that submissions made are as timely and accurate as possible. The first question that anybody who signs the cheques is always going to ask is, "Prove it. Demonstrate it". We cannot just go off the back of a fag packet. We have to have that, which is why the gathering of data and the interpretation that officials provide to the ministerial team is so pivotal.



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Q143 **Mary Robinson:** Given that we can assume that there is a funding gap, is there a plan in place to address it or is it all going to be unveiled on Wednesday?

Simon Hoare: As I say, I do not know what the Chancellor is going to say on Wednesday and whether he is going to be Santa, whether he is going to be the Grinch or whether he is going to be some rather interesting hybrid of the two, so we have to play our hand of cards when it is dealt.

The key point I can make at this point is that I have made a pledge to the local government sector that as much accurate information will be provided to it in as timely a way as we possibly can. I would anticipate a number of conversations taking place with Members of Parliament representing those areas during the consultation on the proposed settlement.

We are approaching it as a staged process. It is a play in many acts rather than a one act drama thing. We will work this through. We want to give confidence, we want to give certainty and we want to give clarity, but we do want people to understand that we will not leave them isolated and alone.

Nico Heslop: That is all absolutely right.

Simon Hoare: I am glad that you said that. I always worry that you are going to say, "That is quite all right, Minister, but"—

Nico Heslop: No, absolutely not. The way of thinking about it as a process is really important. Local authorities are all setting their budgets at the moment. I have never met a section 151 officer who comes and says, "It is all fine this year". We always have budget gaps. That is in no way to not take seriously the very real pressures facing local government, but we are at the stage of maximum gap, as it were. We will be publishing a provisional local government finance settlement before Christmas.

As the Minister said, this year's increase was over 9% on average. It was significant. Coming up, if you think about where inflation is today, as long as it roughly tracks the path that it is at the moment, I would expect that the settlement will deliver an above inflation increase in spending again. Government are really prioritising local government in the way that the Minister has described. Any local authorities that, after that, still have a gap and are unable to set budgets should come and speak to the Minister and to me and my teams.

Chair: Inflation on what measure?

Q144 **Bob Blackman:** Yes, exactly. What measure of inflation and which month are you applying?

Nico Heslop: If you think about where inflation is now, the settlement is likely to be above that.

Q145 **Bob Blackman:** Inflation is still continuing to fall.



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Simon Hoare: I very much doubt that it will be set at its peak, but it certainly would not be set at its anticipated landing spot.

Q146 **Chair:** It is around 4.5% now.

Nico Heslop: I would not be drawn, but we already set out, in a policy statement this time last year covering this, significant new council tax income and significant additional grants specifically for social care. There is already money coming into the system, which was not available this financial year.

Q147 **Chair:** Before we come on to the funding system itself, can we have some indication that, on issues like the public health grant, we will not have to wait until March before local authorities find out what is coming to them down the road?

Simon Hoare: Chairman, you make a good point. It is a point that I have been making to relevant ministerial colleagues, and is one that is not lost on them.

Q148 **Bob Blackman:** Welcome, Minister, and congratulations on your job. You have no doubt seen the evidence that we have received, even though you probably were not following it at the time, because you were doing your other role. We have had councillors, researchers and various people come in and say that the funding system is out of date. It is broken. It is not working. Clearly, the current position is that the funding formula, as was, to my recollection, was set up 30 years ago when Lord Barwell was a spud at the Department of the Environment. There is an issue here where they may have been tinkering around with the formula, but basically the formula is way out of date. Do you have any plans to reform that and, if so, what would they be?

Simon Hoare: First of all, thank you for your kind words. Just to remind you, the Barnett formula was introduced as a temporary measure by the then Labour Government to paper over the cracks of disagreement with regards to Scottish and Welsh devolution but it has now adopted the sanctity of the Ten Commandments and, of course, income tax was introduced as a temporary measure to fund the Napoleonic War. Try telling the Chancellor that today and see how far it gets you.

I take the point, and I am not suggesting that you should have followed my every Back-Bench intervention on this matter, but, if I can point you to my last PMQ as a Back-Bench Member of Parliament two and a half weeks ago, and to my contribution on the debate of the King's Speech, I spoke on both occasions of the need to look at the formula. I say at the outset that I have never viewed that as a "rob Peter to pay Paul" exercise. The rural areas such as I represent have acute and identified needs, as do the urban areas such as you, Mr Byrne, Ms Hollern and Mrs Robinson represent. We sometimes have overlapping but different pressures, but important pressures and differences nonetheless.



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Let me be frank and honest about this. The window to have a fundamental reform of the local government funding formula, if it existed at all—and I have been convinced that it has—probably existed immediately after the 2019 general election, when the Government had a good working majority to help drive policy changes through.

Along came the spectre of covid, and we know the huge burden that covid placed on local authorities. They would have thought central Government was eccentric to the point of just being non-understandable if we had, at that point, suddenly unveiled a massive consultation on reforms to, or ideas to reform, the local government formula. We are where we are. We have no plans in hand. There is no work at hand to reform the formula today or casting forward.

Q149 **Bob Blackman:** If I can just interrupt you, I understand that, but, of course, you can tweak certain factors that suddenly distort the whole position. I am assuming that you are not proposing any massive tweaking, because, if you do, that can distort the funding to local authorities quite considerably.

Simon Hoare: I am not envisioning any, because the best service that we can do is to, if I can use this phrase, Chairman, play the hand of cards that we were dealt rather than one that we might wish we had been dealt. Again, that speaks back to my point about the desirability and necessity of providing clarity and certainty to those who are charged with setting local government budgets, and we owe them that at least.

Nico Heslop: If I may add to that, exactly as the Minister says, we set out, last year, in what we refer to as the policy statement, a clear policy decision on about 90% of the funding in the £60 billion or so. That is already pre-committed, as it were, and so the room for any change beyond that is pretty limited. Ministers were clear last year that, exactly as Minister Hoare says, now is not the time to reform. Now is the time for stability. We have recommitted in that policy statement that we were still interested as the Government in the more fundamental reform, but not for now. We try to provide as much certainty and stability for this financial year, and we have done so.

Q150 **Bob Blackman:** I have a couple of other areas. The council tax base and valuations of properties were set more than 30 years ago and have never been kept up to date. We have brand-new properties. Property prices are way out of kilter and there is a huge imbalance across the country in terms of what those property prices would look like. No Government over the last 30 years have had the bravery to do anything about this. Are you looking at something for the long term—you are obviously not going to do anything immediately—to try to get property prices or bands reflected in the way that local authorities collect council tax?

Simon Hoare: Let me not set a hare running by reaffirming your assumption and suspicion. There are no changes coming to that any time soon. I note that the Welsh Government are either just about to embark



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or have just embarked upon a consultation, and I am going to look at that, because it is important not to rule any ideas in or out. You may get bored of me saying this, but, in the interests of certainty and clarity for local authorities and for council tax payers, we have no plans at hand for the revaluation of the base.

If I may, I will make this point as well, at a time when all of us, through our constituency surgeries and engagements with constituents across the piece, will be more than conscious of the very considerable hardships that families have gone through as a result of the cost of living crisis. As it looks as if, having steadied the ship, we have, hopefully, steered into calmer waters—we are seeing inflation falling, which should lead to less pressure on interest rates and the like—I would not want us to be the Mr Gradgrind on all of this and snatch away the immediate benefits that families have been able to feel in their family budgets and in their back pockets.

Q151 **Bob Blackman:** Finally from me, the fair funding review that was promised appears to have been shelved. Do you have any plans to resuscitate it?

