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Levelling Up, Housing and Communities Committee

Financial distress in local authorities

Third Report of Session 2023–24

Report, together with formal minutes relating to the report

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Levelling Up, Housing and Communities Committee

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Contacts

All correspondence should be addressed to the Clerk of the Levelling Up, Housing and Communities Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 4146; the Committee's email address is luhccom@parliament.uk.

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Summary

Local authorities in England deliver key services paid by local taxpayers and which are critical to their everyday lives. However, local authorities are now issuing section 114 notices at an alarming rate which puts them and local taxpayers at risk. In the last six years, eight local authorities have issued a section 114 notice, which notifies of severe financial distress — while none had done so in the preceding eighteen years. Moreover, local authorities are increasingly reporting concerns about their financial positions and their ability to maintain delivery of their services. The Government must act now if local authorities are to survive the severe crisis and financial distress that they face.

It is no surprise that the financial crisis that local authorities are encountering comes after significant reductions in local authorities' spending power which has itself coincided with increasing demand for their services and inflationary pressures driving up costs. Ultimately, the levels of funding available to local authorities, through council tax, retained business rates, and government grants have not kept pace with these pressures, leading to a funding gap which is already estimated at £4 billion over the next two years.

This has meant that local authorities are increasingly reliant on income from council tax to fund service delivery. However, council tax is regressive, long overdue for reform, and is contributing to a disproportionately negative impact on funding levels of local authorities in the most deprived areas of the country. Furthermore, the business rates retention scheme is increasingly misaligned with local authorities' current spending needs and the government has not delivered on its earlier commitments to review and reform the scheme. The Government must urgently reform these core funding mechanisms to ensure that the levels of demand and cost pressures faced by local authorities are adequately considered in determining their funding levels.

Children's and adults' social care are frequently cited as key pressures on local authorities' finances. For children's social care, rising demand for residential care placements, combined with a poorly functioning market for provision of those placements, has driven significant cost increases. For adults' social care, demand has been driven by a changing population with increasingly complex needs — alongside long-term workforce shortages and inflationary pressures — which has contributed to unmanageable bills for some local authorities. While we welcome the Government's commitment to implementing fundamental reforms of the systems for delivering social care, a consistent and sustainable increase in funding is required in the long term. In the short term the Government must ensure that local authorities receive sufficient financial support to enable them to continue delivering the services that people need.

Local authorities are also facing significant financial pressures relating to delivery of services for children and young people with special educational needs and disabilities (SEND), including provision of home-to-school transport. The Government's introduction of Education, Health and Care (EHC) plans in 2014 has contributed to increased demand for specialist services, often requiring delivery through placements in special schools located outside of families' local areas. The level of funding available to local authorities has not kept pace with demand, and the Government is using temporary measures to enable local authorities to maintain service delivery while building up significant budget deficits. The Government must commit to a full review of the EHC

plan system and consider reforms to make SEND provision financially sustainable. The Government must also provide clarity to local authorities on its treatment of budget deficits relating to SEND, and ensure that funding is sufficient to meet demand.

It is also clear that the increasing levels of homelessness have required local authorities to spend more in fulfilling their responsibilities to those requiring support. While ultimately the Government needs to deliver more affordable housing to provide a sustainable alternative to local authorities' increasing need to use temporary accommodation, a key driver of increased homelessness in the short term has been the Government's decision to freeze local housing allowance (LHA) rates at April 2020 levels. As the cost of renting in the private sector rental market has increased, the effect of the freeze has been to constrain the available supply of housing by making increasing numbers of properties unaffordable to those receiving benefits. We welcome the Government's recent announcement that it will increase LHA rates from April 2024, although we urge the Government not to subsequently re-freeze LHA rates and instead to maintain them at least at the 30th percentile of local market rents each year.

The Government elected after the next UK General Election, regardless of their political persuasion, must embark on a fundamental review of the systems of local authority funding, local taxation, and delivery of social care services. In doing so, it must be clear about what local authorities are for and how they can best co-ordinate with delivery of the Government's wider objectives. The next Government will need to design and implement fundamental reforms to bring the local authority funding system into the 21st Century and should consider options such as land value taxes and wider fiscal devolution in doing so. It must also explore all options for reforming funding and delivery of social care services to address the underlying causes of the acute funding and delivery pressures currently faced by local authorities.

1 Introduction

1. Local authorities[1] in England are responsible for spending approximately £100 billion each financial year to deliver public services that taxpayers rely on every day.[2] There are currently 317 local authorities in England. Since 2018, eight English local authorities have issued at least one 'section 114' notice which highlights that it is in financial distress; twelve notices in total have been issued in this period.[3] That between 2001 and 2018 no 'section 114' notices were issued makes this number of local authorities issuing section 114 notices particularly concerning.[4] Our inquiry sought to investigate why there has been such an increase in the number of local authorities are issuing section 114 notices, and what the Government is doing to address this.

Section 114 Notices

2. A 'section 114' notice is a report required under section 114 of the *Local Government Finance Act 1988* in circumstances where a local authority's most senior finance officer (the 'section 151' officer) believes that the authority has taken, or is about to take, a course of action which would be unlawful, for example where the where the authority is unable to meet its spending commitments from its available sources of funding.[5]

3. Issuing a section 114 notice has significant impacts for local service delivery. In particular, it prevents the issuing authority from incurring any new expenditure until an amended budget is passed. This will require spending cuts to key services, asset sales, or increased taxation, fees, or charges.

4. Furthermore, in some circumstances the Secretary of State for Levelling Up, Housing and Communities may use powers under the *Local Government Act 1999*[6] to intervene in the operations of a local authority, for example by appointing commissioners to exercise specific functions of a local authority in place of that authority's elected representatives. This has happened in the following local authorities which have issued section 114 notices since 2018: Northamptonshire County Council,[7] Slough Borough Council,[8] Thurrock Council,[9] Woking Borough Council,[10] and Birmingham City Council.[11] Recently, the Secretary

1 'Local authorities' includes the following entities: County Councils, District Councils (metropolitan and non-metropolitan), Unitary Authorities, and London Borough Councils. It excludes town and parish councils.
2 Local authority revenue expenditure and financing England: 2021 to 2022 final outturn (Revised) - GOV.UK (www.gov.uk)
3 Northamptonshire County Council, February 2018 and July 2018, Croydon Borough Council November 2020, December 2020 and November 2022, Slough Borough Council July 2021, Nottingham City Council December 2021 and November 2023, Northumberland County Council May 2022, Thurrock Council December 2022, Woking Borough Council June 2023, and Birmingham City Council September 2023.
4 Prior to Northamptonshire County Council issuing a section 114 notice in February 2018, the most recent section 114 notice was issued by Hackney Council in October 2000. Public Finance Magazine, 19 October 2000, Hackney's financial crisis deepens as treasurer issues section 114 notice.
5 Under the Local Government Finance Act 1992 , section 31, local authorities have a legal obligation to set a balanced budget each year.
6 Section 15
7 Ministry of Housing, Communities and Local Government, 27/03/2018, letter to Northamptonshire County Council
8 HC Deb, 01 December 2021, UIN HCWS435 [Commons written ministerial statement]
9 HC Deb, 16 March 2023, UIN HCWS638 [Commons written ministerial statement]
10 HC Deb, 25 May 2023, UIN HCWS813 [Commons written ministerial statement]
11 Department for Levelling Up, Housing and Communities, Press Release, 5 October 2023, Government launches intervention at Birmingham City Council - GOV.UK (www.gov.uk)

of State for Levelling Up announced that he is "minded to" appoint commissioners to Nottingham City Council following its most recent section 114 notice issued in November 2023.[12]

Our Inquiry

5. We launched our inquiry on 2 November 2023. We wrote to local authority representatives seeking their views on financial issues that they are facing.[13] During our inquiry, we held four oral evidence sessions. Our witnesses included: representatives from local authority collective bodies and special interest groups; academics; think tanks; the National Audit Office; and representatives from local authorities, including councillors and finance directors. We held two ministerial sessions: first, we heard first from Simon Hoare MP, Parliamentary Under-Secretary of State for Local Government, and Nico Heslop, Director of Local Government Finance at the Department for Levelling Up, Housing and Communities. We then heard from the Rt Hon Michael Gove MP, Secretary of State at the Department for Levelling Up, Housing and Communities following the Autumn Statement 2023. We would also like to give a special thanks to Bruce MacDonald for his dedication and efforts in managing this inquiry.

