



Levelling Up, Housing and Communities Committee

Rt Hon. Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities
Department for Levelling Up, Housing & Communities
2 Marsham Street
London, SW1P 4DF

13 December 2023

Dear Michael,

Evidence to the Committee on Financial Distress in Local Authorities

Thank you for taking the time to give evidence to our Committee last week.

It was extremely helpful to learn that your Department maintains a watchlist of local authorities that are facing significant financial pressures. We understand your concerns about naming the local authorities currently included on the list but please can you provide an overview of the type of financial challenges the councils involved are facing? In particular it would be helpful to have an understanding of whether these councils are facing particular one-off issues, or general systemic challenges.

We understand that you were unwilling to comment directly on the future financial implications for local authorities of the announcements made at the Autumn Statement, specifically that the Office for Budget Responsibility are forecasting annual cuts in unprotected spending from 2025-26 of 2.3% in real terms. While you said that you “don’t want to, and shouldn’t, pre-empt any spending review” due in 2025, local authorities will need to confront those implications now when setting their medium-term financial plans. You recommended during the session that councils should plan for a range of outcomes: what advice and support is your Department providing to councils to help them plan for funding cuts on the scale the OBR has forecast?

We also appreciate your commitment to write to the Committee to clarify the changes in core spending power which you quoted in your oral evidence. We have seen the data the Department has [published](#) on core spending power for each local authority since 2015-16, broken down by council tax and Government grants. However, these figures appear to be given in cash terms not adjusted for the impact of inflation. Can you please provide the Committee with the data for local authorities after adjusting for inflation?

We also appreciate your other offers to write to the Committee with the following further information:

- your Department’s modelled impact of changes to immigration rules on the workforce and wages in the adult social care sector;



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- a range of estimates of the impact of Local Housing Allowance being frozen again in 2025 as opposed to what might happen if it increased in line with inflation;
- further detail on the work your Department and the Department for Education are doing on children's services in Bradford;
- the number of unaccompanied asylum-seeking children entering the care system and what role this has played in increased demand for children's services;
- further clarity on how urban uplift is calculated, in particular confirming if it has changed from 35% to 20%;
- clarification on why the requirement in the Renters (Reform) Bill for local authorities to consider pets will only apply to temporary and not emergency accommodation.

Finally, we welcome your recognition of the challenges that extremely short move-on periods for newly recognised refugees are causing to the local authorities and the vulnerable people involved. As discussed, please do convey the concerns of this Committee and the others who have contacted you to the Home Office. We also welcome your commitment to work with local authorities to manage this issue. The Committee would be grateful if you would write to us to let us know what progress is being made on both these fronts.

Best wishes,

Clive Betts MP
Chair, Levelling Up, Housing and Communities Committee