Nico Heslop: That is what I referred to. In the policy statement last year, we recommitted Government's support for something like that. Whether it is exactly as constituted previously is a question for the future. We are still looking at that, but we have just ruled it out for this and next financial year.

Q152 **Chair:** About a year ago, the Secretary of State told this Committee that he had asked your predecessor to do a significant review of council tax, which he described as "regressive". How far has that review got?

Simon Hoare: He has not asked me.

Q153 **Chair:** Is it still continuing?

Simon Hoare: No.

Q154 **Chair:** So there is not a review now.

Simon Hoare: There is not a review in the formal sense of the term. When one says that, that suggests that eyes, ears and minds are closed. Ministers and officials will constantly have conversations, thoughts, ideas and representations from individual councils that have ideas and from the organisations representing local governments. I am tempted to say that it is not a question of whether but when, but I know that it is not now.

Q155 **Chair:** Just to be clear, the Secretary of State said to this Committee, "I have asked the Minister for Local Government to undertake a review". It is there, in black and white, in our records from the hearing. It was confirmed by the Minister when he came to see us that he had been tasked with that and it was going to happen. The Secretary of State cannot announce a review only for it to disappear without anything more, can they?

Simon Hoare: The point I am making is that I am absolutely certain that lots of work is done on all areas as it affects local government. I have



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certainly seen some evidence to suggest that that piece of work has been in hand, but it would be described as a work in progress rather than a finished piece.

Q156 **Chair:** Yes, but it was a review, which tends to imply a starting point and a finishing point.

Simon Hoare: I do not think that it necessarily does. A review indicates a preparedness by Government to listen to experts in a particular field, to pick their brains, to see if there are any ideas, to mull them over, to assess them and to stress test them. What you are suggesting, Chairman, would be a very peculiar way of delivering Government, whereby somebody comes and says, "This is what we are going to do" and then a Minister says, "That sounds like a great idea. We will crack on and do that". This has to be a thoughtful piece of work.

Q157 **Chair:** Exactly, so we are trying to find out how far that thoughtful piece of work has got.

Simon Hoare: I shall give thought to it, of course.

Chair: We will ask the Secretary of State when he comes to see us.

Simon Hoare: The point that I am making is that we want certainty and clarity for now, but we are more than aware that there will be some large challenges on structural issues, as far as it comes to support for local Government, that we are going to have to face into. I do not think that I or Mr Heslop can add anything to that.

Q158 **Ian Byrne:** You are doing a great job and you do sound a bit like the Secretary of State in the way you are answering the questions.

Simon Hoare: Mr Byrne, I will not ask whether that is intended as a compliment—

Ian Byrne: You take it as you wish.

Simon Hoare: —but I will bank it as one in the interests of friendship.

Q159 **Ian Byrne:** You are just a little bit complacent, because we received evidence on the funding system from Jonathan Carr-West that it is "broken and not fit for purpose". Councillor Claire Holland said, "We would say not only that we have had chronic underfunding, but that we have a broken funding system". There were consistent messages coming from all the evidence that we had. You are talking about steering into safer, calmer waters. Sometimes something is completely broken and needs fixing, but you have not really addressed that. You realise that there is an issue.

Simon Hoare: I am not seeking to downsize the scale of the concerns that you have heard, which have been given to you in good faith and sincerity. That would be churlish of me to do so. The words "broken" and "beyond repair", et cetera, are often bandied around, whereas, in fact, certain things are capable of being reshaped and reformed to make them fit for purpose.



Q160 **Ian Byrne:** I get that, but you have not touched on reforming and reshaping.

Simon Hoare: I would just go back to this fundamental and basic point of realpolitik. On the rocky road of recovery post-covid, given the scale of demands that were placed upon local government, I honestly do not believe that fundamental root and branch reforms in a whole set of areas would have been either welcome or productive. What I hope is that there is certainty with regard to the levels of support that we are providing. As I say, we will just have to wait for the autumn statement to see what else is happening, rather than throwing the whole local government family into a period of uncertainty while very unsettling, big and impactful reviews and consultations are ongoing.

I am not saying that there is not a time for that. I am merely saying that the time for that is not now, because there is not the bandwidth to be able to deal with that in the serious and sensible way that that task requires.

Chair: Can we move on to the very difficult question of funding distribution?

Q161 **Kate Hollern:** It sounds a bit like a session of "Yes Minister".

I am unclear. You recognise that we are using data that are well out of date for formula funding. Do you understand the impact on local authorities of using that antiquated, outdated formula?

Simon Hoare: Yes and no. You can now say, "Thank you, Sir Humphrey" on that. Yes, of course, because it would be naïve to suggest that anything that is of 30 or 40 years' standing is not in need of being looked at. We are not sitting here saying to you, "I do not recognise the narrative. I think that they are all wrong. The formula is perfect. It is unchangeable, because it is great as it is".

As I understand it, the cri de coeur that you have heard, and I have heard in the last few days, from the local organisations is that it does not require a root and branch reform or tinkering to the formula. We just need to have certainty that Government are understanding of our problems and stand ready to help. That is the certainty that I am keen to communicate in my conversations with them and, Mr Chairman, through your Committee.

We are not saying, "Go away. You are wrong". We are saying, "Yes, we get that. We understand that there are pressures vis-à-vis DfE. We understand that there are pressures with regards to the Department of Health and Social Care. We understand that there are pressures within our Department", but there is no Government Department that is trying to fight against that trend of narrative, which would be saying that everything in the garden is rosy. We are not saying that, which is why the spending powers have gone up and why we are trying to work alongside local government to make sure that it can do a job of the quality and range that it wants. That is what we are committed to achieve, and that is the comfort point that I want local government to take away from this.



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Nico Heslop: If you take us back to this time last year, ahead of the autumn statement, when the situation facing local government was extremely serious, there was, as the Minister said, no one in local government saying, "What we need to do to solve this problem is to throw everything up in the air", to use the Minister's words. Ministers took a decision to prioritise certainty as much as they could for the two years and to rule out those changes.

Of course, as the Minister said, there is lots of thinking going on externally. There is lots of interesting work being done by think-tanks. We speak to people all the time. We speak to local authorities. There is lots of thinking going on, but the position of Government is clear that we are not going to consider that in a public way until after financial year 2024-25. That was the decision taken a year ago and people in the sector thought that that was, largely, the right call, given the real challenges that the sector was facing. That is why the Government then put in significant more cash this year and have more to come next year.

Q162 **Kate Hollern:** The relative needs assessments that determine funding to local authorities are from 2013, so it is 10 years. Do you recognise the changes that have happened within local areas in those 10 years? For example, the population of Blackburn has grown by 5.6%. More importantly, and more widely across the country, the formulas used show that the poorest fifth of councils get about 10% below their assessed needs, and the richest fifth get 15% above. When something has such a terrible influence or impact on how councils run their business, surely we must recognise that this is really serious. People are not getting the services that they need, which is probably why you have a lot more councils struggling financially. Surely, that must be a matter of urgency, or do the Government not recognise that a fair distribution is important?

Simon Hoare: Fairness has to be at the heart of everything that we do. Fairness does not equate to equality across the piece, per se, because we know that there are different geographies with different needs and demands. To take the point you make, Ms Hollern, which I hear and understand, that is why the most deprived areas of England will receive 17% more per dwelling in order to reflect that. You are right to point to the complex mosaic of pressures in demand.