Wider Financial Distress

6. Alongside the increased prevalence of section 114 notices, we heard evidence of an increase in the number of local authorities reporting concerns about their financial positions. Although there have been specific local issues with, for example, management or governance, contributing to many of the problems faced by those authorities which have recently issued section 114 notices, the evidence that we have heard throughout our inquiry indicates that local authorities across the country are facing a tipping-point with a systemic issue of insufficient funding to meet their statutory duties.

7. Indeed, Gary Fielding, section 151 officer at North Yorkshire Council, told us during our inquiry that:

> We have moved from having one or two councils with particular issues - whether it is maverick behaviour or leadership - being affected, to having what I regard as good councils, run by good officers and with political stability, now facing existential challenges. I think it has moved on.[14]

8. David Phillips, Associate Director at the Institute for Fiscal Studies (IFS), said in evidence to us that:

> At least so far, for the councils that have found themselves in acute distress, there have often been one or two other factors involved as well, and those have often been a little bit more idiosyncratic. They are often linked to things like high levels of debt, or high reliance on commercial or property income linked to debt […] there might have been some issues with the management processes around that. So far what we have seen is broad-

12 HC Deb, 13 December 2023, UIN HCWS121 [Commons written ministerial statement]
13 Levelling Up, Housing and Communities Committee, 18/09/2023, Letter from the Chair to local government organisations
14 Q99 [Gary Fielding, Section 151 officer, North Yorkshire Council]

> based pressures, with many councils struggling to manage them, and acute pressure driven by particular circumstances, but we could be entering a period where these pressures start to turn into distress more widely.[15]

9. And Councillor John Fuller, leader of South Norfolk District Council, similarly told us that:

> Key signs that authorities are falling into difficulty include a problem servicing debt—some authorities have taken on quite significant levels of debt in relation to their income—and low reserves. Overspending on major projects is another example […] and unstable leadership is another. I think it is fair to say that hitherto, there has not really been any particular common theme in terms of politics, sector or tier; they have almost been idiosyncratic. We are probably at an inflection point, where the number of authorities contemplating issuing 114 notices is becoming more general, as opposed to the specific reasons we have seen thus far.[16]
>
> There is a general understanding that if not this year, next year, about half the authorities will be in distress. That is a significant number.[17]

10. The Local Government Association (LGA) has reported that almost one in five Leaders and Chief Executives of local authorities think it is very or fairly likely that their council will issue a section 114 notice this year or next. This is due to "lack of funding to keep key services running".[18] The Secretary of State for Levelling Up, Housing and Communities told us that his Department maintains a watchlist of at risk local authorities, but he declined to tell us how many local authorities are on this watchlist. He told us that:

> I think saying that there are one in five at risk is an overestimate […] I would say it was significantly fewer than that, but I do not think that the issue is well served by running through individual local authorities or numbers. It is fair to say that there are systemic pressures.[19]

11. It is clear that local authorities are facing increasing levels of financial distress, and that the current pressures affecting local authorities are in need of urgent attention from Government. The evidence that we have heard regarding a likely further increase in local authorities issuing section 114 notices has emphasised the importance of our inquiry.

Structure of the Report

12. In the subsequent chapters of the report we address key themes arising from the inquiry. In chapter 2, we assess how well the current funding system enables local authorities to secure sufficient funding to pay for the services they are responsible for delivering. In chapters 3–5, we review in turn three key drivers of spending pressures for local authorities. First, in chapter 3, we cover social care. In chapter 4 we cover services for

15 Q64 [David Phillips, Associate Director, Institute for Fiscal Studies]
16 Q1 [Councillor John Fuller, Leader, South Norfolk District Council]
17 Q2 [Councillor John Fuller, Leader, South Norfolk District Council]
18 Local Government Association, December 2023, Press Release, Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement.
19 Qq223–228 [Rt. Hon. Michael Gove MP]

those with special educational needs and disabilities (SEND). And in chapter 5 we cover homelessness. In chapter 6 we then look forwards to the fundamental reforms we would expect the Government, following the upcoming UK General Election, to take forward.

2 Funding Reform

13. Local authorities have access to three key sources of funding: council tax, locally retained business rates, and grants from central government. However, funding for, and the system which governs funding for, local authorities has been a key and long-standing issue for many years. During our inquiry, we heard witnesses describe the current funding system as "broken"[20] and "not fit for purpose".[21] In this chapter, we consider how effectively the current funding system is providing local authorities with the money that they need in the short and longer term. In particular, we consider specific issues affecting council tax and business rates retention.

Funding Pressures

14. In our July 2021 report: *Local Authority Financial Sustainability and the Section 114 Regime*, we highlighted that successive governments since 2010 have reduced the level of central government grants awarded to local authorities.[22] In doing so, past governments have increased local authorities' reliance on locally generated revenue from council tax and retained business rates.[23] According to the National Audit Office (NAO), this approach has led to an overall reduction in local authority core spending power[24] of 26% in real terms between 2010–11 and 2020–21.[25]

15. Abdool Kara, Executive Director at the National Audit Office, told us that this shift in the source of funding has also impacted on the distribution of funding available to local authorities in different areas:

> Since 2010 […] income raised through council tax has increased by around 20 percentage points, whereas there has been a reduction of around 50 percentage points in the income from Government grant money. The consequence of that is that in areas that are deprived, local authorities are more reliant on local income; and in a time of recession or difficulty, they can both raise less money than less deprived areas, and they have higher need than less deprived areas. There is a kind of gearing for more deprived areas in this system.[26]

16. This point was echoed by Councillor Graham Chapman, member of Nottingham City Council, who spoke to us on behalf of the Special Interest Group of Municipal Authorities (SIGOMA). He told us that:

20 Q1 [Councillor Claire Holland, Leader, Lambeth Council]
21 Q66 [David Phillips, Associate Director, Institute for Fiscal Studies] and Q67 [Dr Jonathan Carr-West, Chief Executive, Local Government Information Unit]
22 Housing, Communities and Local Government Committee, Second Report of session 2021–22, Local Authority Financial Sustainability and the Section 114 Regime, HC 33, Para. 14.
23 Housing, Communities and Local Government Committee, Second Report of session 2021–22, Local Authority Financial Sustainability and the Section 114 Regime, HC 33, Para. 14.
24 'Core spending power' is a measure of the resources available to local authorities to fund service delivery. These resources are made available to local authorities through the local government finance settlement, and consist primarily of amounts raised from council tax, locally retained business rates, and central government grants including the revenue support grant, better care fund, social care grant, and new homes bonus.
25 National Audit Office, The local government finance system in England: overview and challenges (November 2021), p.13.
26 Q68, [Abdool Kara, Executive Director, National Audit Office]