We have an insatiable increase with regards to special educational needs. We have a National Health Service that does phenomenal work to support the healthcare needs of our growing elderly population, but that is not a freestanding issue, because that will then spill into the demands on local councils with regards to care packages and the like. We are seeing changes in demographics. We have the new housing coming in, which will generate, in and of itself, more council tax, because there will be more houses in a council's geography. That will often just be eaten up by the increase in demand that is placed upon it. We have had the changes as a result of the academisation of schools and the whole way that education is funded.



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There are those pressures, but, again, I want to make this key point in my first outing in front of you today about fairness, about understanding that one size does not fit all, and also about an appreciation that urban problems and challenges are as great as and equal to those faced in rural areas. I am not going to be tempted to go down the road—and I am not suggesting that you are trying to tempt me down this road—of playing urban and rural off against each other. That is a fairly arid way of trying to do politics. At the end of the day, we are all focused on delivering services for people, and it makes no difference whether they live in Bootle or Blandford Forum.

Q163 **Kate Hollern:** I would not appreciate areas all being treated differently because they are rural or urban. What we really need is something that addresses relative needs. My concern is that the current funding does not seem consistent with the Government's levelling up agenda. To me, it is almost doing the opposite.

Simon Hoare: My ministerial colleague, Jacob Young, has been announcing in the House this afternoon, as you know, the latest round of levelling up funding. For anybody who thought that the levelling up initiative was going to solve all of the problems in the lifespan of a five-year parliamentary term, we are dealing here with a lot of long-term and long-neglected issues of northern industrial town decline—and you will need me not to lecture you on that—but also the decline in coastal areas and the need for rural levelling up.

It is a big tanker to turn around. The work that successive Governments have done in this arena of levelling up is, in the first instance, starting to give people hope that their areas have not been forgotten, that they are very much front and centre in the minds of Government and of Ministers, and that we are trying to, through a number of interventions, arrest what many people thought was always only ever going to be the management of decline.

I happen to be a good old-fashioned one nation conservative, and I think that all parts of our kingdom and all people within it merit the support and the attention of Government Ministers, irrespective of which political party they happen to belong to. That is my personal philosophy. I am pretty fortunate that it seems to chime with the Government at the current time as well.

Chair: We have quite a few issues to get through in a reasonably constrained period of time. We do not want to push things too hard, but we will try to get through all the issues if we can.

Simon Hoare: Push as hard as you wish, Mr Chairman.

Q164 **Mary Robinson:** The Government often bring in new initiatives and legislation, and pass the responsibility for delivering them to local authorities. However, we have been hearing evidence from councillors who think that they are being set up to fail by the Government introducing new responsibilities for local authorities, but not providing them with the



funding to match. Does this align with your own assessment?

Simon Hoare: No, it does not, but it is a trap that any Westminster Government have to be careful not to fall into. I do not think that we have, because, as legislators, we know that the creation of a power or a duty is one thing, but the meaningful, beneficial delivery of whatever reason had been the genesis of it is quite another.

Of course, we keep a weather eye on that, as would all Government Departments for which they were creating duties and responsibilities. Again, that speaks back to my mindset or my outlook—call it what you will—that local government does not work for central Government. We are a partnership; we share the word “government” in our titles; and we do damage to our people if we forget that.

Q165 **Mary Robinson:** How does the Department ensure that a local authority being given responsibilities, let us say, for homelessness reduction or recycling improvements is going to get the funding to match those responsibilities?

Simon Hoare: I am going to ask Mr Heslop to deal with that, but what I would like to put on the record, if I may, with regard to homelessness is that it is an issue that the Secretary of State and I, as well as other Ministers in the Department, take very seriously. Let me say from the start of my relationship with you that homelessness is not a lifestyle choice. There are many complexities, and Mr Blackman has done so much work on this. I am not preaching to the choir in that respect, but there are so many issues that play into the reason why we see people on our streets. To try to paint one problem, one solution and one driver would be a folly. While I possibly should know the detailed answer to your question, I do not. Mr Heslop will, so I turn to him.

Nico Heslop: The responsibility of one of my teams is to look at every announcement or new initiative that is being made across Government. Where a new burden, so called, is placed upon local government, my team works with those Departments and does an exercise to cost out what that new burden will be. Departments then pay additional funding to local government. That is a longstanding principle that we have in place and a function that one of my teams runs.

Q166 **Mary Robinson:** So you interact with local authorities when you are making those assessments.

Nico Heslop: Yes. These things are often new initiatives, and so it is not very easy to model what the impact would be. We often encourage Departments to work with local authorities, to learn from them and to maybe pilot stuff with them in order to build up a better understanding of what the cost will be across the whole of the sector.

Q167 **Mary Robinson:** I am wondering why they are saying that they are being set up to fail if they are immediately thinking that they are not going to be able to deliver it within the budget.



Simon Hoare: I am sad if somebody does think that, and I am happy to meet with them to discuss that perception. It is not the case, and it would not be fair to assess that one group of public servants would deliberately set traps that can only result in failure with another lot. We are a public sector, public-facing, public service-delivering family at central and local level, and the idea of a Blofeld-like strategy, with some Minister stroking a cat at his or her desk and saying, "How can we make those devils fail on this particular one?" is not a picture that I recognise as a Minister, although I appreciate that that picture is quite a small one. It is also certainly not one that I recognise as a backbencher over the last eight and a half years in all of my conversations, either with my council or, indeed, with Ministers on behalf of my council.

Q168 **Mary Robinson:** Of course, there are so many pressures within local authorities, and one of the other ways that they may try to keep on top of them would be to raise council tax. One of the issues is that there is, of course, a cap, which would require a referendum to be held if it is exceeded. Is that the right way to do it? In very many cases, inflation is running higher.

Simon Hoare: It is the way that we have, and it is up to local authorities to test their proposals if they wish to go above the percentage threshold through a referendum. Government have no money, as Mrs Thatcher was always quite keen to remind us, and local councils have no money, apart from that which is raised from taxation, either centrally or locally.

We have a duty. I have referenced and will not rehearse the points about the need for us to keep the cost of living crisis at the forefront of our minds, but, if councils wish to test an argument on a specific project that they think will deliver a huge amount of benefit to their area, they can, of course, take it to their electorates and explain it. I am not going to stop councils doing that, if they so wish.

It is also worthwhile, when we talk about the cap, to think about the other components that play into our council tax bill. We have the social care levy. There is the element with regards to policing and, if you are in an area such as mine, there will be the town and the parish council precepts as well, and so we have to try to view it also in the round, not just on the local authority bit of the expenditure.

Q169 **Mary Robinson:** Why do the Government restrict local authorities' ability to raise fees to cover their costs, for example, on planning services? That, or perhaps licensing fees, could be another way that they could add to their revenue.

Simon Hoare: Again, we have the system that we have. Is anybody saying that it is perfect and beyond reform? No, nobody is. Might we arrive at exactly the same system? Yes. There is always a danger, to take planning fees for example, that, if it became too much of a cash cow for local authorities to milk, you would see disproportionate levels of development in areas that were more competitively priced and much-needed



development not taking those in areas that, effectively, price themselves out of the market. That might be a way of giving further ventilation to a strategy of resisting development in a particular area. We keep a weather eye on that. It would clearly be part of the mix in a wider review of how local government is funded, but it is not going to be changing any time soon.

Q170 **Mary Robinson:** One of the important parts of this whole equation is having some certainty. In the last five years, local government financial settlements have been one year only. Will the Department make longer-term funding settlements and commitments to local government?

Simon Hoare: This is year two of a two-year strategy, so that has certainly, in my understanding, provided certain base points from which section 151 officers and political leaderships can base spending commitments. I have asked my officials and they have agreed, rather than to provide just one great wodge of information, to make sure that information, as long as it is clear and correct, is disseminated to local councils as quickly as possible.

We are not aided in that by the fact that, in comparison with previous years, this year's autumn statement is quite late. What I want to do, which probably is at the heart of your question, is to allow section 151 officers and cabinet members for finance and resources to at least go and spend a little bit of Christmas time with their families rather than burning the midnight oil in the council chamber tweaking budgets because figures have come through very late or unexpectedly.

Notwithstanding the pressure I have put on officials, a pressure that I must tell you they have not sought to resist at all, my twin urging to them is that this must be correct as well as timely. I do not want people starting to set spending plans only to receive another missive some little while later from us saying, "I am frightfully sorry, but we got the numbers wrong", "There was a nought in the wrong place" or, "We put the wrong percentage", et cetera. Accuracy and timeliness are our key drivers, are they not, Mr Heslop?

Nico Heslop: Absolutely, so no pressure at all.

Mary Robinson: Both of which, I am sure, will provide some reassurance.

Simon Hoare: I hope so. Whoever coined the phrase, "Ignorance is bliss" has never lived in ignorance.

Q171 **Chair:** We are going to move on to the issue of children's services. The issue of fees and charges seems to be a very simple one. If cost pressures are rising in a local authority, why is it not right that those pressures should be borne by the individuals receiving the benefit of a service from local authorities, such as a licence or a planning application, rather than everybody else having to pay for it? In the end, why do you, as Minister, know better what those cost pressures are than councillors in a local



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authority, who have to deal with them on a daily basis?

Simon Hoare: Local authorities can enter into a planning performance agreement with a developer, where the developer will pay for—

Q172 **Chair:** That does not apply to regular planning fees or to licences.

Simon Hoare: It does not. Is the scenario that you suggest wrong as a matter of principle? No, clearly not. It is a different way of doing it to that which we are now doing. I am absolutely certain that, within the broader mix of a strategic review, as and when, or should it be forthcoming, the issue of fees and charges would be pretty important.

Again, I make this point—I am sure we have all heard it from traders in different areas—about car parking charges. This is one of the easiest cash cows for a local authority to milk, but that means people are more likely to shop online or go to a large retail park where the car parking is free. That has a very manifest negative impact on the local high street, but it is a very easy way to raise cash.

Within that, we always have to be careful. I am a trusting sort of bloke who is always keen not to fetter and not to spoon-feed, but anybody doing the job I am doing or the job the Secretary of State is doing always has to have a weather eye on those easy go-to ways of raising revenue, which can have unforeseen and unwelcome consequences.

Q173 **Chair:** As Minister, you do not control car parking charges, do you? That is one of the things you do not control.

Simon Hoare: Yes, precisely.

Q174 **Chair:** Your example about why you should not do other things is not really—

Simon Hoare: My example is, “We need to raise some more money. We will put car parking charges up”. The usual people who complain about that are shoppers and traders, who say that their footfall has gone down.

Q175 **Chair:** That is a decision to make at a local level.

Simon Hoare: That is a decision for local authorities, but is one they need to take carefully.

Chair: Perhaps we can move on now to children’s services. We are aware there are some challenging issues there.

Q176 **Mohammed Yasin:** Children’s social care costs have reached an unsustainable level because of very high demand and a lack of supply. What is your Department doing to tackle and resolve this very serious problem?

Simon Hoare: First of all, you are right in how you set the problem. It is a challenge of supply and demand. My starting point is that we need to try to find ways of ensuring that the securing of funds and support does not



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have to be the battle royale it is on too many occasions. Very often, parents are in already stressed and stressful enough family circumstances as it is, caring for a child with identifiable special needs, et cetera. We have to try to make it as easy as possible for them. Sometimes the system does not allow for that.

In direct answer to your question, we can give you a written joint submission with the Department for Education, because we have to have a twin-pronged attack on that. You are right to highlight the concern that we do hear, which is about the need to turbo-boost the number of practitioners and service deliverers in order to meet that need.

There is another thing I am conscious of, Mr Betts. I say this as a side observation. We have to find a way of ensuring that it is not just—and I do not criticise them for this so I hope the headlines do not run in that way at all—those who shout loudest who get most. That does not necessarily mean that those who are in most need get what they require. We always just have to keep a weather eye on the sharp-elbowed middle classes, who are very good at understanding the system and have friends and colleagues who are professionals and who can help advocate in particular cases. We have to make sure that we are delivering for all irrespective of the socioeconomic background of parents or whatever.

Q177 Mohammed Yasin: We have heard this from a number of your predecessor Ministers, but what is the actual plan? We have got to the point where we have to do something about it. What are the Government's plans?

Simon Hoare: We have indeed. The key driver on this clearly—this is not passing the buck; this is just a statement of departmental responsibility—has to be the Department for Education. I know Mr Heslop has been doing some work on this issue. I will pass to him to fill you in on what he has been doing over the longer period of time than the five days I have been here.

Nico Heslop: We work very closely with the Department for Education. I am sure Minister Hoare will be meeting his colleague from that Department very soon. The Department for Education would recognise, and we would recognise, that there are significant cost pressures.

One of the issues is to do with the market in children's social care. The Department for Education published a document called *Stable Homes, Built on Love* earlier this year, which recognised problems with that market. The Competition and Markets Authority also undertook a full study, which was published last year. The Department accepted all of the recommendations of the Competition and Markets Authority.

I can tell you a bit more about the priorities in the *Stable Homes* document. There are three big areas. The first is about boosting placement capacity. There is about £250 million to try to boost places for the most complex children in society.



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The second is about trying to boost the workforce for foster careers, which has been shown to be an intervention that is both good value for money and, more importantly, achieves much better outcomes for individuals, if you are able to keep children with loving families, rather than going into care further down in the system.

The third is about tackling some of the issues with the market. The Department is trying to encourage local authorities to take part in what are called regional care cooperatives. In my layman's understanding, that is about bulk-buying and greater purchasing power for local authorities to try to achieve better value for money contracts.

There are some big challenges. Neither we nor the Department for Education are suggesting that the three things I have read out are the end. They are the start. It is about learning, testing and looking at what is best value for money and what achieves the best outcome. There is a clear plan. Looking at things like children's social care is something that will continue beyond that.

Q178 Mohammed Yasin: You are talking about the children's social care market. In one of our evidence sessions, one of our witnesses said that the market is broken. Minister, what is your view on that?

Simon Hoare: The market is under stress.

Q179 Mohammed Yasin: Is it broken?

Simon Hoare: No, I would not describe it as broken. As I say, there are stresses.

Q180 Mohammed Yasin: Is it on the verge? Is it nearly broken?

Simon Hoare: Is it capable of being broken? The answer to that is yes, but so is everything. Is it under extreme pressure? Of course, yes. Is it under unprecedented demand? That is pretty obvious.

That is why the Government, via the DfE, accepted in full the recommendations of the Competition and Markets Authority's report on this issue. It is not trying to second-guess or undermine the advice. There is a clear commitment. It is not that we can wave a magic wand and it will be done in five minutes. There is an understanding of the problems and the challenges and a determination to address them.

Again, this is a fundamental key point. You will not have a Minister saying, "That is not a picture I recognise. They are all wrong. They are all leading you up the garden path". Nobody is saying there are no problems, challenges, stresses and strains. Of course there are. How you solve those problems depends on the mindset with which you face into them.