> From a SIGOMA point of view, not only is the quantum not enough, but what has happened over the last 10 years is that the poorer the council, the more it has lost […] There is a particular problem for those authorities that have not got a decent council tax base […] If you push people back on to the council tax base, you have a double whammy: you are making your population poorer at the same time as your services are struggling even more.[27]

17. Furthermore, throughout our inquiry, we have also heard that the amount of funding available to local authorities has not kept pace with increased demand and inflationary pressures on statutory service delivery. For example, the Local Government Association (LGA) estimates that local authorities face a funding gap of £4 billion over the next two years to maintain services at current levels.[28] Moreover, Councillor John Fuller, leader of South Norfolk District Council, described this as a "structural problem" with local authority funding. He told us that:

> We are required to lay out our four-year plan, and when you have social care going up by 19% and children with complex needs going up by 23%, but your income is only going up by 3% to 5%, it does not take a maths genius to work out that there is going to be a gap at some stage. I think all authorities can see a gap crystalising at some point in the next three to four years because structurally our costs, many of which are driven by statutory and regulatory pressures, are exceeding the income coming in […] The problem is that there is a lack of quantum going into local government, and our best estimate is that it is £4 billion over the next two years.[29]

18. Separately, the Institute for Fiscal Studies (IFS) has highlighted that inflationary cost pressures affecting local authorities' services are outpacing economy-wide inflation, with spending during April-September 2023 on children's social care services and homelessness and related services up by 16% and 26% respectively compared with the same period in 2022.[30]

Recent Funding Announcements

19. The Government published the provisional local government finance settlement for 2024–25 on 18 December 2023.[31] This proposes an increase in core funding of 6.5% in cash terms compared with 2023–24. However, most of this increase comes from the assumption that all local authorities will raise council tax by the maximum permitted

27 Q5 [Councillor Graham Chapman, member, Nottingham City Council]
28 Q2 [Councillor John Fuller, Leader, South Norfolk District Council]
29 Q3 & Q4 [Councillor John Fuller, Leader, South Norfolk District Council]
30 Institute for Fiscal Studies, 19 December 2023, The 2024–25 local government finance settlement: the real pain is still to come | Institute for Fiscal Studies
31 Department for Levelling Up, Housing and Communities, Press Release, £64 billion funding package for councils proposed by Government - GOV.UK (www.gov.uk), 18 December 2023.

amounts.[32] The announcement was consistent with what the Government had presented in earlier publications of policy statements,[33] and it does not change the LGA's forecast of a £4 billion funding gap over the next two years.[34]

20. On 24 January 2024 the Secretary of State for Levelling Up, Housing and Communities announced additional measures for local authorities.[35] This included £500 million of new funding for local authorities responsible for adults' and children's social care, to be allocated through the social care grant. In addition, the Government committed to guarantee that the spending power of all local authorities will increase by at least 4% before local authorities decide whether to increase council tax. The Government had committed, on 18 December 2023, to a 3% increase. Taken together, these additional measures are worth £600 million and contribute to an increase in core funding of 7.5% in cash terms compared with 2023–24.

21. We welcome these additional measures, though we believe that further funding increases are required. In the context of the significant inflationary pressures discussed above, a 7.5% cash terms core funding increase is not sufficient to address existing financial pressures faced by local authorities.

22. Furthermore, following the 2023 Autumn Statement, the Office for Budget Responsibility (OBR) reported that unprotected day-to-day departmental spending, which includes core funding distributed by the Department for Levelling Up, Housing and Communities to local authorities, would need to fall by 2.3% per year in real terms from 2025–26.[36] This has prompted further concerns across the sector about more real terms funding cuts in the near future, making statutory services undeliverable without, as the IFS note, requiring compensatory increases to council tax.[37]

23. When asked to comment on the implications of the 2023 Autumn Statement for the future funding of local authorities, the Secretary of State for Levelling Up, Housing and Communities told us:

> I would not want to pre-empt the spending review that will inevitably occur. It is first the case that the decisions taken at the Autumn Statement were designed to ensure that we had stronger long-term growth. That stronger long-term growth will improve the public finances and that will be taken into account at the time of the next spending review.

24. The next spending review is expected in 2025, in the next Parliament. The spending projections made by the Office for Budget Responsibility referenced above include the OBR's latest forecasts for growth in the UK economy, which they forecast in Autumn 2023

32 Institute for Fiscal Studies, 19 December 2023, K. Ogden & D. Phillips, The 2024–25 local government finance settlement: the real pain is still to come | Institute for Fiscal Studies
33 Department for Levelling Up, Housing and Communities, 12 December 2022, Local government finance policy statement 2023–24 to 2024–25 - GOV.UK (www.gov.uk), and Department for Levelling Up, Housing and Communities, 05 December 2023, Local government finance policy statement 2024 to 2025
34 Local Government Association, 18 December 2023, LGA briefing: Provisional Local Government Finance Settlement 2024/25, and County Councils Network, 18 December 2023, Response to Provisional Local Government Settlement
35 HC Deb, 24 January 2024, UIN HCWS206 [Commons Written Ministerial Statement]
36 Office for Budget Responsibility, 22 November 2023, Economic and fiscal outlook – November 2023, p.103
37 Institute for Fiscal Studies, 19 December 2023, K. Ogden & D. Phillips, The 2024–25 local government finance settlement: the real pain is still to come | Institute for Fiscal Studies

will grow more slowly than they had forecast in March 2023.[38] The prospects for local authorities' future funding benefitting from improved growth do not, therefore, on the basis of those current economic forecasts, appear to be realistic.

25. **Local authorities have seen significant reductions in their spending power coincide with increasing demand for their services and inflationary pressures exceeding those in the wider economy. Recent funding settlements, while increasing in cash terms, have not kept pace with these pressures leading to a downward spiral. The prospect of further real terms funding cuts is likely to exacerbate existing concerns about systemic underfunding, with the current funding gap already estimated at £4 billion.**

26. ***The Government must include additional funding in the local government finance settlement for 2024–25 to ensure local authorities bridge their estimated £4 billion funding gap. The Government must set out which local authorities are being prioritised and why for this financial settlement. The Government must also set out what longer-term support will be provided to local authorities if the £4 billion funding gap is not fully met in the forthcoming financial settlement.***

Council Tax

27. Council tax was introduced in the *Local Government Finance Act 1992* and is charged on domestic property in eight bands (A to H) based on a property's value in 1 April 1991 prices. Local authorities determine their council tax rate for band D properties, and the tax rate for properties in other bands is set based on fixed ratios relative to band D. These ratios are set by central government.[39]

28. Local authorities' spending power has over time become more dependent on council tax. Council tax is forecast to be 56% of core spending power in 2024–25[40] - having peaked at 60% in 2021–22 - compared with approximately 40% in 2009–10.[41]

29. As we have previously reported,[42] and has been acknowledged by the Secretary of State for Levelling Up,[43] council tax is becoming increasingly regressive. Residential property values have steadily increased compared with their 1991 levels, meaning that those occupying the most valuable residential properties are paying less in council tax as a proportion of their property's value than those occupying the least valuable properties. David Phillips, Associate Director at the Institute for Fiscal Studies, explained that:

> Between 1991 and 2019, values had gone up about sixfold in London compared with about threefold in the north-east of England […] huge differences. Even putting that to one side, the tax structure is quite regressive

38 Autumn Statement 2023: A Summary, 22 November 2023, Number 9892, House of Commons Library, p.6

39 Institute for Fiscal Studies, Adam et al, March 2020, Revaluation and Reform: bringing council tax in England into the 21st century, p.9

40 House of Commons Scrutiny Unit analysis of Department of Levelling Up, Housing and Communities published data on core spending power in the 2024–25 provisional local government finance settlement.