That has to be a collaborative approach between Government Departments with responsibilities in those areas working in close concert with councils. Nobody is going to be able to fix or deliver it on a freestanding basis. That is the mindset with which we approach this. I hope that gives a certain



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degree of comfort to those who have legitimate concerns about this that we are not doing a Nelson and turning a blind eye.

Q181 **Mohammed Yasin:** I am pleased that the Minister has recognised this problem. Your many predecessors did exactly the same. They came here and said that, but nothing has been done. What are going to do to solve this problem that is different from your predecessors?

Simon Hoare: It is a good question that you ask me. I am going to answer it as sincerely and honestly as I can.

Before the current Prime Minister came into office—I am going to just say this as politely as I possibly can—there was an intense period of political instability in this country. That was a missed opportunity, I am afraid to say, to deliver some of the things that should have been done. What we are committed to doing—this is what the Prime Minister has charged all of his Ministers to do—is not using that as an excuse but as an impetus to turbo-charge our thinking in order to make up for that time and deliver some tangible changes to the benefit of people in our country.

I happen to think that that is not a contentious proposal to set before parliamentarians and the local government sector. It is something we can all unify around. We could spend hours and days poring over the embers and the wreckage, in a bit of political navel-gazing. That would be fascinating for the talking heads and others, but would it shift the dial in the quality of life of the people who most need to see that dial shifted? The answer to that is no.

This is why the Prime Minister had a major reset last week. The past is the past. We can do nothing about it. All we can do now is face to the future and take some tricky long-term decisions for the benefit of our fellow women and men up and down these islands, which were all privileged to call home. I am delighted to be playing whatever part I can in that process of delivery.

Q182 **Mohammed Yasin:** Minister, the reality is that local councils around the country have not received enough funding to meet the high demand. That is the reason we are sitting here today talking about the huge deficits. Let us talk about the deficits for SEND services, which are ring-fenced. The forecast is that there will be a deficit of £3.6 billion by March 2025. Many councils' costs have been significantly outstripping the funding they receive. What is your plan to meet and address the causes of these deficits?

Simon Hoare: I can only have a plan when I know what tools I have to deliver it. I am afraid I am going to have to caution a little patience. Let us see what, if anything, the Chancellor has to say on that issue on Wednesday in the autumn statement. If he says nothing, that does not mean the problem goes away. Does that mean it is going to have a huge amount of attention and action from Ministers and others? Yes, it does. I made this pledge to you this afternoon. The issue will get it.

Q183 **Mohammed Yasin:** Can you give us a few examples of action that has



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been taken so far?

Simon Hoare: I am too new in post to have been able to sculpt out, with any degree of certainty or clarity, how we might improve this situation. I know we can. I know an element of it will be a certain amount of funding, but that is not the only thing that can play into delivering change. We can all work alongside each other to deliver that at pace. That is something I am committed to doing. I do not know whether Mr Heslop wants to add to that.

Nico Heslop: Again, this is a lead for the Department for Education, and we work very closely with it. It also published a document in March of this year called the *SEND and Alternative Provision Improvement Plan*.

It is worth saying a few other things. Funding for SEND has increased significantly. It will be over £10 billion in the forthcoming year. That is up 60% since 2019-20. Again, like in local government, the Government have taken decisions to prioritise spending on wider local government and on SEND.

We have also extended the statutory override until the end of March 2026. The Department is working on a number of issues. Again, like the funding reform or children's social care, no one is pretending that these things are going to solve every problem on their own. These are long-term challenges, but it is clear that the Department for Education, on both children's social care and SEND, is seized of the issues, taking appropriate steps and building the case for potentially going further in the future.

Q184 **Mohammed Yasin:** How will the Government support those local authorities with deficits when the statutory override ends?

Simon Hoare: We can face into that at the time. I reprise the point I made earlier. We will not stand idly by, twiddle our thumbs with some sort of laissez-faire approach to these things and see key public service providers topple over. We just will not do it.

There may be a variety of interventions that have to be deployed from across Government Departments in order to achieve or revert what it is you are alluding to, but we are not going to go, "No, we do not see what is going on there". We stand ready to help.

Q185 **Ian Byrne:** Earlier, you were saying that fairness is at the heart of everything as a one nation Conservative. I just wanted to ask you for a comment on Josh MacAlister's report. It was an independent review conducted by the Government in May 2022. With 83% of children's homes being in the private sector, the report commented on the high cost and profiteering in the children's social care market.

He said, "When finding a home for a child in care, our obsession must be putting relationships around them that are loving and lasting. Providing care for children should not be based on profit. The current system is a



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very long way from these principles and ambitions being realised". Do you recognise those words? Would you agree with them?

Simon Hoare: I have certainly read those comments. Let me repeat again—because it is important—that DfE acknowledges the problems in the children’s care market. The Competition and Markets Authority report was published last year. The DfE resiled from none of the recommendations that report made. It is being studied and strategies of implementation are emerging.

Q186 **Ian Byrne:** What influence are you having on this as a Department?

Simon Hoare: There are meetings in my diary coming up, and there will be lots of discussions between the two. If Government have a duty of care to anybody—and we have a duty of care to everybody in need—it is to our most vulnerable children, who often have no voice with which they can articulate their needs. That is where the need is strongest.

I do not see anything that is alien or conflicting in the two concepts of having kind, effective and quality care where the providers of it can also make a profit. What none of us will want to stand idly by and see is a profit being made and the quality of the care—

Ian Byrne: You have rose-tinted glasses, Minister.

Simon Hoare: I am saying this without my glasses on, Mr Byrne. It is perfectly possible. If you look at our major retailers, they will make a profit but deliver a very good-quality service to their customers and staff. Profitability and quality are not mutually exclusive.

Q187 **Ian Byrne:** This is a public good. It is not a high street supermarket. We are dealing with children. We know it has failed. We know it is failing now.

Simon Hoare: If the public sector is looking to private providers, as we do across the piece—you do not need me to tell you this to—to help assist in providing a service, I do not see it as unreasonable for those private sector providers to make a profit. Otherwise why on earth would they be in business? A strained and stressed situation would be a whole lot worse.

I am not going to—and nobody in the Government would—defend a service provider making profits at the expense of the quality of service, which is why it is so important that DfE accepted the CMA report in full and has committed to implementing it, again in full. There was no second-guessing, undermining, dismissing or challenging. It was read, was accepted and is being implemented.

Chair: We have to move on to the next issue, which is adult social care.

Q188 **Kate Hollern:** Minister, it was very refreshing to hear you accept that delay through previous Prime Ministers has caused some problems. Of course, that has created a much bigger issue for local authorities because things have been ignored for quite a few years.



Simon Hoare: All I would say on that, if I may, is that I was alluding to the ability to deliver dial-turning reforms. The packages of funding, which were referenced by me and Mr Heslop, indicate that even during those challenging times the Government were still able to walk and chew gum. They were still able to deliver uplifts in the funding to local government in order to help address the recognised increase in demand. The Government were doing other things at the same time.

Q189 **Kate Hollern:** Yes, but we have all recognised that the use of data that is 10 years out of date has meant we are not allocating the correct level funding to quite a high number of councils, which is leading to the financial distress they are now in.

However, this Committee previously recommended that the Government urgently need to allocate more funding to adult social care, in the order of several billion. One estimate I have seen is around £7 billion a year. What is your assessment of the current funding position and how would you plan to address the long-term funding of adult social care? With children's services we have already recognised that prices tend to increase when you privatise. How do you see the long-term funding of adult social care?

Simon Hoare: On that latter point, there is the option for local authorities to act collaboratively in order either to hold prices steady or to drive them down through greater purchasing power. That is a tried and tested method, which can work and can be deployed across sectors.

We have increasing demand for adult social care. That is something that is not going to end any time soon. In many respects, while we are facing into a worrying and demanding set of statistics, that is the product of a huge success story. We often talk about the demographic time bomb as if it is some sort of frightfully destructive thing. The fact that our fellow citizens are living longer is a huge triumph for the efficacy of the National Health Service.

Q190 **Kate Hollern:** I am just conscious of time. How do you plan to address long-term funding for adult social care?

Simon Hoare: I am going to pray in aid my old friend patience with regard to the autumn statement. The Government are aware of it. There may very well be something in it. We will of course be taking it into account. We have done already, with £3.2 billion available in 2023-24. That goes up to £4.9 billion being available in 2024-25 through the local government finance settlement.

We have not turned a blind eye to this. There is always going to be a debate about whether it is enough. You can ask six people what enough is and what they assess the problems to be, and very often you will end up with eight answers.

Again, I make the point—it is not intended to be irritating mood music but a way of trying to underscore how we are approaching this—that you have not heard me, in the same way you would not hear this from the Secretary



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of State, the Secretary of State for Health and Social Care or whoever, turn around and say, "There is no problem. This is all a phantasm. People are asking us to fix an issue that does not need fixing because everything is perfect". None of us is saying that.

I am new to post. I have a very full diary of conversations with Ministers in these two Departments. I am very confident, knowing the individuals as I do and knowing the Secretaries of State as well as I do, we will work incredibly well together because we are focused on people. That is the great unifying factor between central Government and local government.

Forget the percentages; forget the figures I have read out; forget the reports; forget this, that and the other. It is people. It is our fellow man and woman who we are trying to support, keep healthy, educate, look after and all the rest of it. As long as we keep that at the forefront of our minds, we will find solutions to these problems. You will not find us saying, as a Government, "Nothing to see here. There is no problem. You are all making it up. You are all shroud-waving".

Q191 Kate Hollern: I have to say that I am none the wiser about how you are going to address long-term funding. However, our adult social care report also emphasised the need for closer collaboration between your Department and the Department of Health and Social Care. Are there cross-Department efforts to ensure that there is adequate funding for adult social care?

Simon Hoare: Yes.

Q192 Kate Hollern: Just very finally, when did you last meet your counterpart in the Department of Health and Social Care? What was on the agenda?

Simon Hoare: We met informally last Thursday. We had a brief but useful discussion. A programme of meetings either has been put in place or is being put in place as we speak.

I do not use this as an excuse or justification, but a statement of fact: by this time last week, I had not even had the call appointing me to office. I turned up to my Department at 9 am on Tuesday. I have not really left it. I am not asking anybody to get violins out. *[Interruption.]* We will not get them, says Mr Byrne—tadat is quite right and proper.

I did wonder whether my appearance before the Committee this afternoon might be more of an annoyance than a help because there are certain things where I just have to say, "It is work in progress. I have not gathered my thoughts". I thought that would be disrespectful to you. I wanted at least to share with you some of my motivations in this and some of what is important, and to put on the record how I would like to work alongside this Committee, as I would wish to work alongside local government, to drive things forward.

I was always conscious there would be lots of things where people would be scratching their heads and saying, as you did, "I am not entirely clear".



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You are not the only one because I am not entirely clear, but we will be. As soon as we are, as I said in my brief opening remarks at the top of the meeting, I will be more than happy to come and share with you.

Chairman, you are hearing from practitioners across the sector on a weekly basis. Please feel free not just to leave it to the big magnum opus of a Committee report. If there is some sort of Columbo point that somebody makes where you think, "God, that is a really good idea. We have to get that to the Minister", just drop me a line or an email.

Q193 **Chair:** I can do it now. There is a shortage of money.

Simon Hoare: Exactly, I have saved you the stamp or the email. The point I am making is this. Against the backdrop, which we all recognise irrespective of geography or party, that there are issues in important areas of public service delivery that need a lot of attention and support, which they will get from this Government, that does not mean we are the sole authors of good ideas.

Bob Blackman: I have one point of clarification.

Simon Hoare: Yes, Mr Blackman. I am sorry—I went into Chairman mode then. Forgive me. I am doing your job, Clive.

Q194 **Bob Blackman:** One of the ways the Government and the Treasury have enabled some more money to go into social services funding in local authorities is the 2% precept. Has the Department asked the Treasury to increase that additional precept in the autumn statement? Clearly, we do not know what is in the autumn statement, but you will know what the Department has asked for.

Simon Hoare: At 2%, the precept generates £600 million per year, which is not, I would suggest, an insignificant sum of money.

Q195 **Bob Blackman:** Inflation has been running at 10% or 11%, although we accept it has now dropped considerably.

Simon Hoare: We have to hope that the significant reduction in inflation, which the Prime Minister and the Chancellor have delivered as they said they would, is not a blip but the settled continuum and that those high rates of inflation, caused by the pressures that you do not need me to go over again, were temporary in nature. Again, it would not be particularly sensible—

Q196 **Bob Blackman:** Minister, in children's services and adult social services, the rates have been running much higher. They have been running higher than the rates of inflation we are talking about in the general position.

Simon Hoare: Elements of public sector inflation will often run a little higher. That is often due, though not solely, to a lack of economies of scale in purchase playing into that. Again, that is another imperative for any public sector purchaser to look at collaborative ways of purchasing. It is a



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point I am alert to. I do not think you are expecting me to provide a running commentary on discussions with ministerial colleagues.

Q197 **Bob Blackman:** Have you asked?

Simon Hoare: As I say, it would not be productive, Mr Blackman, for me to—

Q198 **Bob Blackman:** You have not asked.

Simon Hoare: You could say that. I could not possibly comment. In discussions with Ministers across Government, Ministers worth their salt will make known to those who need to know departmental policy pressures from either internal or external sources. I would suggest that any Minister worth their salt who has their hand on the pen hovering over the chequebook will always be wanting to know, in the basis of efficient public expenditure, that the moneys they are allocating are being allocated in the right way and at the right time. That is something that happens in the natural course of Government conversation.

Q199 **Bob Blackman:** This is not about funding from the Treasury. This is about the funding that will directly come from council tax by council tax payers to pay for the services provided at a local level. That is a key thing. Without that, there will have to be a much bigger increase from the Treasury to cover the social services spend.

Simon Hoare: Let me make the point again. While they are not equal in percentage terms, there are four main components that feed into a council tax bill. There is a tendency to look at the impact from just one silo. It is my job and the job of others to look at the totality of the piece and to be conscious of the other issues that the cost of living crisis has thrown up.

While something may be in the abstract entirely desirable, in practice it could have some very negative impacts on working families up and down this country. It is a difficult balance to strike. I take that. We are alert to it, and we will face forward and try to make the best of the hand of cards we have been dealt.

Nico Heslop: It is also worth adding that quite a significant part of local authorities' income is from business rates.

Simon Hoare: I knew there was something I forgot to mention.

Nico Heslop: This is a slightly technical term, but business rates are uprated with inflation. That tends to happen in September, when it was higher than where we are now. Last year, an additional £1.3 billion was added to the settlement just from that as well. With inflation high—I do not know what the exact figure will be—you would also expect a significant uplift in business rates income from inflation.