41 Institute for Fiscal Studies, K. Ogden & D. Phillips, December 2020, Assessing England's 2021–22 Local Government Finance Settlement, p.3

42 Levelling Up, Housing and Communities Committee, Second Report of session 2023–24, Council Tax Collection, HC 57, para 90

Housing, Communities and Local Government Committee, Second Report of session 2021–22, Local Authority Financial Sustainability and the Section 114 Regime, HC 33, para 28.

43 Q243 [Rt Hon Michael Gove MP]

> […] The tax rate as a share of value for a band A property is about five times, on average, what it is for a band H. So, yes, the council tax system is out of date and regressive, and has become more so over time.[44]

30. The amount of council tax collectable by a local authority depends on the volume, value, and occupancy of domestic property in the local area, as well as the tax rate. For authorities with larger proportions of lower value property in their area, the amount of funding available via council tax is relatively lower than for others, while their spending requirements need not differ. Councillor John Fuller told us that:

> I think it is fair to say that there are some authorities where the preponderance of homes in the area are band A. I remember speaking to my colleague Simon Henig in Durham once, and he said that something like 90% of the homes were band A. Even if you increase council tax by 5%, you are only getting a miniscule amount.[45]

31. Furthermore, Dr Jonathan Carr-West, Chief Executive of the Local Government Information Unit (LGIU) explained:

> One chief executive told me about an adult they have where they are spending £1.5 million on a single person. He said, "Look, if they lived three streets over, that's my neighbour's problem. There's nothing in the funding mechanism that distinguishes between that. We are both, as it happens, funded largely through council tax. There's no needs formula that picks up that we have a really large cost and they don't." These are the things that we need to look at if we want to ameliorate the situation.[46]

32. As we wrote in our previous report on *Council Tax Collection*, the Secretary of State for Levelling Up had previously indicated to us an intention to reform council tax and had asked the then-Minister for Local Government Lee Rowley MP to look into this.[47] We asked the newly appointed Minister for Local Government Simon Hoare MP about progress with this work and he told us that "there is not a review in the formal sense of the term".[48]

33. The Secretary of State subsequently clarified his Department's position to us as follows:

> When I had conversations subsequently, particularly with Lee Rowley, we looked at some of the options that we might have and came relatively quickly to the conclusion that, despite the sorts of fundamental reforms that we might have wished to entertain at the beginning of a Parliament […] any sort of fundamental reform at this stage would probably risk a level of instability in the system that would not justify any of the potential

44 Q70 [David Phillips, Associate Director, Institute for Fiscal Studies]
45 Q4 [Councillor John Fuller, Leader, South Norfolk District Council]
46 Q64 [Dr Jonathan Carr-West, chief executive, Local Government Information Unit]
47 Levelling Up, Housing and Communities Committee, Second Report of session 2023–24, Council Tax Collection, HC 57, para. 98.
48 Q154 [Simon Hoare MP]

> benefits […] Obviously we are now almost certainly less than 12 months away from a general election; I think that every party will probably want to put forward manifesto proposals for improving local government taxation.[49]

34. Local authorities' ability to raise funding via council tax is further constrained by central government. Section 72 of the *Localism Act 2011* requires authorities to win a simple majority in a referendum before increasing council tax beyond a level deemed excessive by the Government.[50] The thresholds for 2023–24 are set at 3%, plus an additional 2% social care precept;[51] these are proposed to be unchanged in 2024–25.[52]

35. Only one referendum has been held to date: the Bedfordshire Police and Crime Commissioner proposed in 2015 a 15.8% increase in council tax covering three local authorities. A majority of voters in the referendum opposed the proposal, and the administrative costs of holding the referendum were estimated at £600,000.[53]

36. The referendum thresholds have been significantly below the prevailing rate of inflation in the UK economy over the last two years.[54] This has restricted local authorities from raising sufficient funding to meet specific changes in demand and cost inflation. Councillor Claire Holland, leader of Lambeth Council, told us that

> The council tax is a local tax but it has been set - capped - by Government, essentially […] on the face of it, it looks like we have power locally, but in fact we are a very centralised funding system.[55]

37. We heard from various witnesses who expressed a desire to see greater local powers of flexibility over council tax. Councillor Sam Chapman-Allen, leader of Breckland Council, told us that "government needs to allow us to have flexibilities and freedoms to set and raise council tax and income locally".[56] Gary Fielding, section 151 officer at North Yorkshire Council, said "We have council tax, which is a local tax that we are then told how much we can increase it by […] we are centralising a local tax. And, to me […] it lacks correlation to services.[57]

38. Similarly, David Phillips told us that:

> The range of revenue sources available to local government is pretty narrow, and those revenue sources that they do have are pretty tightly constrained […] with council tax, I would remove the referendum limits. No national tax is subject to those.[58]

39. The Minister for Local Government, in his oral evidence to us, justified the Government's continued use of the referendum threshold as follows:

49 Q243 and Q244 (Rt. Hon. Michael Gove MP]
50 Localism Act 2011 (legislation.gov.uk), section 72 and schedule 5.
51 HC Deb, 6 February 2023, UIN HCWS545, Written Ministerial Statement
52 Department for Levelling Up, Housing and Communities, 18 December 2023, £64 billion funding package for councils proposed by Government.
53 Council Tax: local referendums, 05682, January 2023, M. Sandford, House of Commons Library, pp. 4 & 9.
54 Office for National Statistics, 17 January 2024, CPI ANNUAL RATE 00: ALL ITEMS 2015=100. CPI inflation as measured by the ONS has exceeded 3% continuously since August 2021.
55 Q7 [Councillor Claire Holland, Leader, Lambeth Council]
56 Q59 [Councillor Sam Chapman-Allen, Leader, Breckland Council]
57 Q131 [Gary Fielding, section 151 officer, North Yorkshire Council]
58 Q66 [David Phillips, Associate Director, Institute for Fiscal Studies]

> We have a duty […] 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.[59]

40. **There is widespread agreement that Council tax is outdated, regressive, and long overdue for reform. The Government's increasing reliance on council tax to fund local authorities is causing a disproportionately negative impact on funding levels for authorities in the most deprived areas of England. The Government's imposition of referendum thresholds for increasing council tax is restricting local authorities' abilities to raise sufficient funding to fulfil their statutory responsibilities, in response to reductions in central Government grants, increased demand for services, and inflationary pressures.**

41. ***We repeat the recommendation made in our July 2021 report, Local Authority Financial Sustainability and the Section 114 Regime, and our November 2023 report, Council Tax Collection: namely, that: the Government must urgently reform council tax by undertaking a revaluation of properties and introducing additional council tax bands, and should consider options for wider reform of council tax.***

42. ***Furthermore, in the short-term, the Government must raise the referendum threshold for council tax at least in line with a relevant measure of inflation. In the longer-term we recommend that the Government considers removing the threshold entirely.***

Other Funding Flexibilities

43. Witnesses also told us that local flexibility over more general revenue raising powers, not just council tax, would help to alleviate some of the pressure facing local authorities. We have recommended previously, in our July 2021 report *Local Authority Financial sustainability and the Section 114 Regime*, that the Government ***widens the funding base of local authorities by giving them more flexibility over local taxes and other revenue-raising powers.***[60] Dr Jonathan Carr-West, chief executive of the Local Government Information Unit (LGIU) said:

> There is not enough flexibility and variation of revenue sources. There are all sorts of things done routinely in plenty of other places around the world, including comparable economies like France, the US and Germany—local sales taxes, local environmental taxes, tourism taxes, local shares of income tax, municipal bonds […] In the long-term you need to look at elements of fiscal devolution that create more flexibility.[61]

44. Councillor Claire Holland, leader of Lambeth Council, suggested that the Government ought to consider expanding flexibilities around local authorities' use of capital funding. She said:

59 Q168 [Simon Hoare MP]

60 Housing, Communities and Local Government Committee, Second Report of session 2021–22, Local Authority Financial Sustainability and the Section 114 Regime, HC 33, para 3.