Q200 **Kate Hollern:** Very quickly, do you recognise that the 2% precept generates hugely different income for different councils?



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Nico Heslop: Yes. That is why we equalise—

Kate Hollern: You are making the poorer councils poorer.

Simon Hoare: That is why the equalising strategy sits behind it.

Q201 **Chair:** Before we pass on to the issue of homelessness, in your brief time in the Department, have you yet found in the bottom drawer of your filing cabinet the long-term plan for social care funding?

Simon Hoare: I have seen lots of thoughts, ideas and thinking on this. I am going to make a point that may or may not resonate. Maybe this is more of a point that is made in the abstract. I do not know. It is this.

There are certain issues—I would put adult social care in this bracket, as I would arguably put some elements of planning—on which people in this country have a legitimate expectation of some mature joint working not just between Government Departments, which is a given, but between the principal political parties. That is something I want to explore. I am not saying we are the sole authors of all the good ideas and everybody else is a rotter or, indeed, vice versa.

There are certain things where the sort of geographical knowledge that Mr Byrne, Ms Hollern and others have been alluding to is really very important. Council leaders make these points to us. It is a horrible phrase, but I have said to my officials, “Tell people that my door is not open. I have taken it off the hinges. There is no door”. I want to hear from as many voices as possible to make sure that we can do as much good as we can in the time that is allocated for us to do it.

Chair: We must move on to homelessness now, which is another big cost pressure.

Q202 **Ian Byrne:** Minister, Abdool Kara of the NAO told us that the single biggest issue driving increased homelessness is the Government’s decision to freeze local housing allowance rates since 2020. The evidence we have heard over the course of this inquiry has been that the situation is breathtakingly bad. We have 131,000 children currently living in temporary accommodation. The human cost of that is incalculable. I had midwives in my office just last month in tears because infant mortality will rise with regards to those figures.

How bad do things have to get before your Department acts with the DWP to increase local housing allowance?

Simon Hoare: First of all, you are right to highlight—let us hope none of us ever forgets it—the human dimension of this. There can be nothing scarier than being rendered homeless, if you are on your tod. If you have a partner and kids, and you are trying to keep them in education while also trying to hold down a job, it must be terrifying.

Ian Byrne: We agree on that.



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Simon Hoare: I do not move away from that. The latest data indicates that there has been the second highest increase in spending in this area. Over the last three years, £1 billion has been spent on the homelessness prevention strategy, with a top-up of £109 million this year. That has been deployed to work with landlords to keep people in their homes. The Government have also given £26 billion in cost of living support, which again has helped an awful lot of people who would have come under acute financial pressure stay in their homes.

Q203 **Ian Byrne:** The question was about LHA.

Simon Hoare: The Renters (Reform) Bill will help with regards to no-fault evictions. The Government are focused on the issue. That is the slightly abstract response to it.

We know full well that there have been a number of pressures on this sector. We have a clear and not eccentric hope that those pressures are demonstrably easing in terms of the cost of living, inflation and interest rates.

We are seized of the issue. We stand ready to do what we can with local authorities to help those people, but it is sensible, in terms of the broader use of public sector moneys, to pause for not too long a period to see the direction of travel on those pressures and see, if, when and as they ease, what it does to the sector. That does not give you an answer about—

Q204 **Ian Byrne:** It does not give me any answer.

Simon Hoare: It does. It tells you where our thinking is. It tells you, Mr Byrne, what it is that the Government have done.

Q205 **Ian Byrne:** There is a recognition within Government that the freezing of LHA has been catastrophic.

Simon Hoare: I would not say that. I cannot, with respect, understand how you might conclude—

Ian Byrne: All the evidence points to it, Minister.

Simon Hoare: —from anything I have said, that that is the Government's position. You have taken evidence from people who are looking at this matter to say there are issues and problems, but, again, the Government do not disagree. I am pretty certain we will disagree on the application of different solutions.

Q206 **Ian Byrne:** Potentially, there could be something on Wednesday from the Chancellor?

Simon Hoare: If I knew what was in the autumn statement, nobody would let me come before you in case I let the cat out of the bag. I do not know.

Ian Byrne: Okay, we are not going to get anywhere with that. Can I move on?



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Simon Hoare: I will make this pledge. Let us wait to see what the Chancellor says on Wednesday. I am very happy to return to this Committee to talk about the scenario, as it will have been clarified after the autumn statement.

Ian Byrne: That is fine.

Simon Hoare: As I say, that was in the balance of me appearing or not appearing today. I decided to do it with the caveat that there would be things I would not be able to answer.

Q207 **Ian Byrne:** We will have you back on Wednesday if anything changes, then.

Simon Hoare: We might do it on Thursday.

Q208 **Ian Byrne:** Next, we have heard from many councils about the general finance pressures, as we have been talking about for most of the session. The financial pressures have caused them to stop some discretionary early intervention services aimed at preventing homelessness.

Just last week in Liverpool, there was a report in the *Liverpool Echo* that showed the financial and human cost of 550 households in temporary bed and breakfast accommodation, including 250 households with children. It has got so bad that the leader of the city council declared a homelessness emergency. The city has seen costs this year rise from £250,000 to an anticipated £19 million at the end of this financial year.

One of the main drivers is the use of section 21. Unfortunately, it looks as though the repeal of section 21 is being kicked into the long grass by your Department. You look at the LHA. That is a decision. You look at section 21. Would it be fair to say that your Department's approach to funding local authorities is leading to an increase in homelessness?

Simon Hoare: No, I do not think so. That is certainly not the intention.

Q209 **Ian Byrne:** It might not be the intention, but there are unintended consequences.

Simon Hoare: There have been a number of uncontrollable external pressures on a sector that is particularly sensitive—

Q210 **Ian Byrne:** For over three years, we have been promised the abolition of section 21, which is a huge cause of this, but it has not been delivered.

Simon Hoare: Mr Byrne, there are two ways of dealing with these things. There are probably more than two ways, but there are two ways as I see it. One of those is to say, "What if something had happened two years ago, three years ago, five years ago?" or whatever. That is an interesting political debate, but it matters not a jot to those who need help and intervention.

This is what I would much prefer us to be focused on. Let us see what happens in the autumn statement. Let us think of creative and imaginative



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ways to address something. If on nothing else, I am sure you and I can agree—we would probably agree on lots of things—that the issue of homelessness is pressing and is something we want to avoid at all costs.

Ian Byrne: I look forward to seeing you after the Wednesday statement.

Q211 **Chair:** Very simply, have the Government done any impact assessment of the effect of the freeze of the local housing allowance on homelessness?

Nico Heslop: I do not know the answer to whether there is a specific impact assessment. I do know the Department works very closely with the Department for Work and Pensions and the Treasury.

Chair: That was not the question.

Nico Heslop: I do not know the answer in terms of a specific impact assessment.

Simon Hoare: Mr Betts, I am going to rely on that old ministerial fall-back: I will need to go back to the Department and check. May I write to you on that point?

Chair: Yes, thank you.

Q212 **Andrew Lewer:** The local government accountability framework does not appear to have been all that effective, given that it did not prevent the failings in places like Thurrock and Woking. Are any changes anticipated to help with that situation in the future?

Simon Hoare: It has to be an iterative process. I do not know about you, Mr Lewer, but the go-to phrase, which usually gets my back up, is that lessons will be learned. You always feel like saying, “Well, what lessons, by whom and how will they be implemented?”