61 Q67 [Dr Jonathan Carr-West, chief executive, Local Government Information Unit]

> You might want to talk about capitalisation of funding […] Local authorities might want to have a capitalisation of funding for a variety of reasons. It may not be anything to do with economic mismanagement […]The Government need to have a more flexible and nuanced approach and, really, a trusting relationship—they need to trust local authorities.[62]

45. Currently, local authorities are prohibited from using capital resources (e.g. the proceeds of asset sales or borrowing) to fund revenue costs (their day-to-day costs of delivering services).[63] This is because it is not considered prudent or sustainable to rely on capital to fund revenue expenditure: capital funding is one-off and comes with a cost (either a liability and borrowing costs to be paid-off subsequently, or the transfer of a potentially productive asset out of the local authority), while revenue expenses recur each with the continued delivery of services. Failure to match the timing and nature of funding and expenditure can lead to an unsustainable accumulation of debt, or the erosion of local authorities' asset bases through sales, both of which can represent poor value for money and can exacerbate financial distress.

46. The Government can, however, grant special permission for local authorities to use capital funding for revenue expenditure (known in the sector as 'capitalisation') and has done so in a small number of cases where local authorities have required exceptional financial support.[64] Nico Heslop, director for local government finance at the Department for Levelling Up, Housing and Communities, explained to us that:

> Councils do have the ability to capitalise, which is less about borrowing and more about using capital assets to fund revenue costs. That is something that the exceptional financial support system allows.[65]

47. The Government announced on 18 December 2023 a consultation on expanding capital flexibilities for local authorities.[66] The proposed changes would allow authorities to meet specific kinds of revenue cost pressures with capital receipts, to permit authorities to borrow to fund revenue costs relating to 'invest-to-save' projects, and to grant more flexibility over authorities' usage of proceeds of sales of investment property.[67]

48. While press reports have welcomed an increase in the level of trust in local government signalled by this consultation,[68] this approach does come with inherent risks

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62 Q25 [Councillor Claire Holland, Leader, Lambeth Council]

63 Department for Levelling Up, Housing and Communities, 18 December 2023, Call for views Capital measures to improve sector stability and efficiency, para. 9. The Government did, however, grant in 2016 a general direction for local authorities to use certain capital receipts to fund the revenue costs of activity that reduces ongoing revenue costs or improves efficiency. The National Audit Office reported in June 2016 that the Department could have done more to inform itself of the balance between benefits and risks of implementing these reforms: National Audit Office, June 2016, HC 234, Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing.

64 Department for Levelling Up, Housing and Communities, 2 March 2023, Exceptional financial support for local authorities - GOV.UK (www.gov.uk). The Secretary of State for Levelling Up, Housing and Communities told us that 20 local authorities had sought exceptional financial assistance: Q225 [Rt. Hon. Michael Gove MP].

65 Q248 [Nico Heslop, Director for local government finance, Department for Levelling Up, Housing and Communities]

66 Department for Levelling Up, Housing and Communities, 18 December 2023, Call for views on new local authority capital flexibilities

67 Department for Levelling Up, Housing and Communities, 18 December 2023, Supporting Document: Call for views on new local authority capital flexibilities

68 Government considers greater capital flexibilities to help relieve councils' budget pressure, Room 151, 3 January 2024.

as noted above, and as acknowledged by the Government in its consultation: key concerns include use of the new flexibilities in ways which “increases risk or defers it to the future or masks indicators of financial failure against a council’s relevant statutory duties”.[69] The Government is not proposing a centrally managed system and, instead, would expect risks to mitigated through local transparency and accountability.[70]

49. **We have previously recommended that the Government widens the funding base of local authorities and grants more flexibility over local taxes and other revenue raising powers. We therefore welcome the Government’s call for views on local authority capital flexibilities and believe that additional flexibilities may play a useful role in enabling local authorities to support themselves in times of financial distress.**

50. **However, local authorities’ use of capital funding for revenue expenditure is not sustainable and at best it can only be a temporary solution to short-term financial pressures. We have concerns that the Government, if it does grant these additional flexibilities, may delay its engagement with the more fundamental reforms to the funding system which we believe are urgently required. There is a risk that local authorities, in using these flexibilities, are drawn into fire sales of local assets, or unsustainable borrowing, in attempts to bridge their chronic budget gaps. This could drive poor value for money for local authorities and their communities, and exacerbate existing financial distress.**

51. ***The Government should ensure that the implications of any additional flexibilities it grants on capital funding are carefully considered. We recommend that these are limited to extending flexibilities over invest-to-save activity only. The Government must closely monitor local authorities’ uptake of these flexibilities and act quickly to work with local authorities in preventing unintended negative consequences. The use of capital funding for revenue expenditure must not become business as usual and is not a sufficient substitute for more fundamental reform of the funding system.***

Business Rates Retention

52. Business rates are charged on occupancy of non-domestic property. The amount charged is the rateable value of the property, as determined by the Valuation Office Agency,[71] multiplied by a business rates multiplier set by the Government. Business rates are collected by local authorities on behalf of the Government.

53. The Treasury Committee reported in 2019 that the business rates system has been made increasingly complex by the introduction of a series of reliefs, and that “the number of reliefs that are needed for business rates to work indicate a broken system”.[72] Furthermore, we heard from Councillor Graham Chapman, member of Nottingham City Council, that business rates are outdated and in need of reform. He told us that:

69 Department for Levelling Up, Housing and Communities, 18 December 2023, Supporting Document: Call for views on new local authority capital flexibilities, para. 18.

70 Department for Levelling Up, Housing and Communities, 18 December 2023, Supporting Document: Call for views on new local authority capital flexibilities, para. 19.

71 The Valuation Office Agency is an executive agency of HM Revenue and Customs which provides valuation and surveying services to public sector bodies.

72 Treasury Committee, First Report of session 2019–20, Impact of Business Rates on Business, HC 222, para 46 & para 51.

> Something has to be done about business rates. They are unsustainable […] Business rates are Victorian. They are based on the assumption that the more space you use, the more you turnover and the more your profitability. That is no longer the case.[73]

54. The Business Rates Retention Scheme (BRRS) was introduced in 2013 and was designed to incentivise local authorities to grow their local economies. Under the scheme, 50% of collected business rates are retainable by the billing authority (the 'local share') and 50% payable to central government (the 'central share').[74]

55. Given that some local authorities collect significantly more in business rates than others, and that an authority's ability to generate business rates is not correlated with its spending needs, the scheme is also designed to be partially redistributive. The local share is adjusted by a system of tariffs or top-ups, determined by the difference between the average local share of business rates collected at the outset of the scheme (the 'business rates baseline') and the amount of funding the Government believed the local authority needed from business rates, as assessed at the outset of the scheme, to deliver its services (the 'baseline funding level').[75] The baselines, and therefore the amounts of any tariff or top-up, have remained fixed, enabling authorities with growing local shares to retain the benefits of this growth.[76]

56. The relative needs assessment which determined the 'baseline funding level' is over ten years out of date and therefore does not account for changes in population size, demographics, and associated demand for services in specific local authorities in the period to date. We have heard that local authorities' actual needs are now exceeding their baseline funding levels; Councillor Claire Holland told us that:

> I do not think the funding formula has been looked at since 2013, or even before that. We are relying on indicators from the last century, so it is all really out of date.[77]

57. It has been argued that the redistributive element of the BRRS is failing to adequately meet these needs because the Government has not updated the relative needs assessment. According to the Institute for Fiscal Studies, the impact is disproportionately affecting local authorities in more socio-economic deprived areas of England.[78] In highlighting this point, David Phillips, associate director at the Institute for Fiscal Studies, told us that:

73 Qq7–8 [Councillor Graham Chapman, member, Nottingham City Council]

74 Department for Communities and Local Government, July 2012, Business Rates Retention: A step-by-step guide (publishing.service.gov.uk), p 1.