Those issues to which you have alluded are not freestanding. We need to have the clearest possible picture, from those who we put in and through other interventions, as to what caused them and how you minimise the chance of them happening again within those authorities. We also need to spread the messages about best practice and the tiger traps to avoid across local government. It has to be about the pooling and sharing of resource and learning.

Before we left the department, Mr Heslop and I, along with our colleagues, were having a discussion about precisely how to do that in order to better safeguard councils themselves and their constituents, who look to them for support and service.

Q213 **Andrew Lewer:** You said earlier on that you would not allow failings and problems to affect SEND, children’s services and so on. How do you guard against the moral hazard of people making investments like that if they always know the Government are going to come in and rescue them?



Simon Hoare: That is a good point. Our starting point has to be that, to use that colloquial phrase, handing back the town hall keys is not an easy option. It is not an easy decision. It has reputational impact, usually in the negative, on the council leadership, both political and officers, including the section 151 officer and others. I detect neither a strategy nor an appetite to use it flippantly, either to make a broader political point or effectively to absolve local authorities with regards to their responsibilities.

On the other side of the coin, it is for me to pledge, as I have done, my determination to address these issues in order to safeguard services for people. If councils think they are approaching a difficulty and they cannot quite see the wood from the trees, they should come and see the Department, talk to officials and engage with Solace, CIPFA or the LGA. We provide a lot of resource, about £18 million, to the LGA for precisely this sort of work, to help work around a problem.

Part of the problem is that, as we get older, we become far more reluctant to say to our peers, "There is a problem, and I do not know how to resolve it. I need some help". That is why we have to make sure, across the piece, that officers in local authorities feel confident that it is not a sign of weakness to say, "This is a very specialised area. We need to buy in some external help to advise us on this to make sure that we can get it as right as we possibly can" rather than presupposing that they should be or have to be the receptacle of all human knowledge in what is a very complex and evolving landscape of local government. In broad terms, the local government family is alert to that.

Q214 **Andrew Lewer:** There is a lot of complexity in a lot of the areas in question. It is not that complex not to buy shopping centres when everyone else is selling them. People can only call for help when they have a full pattern of knowledge. We now have a backlog of 918 external audits that are incomplete, so people do not have that knowledge. That is affecting the quality of local authority governance, I would suggest. I wonder how the Department is proposing to clear that backlog.

Nico Heslop: Just picking up on your previous question as well, as Minister Hoare mentioned, where there have been specific interventions on some of these investments, like in Thurrock, Croydon and Woking, we are committed to full transparency. Commissioner teams are in there. They are publishing regular updates to ensure that the lessons are learned.

As I mentioned to your colleagues earlier on, we have also taken action through the Levelling-up and Regeneration Act and through changes to the Public Works Loan Board borrowing terms and conditions, which mean it is now impossible to borrow money from the PWLB if you are doing it just for yield, so just for commercial activity. I never want to be flippant about these things, but we have significantly greater safeguards in place against some of that riskier commercial activity than we did three or four years ago.

Q215 **Andrew Lewer:** Do the new restrictions on the Public Works Loan Board



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exclude any investment outside the council area?

Nico Heslop: The change came in in 2019. It is specifically about investments that are classified as investments for yield. It does not capture things like regeneration. It is specifically, to use your example, about buying a shopping centre or a solar farm just to make revenue.

On audit, again, we recognise that this is a problem. Mr Hoare's predecessor came in front of you in April and then wrote a letter to you on this in July. We have set out a clear plan alongside the NAO and the FRC—I believe there are members of the FRC in the room with us today—to try to clear the backlog by asking all auditors to take a sensible set of decisions to clear the backlog while ensuring that the full statutory functions are undertaken.

Finally, I would just say that we absolutely recognise that there has been a problem with audit, but auditors have still had the ability to raise concerns on statutory reports even when audited accounts are not finalised. We have seen examples like that in Middlesbrough and a few other authorities, where auditors have raised concerns and that has led to—

Q216 **Andrew Lewer:** It is difficult, though, is it not?

Nico Heslop: It is still possible. We have evidence from three or four places where it has been possible. We all want the backlog to be cleared and to have an effective local audit market.

Q217 **Andrew Lewer:** We have talked about the framework and its failings, and we have talked about the Department's efforts to tackle it. One of its iterations is the Local Authority Accountability Framework Review Panel, which the Department created to do this. It has not met since March 2021. Has that now fallen into disuse as a mechanism or is it still around?

Nico Heslop: No, it is definitely still around. We talk regularly with colleagues in the LGA and the NAO. In that period, we have taken a number of actions to strengthen the overall accountability framework.

The Secretary of State's vision was to set up Oflog. It will have a big impact in time. We have also recently consulted on best value guidance for the first time. That sets out the concrete steps and expectations that we think you would look out for in terms of good governance and leadership in financial management.

While the committee may not have met, a lot of action has been taken in the intervening period, as well as the measures through the Levelling-up and Regeneration Act.

Q218 **Andrew Lewer:** I just say that because you talked about Oflog, the NAO and the LGA. One of our problems nationally is layers and process. If this particular bit of process has fallen into disuse, why not just say, "We are doing something different now; we not doing that anymore"?



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Nico Heslop: We do not want to rule it out as a mechanism. It still often happens quite informally, but the specific review panel has not met. We work closely with them. As I say, that is not stopping the Department or other people in the audit and assurance space from taking action.

Simon Hoare: I take Mr Lewer's wider point that very often the easiest thing is to create something, a group, a panel, an overview or whatever, instead of asking whether there anything that is already doing it. Was it a task and finish group? In which case, if it has finished, we can get rid of it. It does not have to be standing there forever and a day. Sometimes we are not as acute at doing that as we should be.

One of the things I want to do is to go through and ask, "What do we have? Do we still need them? When was the last time they met? What are they doing?" et cetera. That job will be done because that just helps. It means things do not fall through gaps and it means bucks cannot be passed between different silos of check and accountability, which then can often lead to problems further down the line. I take the underlying point you make.

Chair: We have talked quite a bit about Oflog. I have one brief question. It is being established now, but it is in its early days, a bit like you, Minister.

Simon Hoare: Yes, indeed.

Q219 **Chair:** Is it simply going to use data that already exists, in which case what is it going to add to the process? If it had existed before, would it have predicted and helped to stop any of the 114 notices that have been issued?

Simon Hoare: You would not expect me to speculate on hypotheticals, but I am meeting them this week to discuss their plans and visions. Will they be using, harvesting and opining upon data gathered from other sources? I have little doubt that they will. Will they be generating new data to help advance the broadest and deepest understanding of demand and need in allocation? That is certainly our hope and intention, and I think that is what they will do.

Local government should view it not as a hostile big brother or a helicopter hovering over the place, prodding and prying, but as a helpful tool. Picking up on a point Ms Hollern has made during this afternoon's session, the best way to get the best policy outcomes is to use it on the best, sharpest and most contemporary data one can. If that can play a part in helping us achieve that, it will have served its purpose in spades.

Chair: Thank you very much, Minister, for coming this afternoon and answering a wide range of questions with the caveats about what is coming on Wednesday, when we might know a bit more about the future funding of local government for the next 12 months at least. The Secretary of State is probably going to come back to see us at some point to address some of those issues following that.

Thank you very much for coming this afternoon. We appreciate that you



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are very new in the job and I hope you are there long enough to come back and see us again.

Simon Hoare: I look forward to reading my scorecard at some point or another. Thank you for having me this afternoon. I have appreciated it.