75 Department for Communities and Local Government, July 2012, Business Rates Retention: A step-by-step guide (publishing.service.gov.uk), pp. 2–3.

76 In cases where the amount of collected business rates declines and where the application of a top-up would still leave a local authority's retained business rates at more than 7.5% below its baseline funding level in a given year, a 'safety net' is applied to raise this up to at least the baseline funding level. This is funded by a levy on those authorities whose retained business rates exceed their baseline, capped at 50% of this excess.

77 Q6 [Councillor Claire Holland, Leader, Lambeth Council]

78 Institute for Fiscal Studies, K. Ogden et al, 2022, October 2022, Does funding follow need? An analysis of the geographic distribution of public spending in England (ifs.org.uk) p.131

> When you look at it relative to the assessments of the needs and update, as far as possible, the data that underlies those assessments, the poorest fifth of councils get about 10% below their share of assessed needs, and the richest fifth of councils get about 15% above their share of needs.[79]

58. The BRRS was designed at its outset to include periodic 'resets' of the relevant baselines, the first one intended for 2020.[80] The Government committed, in 2016, to a Fair Funding Review for local government, to address how funding is allocated and redistributed between local authorities.[81] Neither the BRRS reset nor the Fair Funding Review has yet been delivered.

59. We recommended in our July 2021 report *Local Authority Financial Sustainability and the Section 114 Regime* that the Government implements the Fair Funding Review and business rates reset as soon as possible, as the quickest way of restoring the link between funding and need.[82] The Government's response explained that the decision not to implement these in 2021/22 was driven by a desire to focus on addressing the immediate public health, service delivery, and economic recovery challenges posed by the COVID-19 pandemic. It said that "decisions on the way forward will be taken at the ongoing spending review".[83]

60. The Government announced in December 2022 that neither the Fair Funding Review nor the business rates reset will be implemented until the next Parliament.[84] We heard from Ministers and officials at the Department for Levelling Up, Housing and Communities that, in making this decision, they were seeking to prioritise "stability" for local authorities.[85]

61. The Institute for Fiscal Studies (IFS) has stated that "at some stage, an understandable desire for stability becomes damaging inertia".[86] David Phillips, Associate Director at the IFS, told us that:

> The system of allocating funding between councils is untethered from any assessment of their overall relative needs or ability to raise revenues themselves […] [the Government] basically need to get a move on with completing the review of the funding system and putting in place a system that can properly assess needs, resources and allocate funding accordingly.[87]

62. **The business rates system is overly complex, outdated and in urgent need of reform. The baselines used in the business rates retention scheme are over 10 years**

79 Q69 [David Phillips, Associate Director, Institute for Fiscal Studies]

80 Department for Communities and Local Government, December 2013, A Guide to the local government finance settlement in England (publishing.service.gov.uk), see Annex A.

81 The Fair Funding Review: What does it mean for local government?, March 2018, M. Sandford, House of Commons Library.

82 Housing, Communities and Local Government Committee, Second Report of session 2021–22, Local Authority Financial Sustainability and the Section 114 Regime, HC 33, para 26.

83 Department for Levelling Up, Housing and Communities, October 2021, Government Response to the Housing, Communities and Local Government Select Committee Report.

84 Department for Levelling Up, Housing and Communities, December 2022, Local government finance policy statement 2023–24 to 2024–25 - GOV.UK (www.gov.uk)

85 Q149 [Nico Heslop, Director of Local Government Finance, Department for Levelling Up, Housing and Communities]. And Q243 [Rt Hon Michael Gove MP]

86 Institute for Fiscal Studies, 19 December 2023, K. Ogden & D. Phillips, The 2024–25 local government finance settlement: the real pain is still to come | Institute for Fiscal Studies

87 Q66 [David Phillips, Associate Director, Institute for Fiscal Studies]

out of date and their continued use is causing a significant misalignment between the level of funding distributed to local authorities and those authorities' spending needs. There is a disproportionately negative impact on those authorities in the most deprived parts of the country. The Government committed to a Fair Funding Review for local government in 2016 but is still to deliver on this commitment and it is not clear to us that it will do so.

63. ***We renew our previous recommendation that the Government implements the business rates reset and Fair Funding Review. This should include transitional arrangements to ensure stability in funding levels after reset and review. The Government must commit to a fundamental long-term review of the business rates system to ensure business taxation is fit for a modern economy.***

3 Social Care

64. In this chapter we review the first of three significant spending areas which were repeatedly referred to in evidence provided to our inquiry as key drivers of financial pressures on local authorities. Social care here covers both children's and adults' social care which together make up the majority of core funded local authority expenditure.[88]

Children's Social Care

65. Local authorities have statutory responsibilities for ensuring and overseeing the effective delivery of services for children. These include specific responsibilities to promote and safeguard the welfare of children by providing services appropriate to their needs, and in specific cases to promote and safeguard the welfare of children who are looked after by the local authority.[89] In discharging these responsibilities, local authorities provide some care and accommodation directly and purchase some from independent providers.[90]

66. Throughout our inquiry, we heard evidence from various stakeholders of significant increases in demand for residential care placements and significant increases in the costs local authorities are having to pay to care providers to meet this demand. For example, from Lorna Baxter, section 151 officer at Oxfordshire County Council,[91] and Steve Thompson, section 151 officer at Blackpool Council.[92] Councillor Graham Chapman, member of Nottingham City Council, told us that:

> The costs are rising inexorably. There is almost no way through […] children are very often being processed rather than looked after. There are cases in which a child will cost between half a million and £1 million a year. That is utterly unsustainable, and it is utterly inexcusable … There will be a number of children in any authority - 10 or 15 in larger authorities - who are costing between £250,000 and £750,000 each per annum. Think of the impact that has on every other service … we are talking about up to 75% of your expenditure going.[93]

67. Councillor Susan Hinchcliffe, leader of Bradford Council, wrote to us highlighting the unsustainable financial pressures faced by the Bradford Children and Families Trust. The Trust is run independently of Bradford Council at the direction of the Department for Education, but depends on the Council for its funding. Councillor Hinchcliffe told us that:

> Nearly 50% of the Council's entire budget is now spent on children's social care through the Trust, yet the Trust is telling us this is not enough to cope with the current pressures […] It is grappling with high agency costs, high placement costs and dizzying levels of demand […] the Trust is forecasting

88 By 'core funded' we mean expenditure that funded from local authorities core resources, over which they have discretion to determine usage (i.e. council tax, retained business rates, and most government grants). It excludes expenditure for which local authorities act as local distributor of central government funding, for example their distribution of the Dedicated Schools Grant funding.

89 An overview of child protection legislation in England, 6787, November 2023, D. Foster, House of Commons Library.

90 Competition and Markets Authority, 2022, Children's Social Care Market Study , p.7 (para 11).

91 Q97 [Lorna Baxter, section 151 officer, Oxfordshire County Council]

92 Q103 [Steve Thompson, section 151 officer, Blackpool Council]

93 Q2 [Councillor Graham Chapman, member, Nottingham City Council]

> to spend £242 million on children's social care this year. To put this in context, Bradford Council will collect only £233 million in council tax from its residents this year […] we cannot keep pace with demand.[94]

68. The Competition and Markets Authority (CMA) has noted significant problems with the system for delivering children's social care services. Recently, the CMA reported that the number of looked-after children in England increased by 14% between 2016 and 2020, and that placements were needed for greater numbers of older children, unaccompanied asylum-seeking children, and children with more complex needs.[95] It also found that the profits of the largest providers in the children's residential home sector "are materially higher than we would expect them to be if this market were working well".[96] In England, 83% of residential children's home places are provided by the independent sector, compared with 47% in Scotland.[97] The CMA concluded that the placements market is failing to provide sufficient supply of the right type, and the level of competition in the market is "not working as well as it should be" at maintaining prices at reasonable levels for local authority purchasers.[98]

69. The CMA's findings are consistent with the experience of Steve Thompson, section 151 officer at Blackpool Council. He told us that:

> Children's social care is my main priority […] there are some very expensive young people in there. I have seen figures as high as £30,000 per week […] it is an almost incomprehensible sum - how can £30,000 a week be justified? […] In the past we have had agency levels of up to 40%. We are down to 15% now […] the non-agency staff are - dare I say it? - more risk averse: they try to find solutions that bring children back to their parents or the family network, rather than putting them in high-cost residential placements, which on average cost £300,000 a year.[99]

70. Some local authorities are reviewing their participation in the private sector market for care placements and considering how they can work together to deliver more of these services directly. Councillor Barry Lewis, leader of Derbyshire County Council, highlighted that:

> That [collective service delivery] is something we are investigating. For example, across the east midlands, we are looking at working with other local authorities on a consensus around how we can look after these high-cost placements more effectively in-house, where we can. There is a distorted market out there. There is recognition that with the most serious placements - the children with very significant needs - it is kind of, "write your own number." I've heard of crazy numbers […] It is a dodgy market to say the least. It needs very close attention.[100]

94 Letter from Councillor Susan Hinchcliffe, Leader Bradford Council, November 2023.
95 Competition and Markets Authority, 2022, Children's Social Care Market Study , p.7 (para 11).
96 Competition and Markets Authority, 2022, Children's Social Care Market Study , p.9 (para 22).
97 J. MacAlister, May 2022, The Independent Review of Children's Social Care, p.121
98 Competition and Markets Authority, 2022, Children's Social Care Market Study , p.9 (para 19) and p.10 (para 23).
99 Q103 [Steve Thompson, section 151 officer, Blackpool Council]
100 Q55 [Councillor Barry Lewis, leader, Derbyshire County Council]

71. A recent report by Pro Bono Economics[101] and the Children's Services Funding Alliance[102] links increased demand and costs for residential care services to a 46% reduction in spending on early intervention services (for example, those targeting substance misuse, anti-social behaviour, teenage pregnancy, and family support) necessitating a compensatory shift towards spending on higher cost late intervention.[103] Councillor Barry Lewis made a similar observation in his evidence to us:

> There is also this worry around cost-shunting. If we do not get this right, in the sense of the discretionary side of what we do […] particularly around adult social care and children's services, and we throw the baby out with the bathwater around the preventive and early intervention work that we do, then we create further problems elsewhere in the system, which we absolutely want to avoid doing.[104]

72. More widely, this issue has been recognised by the Government. For example, the Secretary of State for Education, the Rt Hon Gillian Keegan MP, has previously acknowledged that:

> Too often the system is not succeeding in providing the right help at the right point. Resources have become trapped at the crisis end of the system, with not enough early support available. Costs are escalating without leading to any improvement in outcomes.[105]

73. In response to concerns about the quality and accessibility of children's social care, the Government commissioned an independent review of children's social care provision, led by Josh MacAlister. The review's report was published in May 2022.[106] It recommended a comprehensive multi-year reform programme requiring investment of £2.6 billion over four years. Investment in family support programmes, social workers, and foster carers would, it suggests, mean more children staying within a loving and safe family network, reducing demand for residential care placements and enabling improved provision for those who need it.[107]

74. In February 2023, the Government published its strategy and consultation on reforming children's social care, and in September 2023 its response to this consultation. This referred to an additional £1.3 billion in 2023–24 and £1.9 billion in 2024–25 in funding which had been announced at the 2022 Autumn Statement, to be available to local authorities via the social care grant to support those with pressures on their children's and adult social care budgets.[108]

75. The Minister for Local Government, Simon Hoare MP, wrote to us setting out how the Department for Education and the Department for Levelling Up, Housing and

101 Pro Bono Economics is an organisation which works with volunteer economists to deliver project work supporting charities and social enterprises with policy research.
102 The Children's Services Funding Alliance comprises Action for Children, Barnardo's, National Children's Bureau, NSPCC, and The Children's Society.
103 Pro Bono Economics, 2023, The Well-Worn Path: Children's Services Spending 2010–11 to 2021–22, p.10
104 Q43 [Councillor Barry Lewis, Leader, Derbyshire County Council]
105 Department for Education, February 2023, Stable Homes, Built on Love: Implementation Strategy and Consultation, p.12
106 J. MacAlister, May 2022, The Independent Review of Children's Social Care
107 J. MacAlister, May 2022, The Independent Review of Children's Social Care, p.299 and 231.
108 Department for Education, September 2023, Children's Social Care: Stable Homes, Built on Love consultation response, p.11

Communities are working together to implement children's social care reforms.[109] The letter sets out a series of aims, focused on increasing capacity in the number of children's home places and helping children to stay out of the care system through earlier help for families and prioritising alternatives to care.[110] There is, however, little clarity on specific and time-bound steps towards delivering these reforms, leaving us concerned that the short-term pressures on local authorities will remain unaddressed while the Government's aspirations are still being translated into a timetable for delivery.

76. **We agree with the Government that comprehensive reform of the children's social care system is urgent and necessary. We are concerned, however, at the receding prospect of timely delivery of reforms and note that, despite the additional funding that the Government announced in autumn 2022, the Government's plans do not provide sufficient short-term financial support to local authorities to enable them to maintain the quality of services that vulnerable people need and deserve. As the CMA has noted, there is a need to ensure profits made by private sector firms from public sector services are not "materially higher than" expected, and are appropriate and fair to the services provided.**

77. ***The Government must work urgently with local authorities to better understand their short-term budgetary pressures in this area and work to develop a package of support and funding to enable continued service delivery while wider system reforms are implemented.***

78. ***The Government should support local authorities by reviewing possible ways of facilitating greater collaboration across local authorities so that they can collectively deliver more children's care services directly rather than through private suppliers.***

Adult Social Care

79. Adult social care is the largest single area of core funded expenditure for local authorities in England. According to the National Audit Office, it accounted for roughly 40% of their total expenditure in 2019–20.[111] Local authority funding for social care has generally been funded from core revenue sources (e.g. council tax, retained business rates, etc.) but, in recent years, the Government has responded to funding pressure by providing additional ring-fenced funding for social care.[112] We heard evidence from Councillor Barry Lewis, leader of Derbyshire County Council, who told us that "adult social care has been a key driver around costs in previous years" and "the pressures in adult social care are […] very significant, right across the entire system".[113]

80. In 2018, our predecessor Committee -- along with the then Health and Social Care Select Committee — published a joint report on Long-term Funding of Adult Social Care which was informed by a Citizens' Assembly. The Report recognised the support of

109 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.2 and annex A.

110 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.2

111 National Audit Office, July 2021, Financial sustainability of local authorities visualisation: update, section 3 (Spending), Figure 3.2 Service Spend 2010–11 to 2019–20.

There are currently 152 authorities with Adult Social Care Responsibilities (CASSRs); these are unitary authorities (62), metropolitan boroughs (36), London boroughs (32), County councils (21), plus the city of London corporation. Non-metropolitan districts do not have statutory responsibilities for adult social care.

112 Estimates day debate: Adult social care, CDP 0047, D. Foster et. al, 8 March 2023, House of Commons Library

113 Q43 [Councillor Barry Lewis, Leader, Derbyshire County Council]

the Citizens' Assembly for funding social care through earmarked taxation, rather than through general taxation, though it did note some weaknesses with this approach. The Report recommended an earmarked contribution called a 'social care premium', payable either as an addition to national insurance or through a separate mechanism.[114]

81. Subsequently, in September 2021, the then Government announced the introduction of a Health and Social Care Levy on National Insurance contributions from 2022–23 onwards, with the funds raised to be ring-fenced for investment in health and social care. In September 2022 the then Chancellor of the Exchequer, Kwasi Kwarteng, announced that the National Insurance increase would be reversed and the levy would be cancelled.[115] The then Secretary of State for Health and Social Care, Thérèse Coffey, said that planned spending on social care would remain unchanged, but would instead be funded out of general taxation.[116]

82. Since our predecessor Committee published its joint report, demand for, and the cost of delivering, adult social care continues to increase. Stephen Jones, Director of Core Cities UK, told us:

> Some of it is about changing demographics and changing groups […] the consequential impact of changing health outcomes and people living with multiple conditions for longer […] The assessments of demographic and cost pressures on the NHS […] show the cost of healthcare to deliver the same services in this country over the next 10, 20, 30 or 50 years increasing at a significant rate; that is absolutely and equivalently true for the delivery of care services by local authorities.[117]

83. The King's Fund has reported that local authorities are paying more in real terms to providers of adult social care. Between 2015–16 and 2021–22 in real terms the average weekly fee paid by local authorities for care services for working-age adults increased by 7.3%, and the equivalent fee paid for care services for older people increased by 21%.[118] It reports that care providers have faced significant cost pressures, primarily from wage inflation and significant recruitment gaps necessitating the use of expensive agency staff.

84. Abdool Kara, executive director at the National Audit Office, told us:

> On adult social care, we know that we have a massive workforce issue - 150,000 vacancies […] We know that there are over 80,000 households waiting for an assessment, double what it was a few years ago, pre-pandemic. It is an area that is highly labour intensive […] It is hard to move away from the idea that there is not enough money in the system. Even the Care Quality Commission - a non-departmental public body - said that in its annual report, so I don't think it is controversial to say that.[119]

114 Health and Social Care Committee and Housing, Communities and Local Government Committee, First Joint Report of session 2017–19, Long-term Funding of Adult Social Care, HC 768, para 94.

115 HM Treasury, September 2022, Reversal of the Health and Social Care Levy Factsheet

116 Proposed Adult Social Care Charging Reforms, 9315, November 2022, D. Foster, House of Commons Library, pp. 14–15

117 Q44, [Stephen Jones, Director, Core Cities UK]

118 Social care 360: expenditure, S. Bottery & S. Mallorie, March 2023, The King's Fund, section 5 'cost of commissioning'.

119 Q87 [Abdool Kara, Executive Director, National Audit Office]

85. At the Autumn Statement 2022, the Government responded to acute pressures on adult social care delivery by committing to make available up to £2.8 billion in 2023–24 and £4.7 billion in 2024–25.[120] This included £1 billion of new grant funding in 2023–24, and £1.7 billion new grant funding in 2024–25, plus re-allocation of £1.3 billion (2023–24) and £1.9 billion (2024–25) previously allocated to social care charging reforms which have been delayed until at least October 2025.[121]

86. Despite this additional funding, various stakeholders expressed ongoing concerns about the continuing cost and demand pressures affecting adult social care provision. Stephen Jones, Director of Core Cities UK, told us that the additional funding announced in 2022 "provided some breathing room",[122] and Councillor Barry Lewis, leader of Derbyshire County Council, said that the funding was "helpful, but [the cost of adult social care provision] is still a key pressure as we move forward".[123] The Local Government Association reported that "adult social care remains in a precarious position".[124]

87. No additional funding for adult social care was announced in either the 2023 Autumn Statement or the provisional local government finance settlement for 2024–25. We heard from Councillor John Fuller, leader of South Norfolk District Council, that a sustainable funding model is necessary if this issue is to be adequately resolved. He said:

> Local government has a big offer to make to national Government: if you can get us sustainably funded, we can start to grow the economy and earn the tax revenues that will keep the nation afloat […] at the moment, with over two thirds of our money going into social care, the bandwidth and capacity for growing the economy for the long term is taking a back seat. That is entirely regrettable. We cannot just be social care authorities.[125]

88. Councillor Fuller also told us about the impact that the predominance of social care costs is having on local authorities' abilities to deliver other services, and therefore to support the wider community of local taxpayers:

> We are in a situation where the demand pressures, which are often statutorily and regulatorily defined, are affecting 3% to 4% of the population - they are benefitting by direct intervention. We celebrate that - it is what the state is for - but we are ending up in a democratic deficit, where 96% of the people are funding 4%, and that has become distended. We are in a situation where local government offers 136 different activities, but two of them - social care and children's services - are now consuming well over two thirds of the entire budget […] If the focus of local authorities is on looking after those in need, where are we to grow the economy and generate the environment?[126]

89. Councillor Graham Chapman, member of Nottingham City Council, supported this point:

120 Estimates day debate: Adult social care, CDP 0047, D. Foster et. al, 8 March 2023, House of Commons Library
121 Proposed adult social care charging reforms, D. Foster, 9315, November 2022, House of Commons Library
122 Q51 [Stephen Jones, Director, Core Cities UK]
123 Q43 [Councillor Barry Lewis, Leader, Derbyshire County Council]
124 Local Government Association, November 2023, LGA responds to Autumn Statement
125 Q14 [Councillor John Fuller, Leader, South Norfolk District Council]
126 Q9 [Councillor John Fuller, leader, South Norfolk District Council]

> We are talking about up to 75% of your expenditure going on children or adult social care, which leaves nothing for the sort of things John was talking about. It also undermines democracy, because everybody else is thinking, "What are we getting out of the council? We are paying far more in additional council tax every year - 5%, beyond inflation until recently - and getting less." The model is not sustainable.[127]

90. In December 2021, the Government published a white paper on long-term reform of adult social care, titled *People at the Heart of Care*. In our July 2022 report *Long-term Funding of Adult Social Care*, we recommended that the Government should publish a 10-year plan for how its vision in the white paper will be achieved, including key milestones, a timetable and measures of success.[128] The Government did not commit, in its response to our recommendation, to publish a 10-year plan. Instead, it noted its publication in April 2023 of a policy paper setting out "some of the action we are taking over the next two years", including key milestones and a timetable. It added that "spending decisions beyond the next two years will be a decision for government at future spending reviews".[129]

91. We asked the Secretary of State for Levelling Up, Housing and Communities whether his Department has any plans to develop this 10-year plan.[130] The Minister for Local Government, Simon Hoare MP, directed us in his response[131] again to the Government's plans for only the "next two years".[132]

92. Furthermore, in our July 2022 report: *Long-term Funding of Adult Social Care* we recommended both that "the Government urgently needs to allocate more funding to adult social care in the order of several billions each year, at least £7 billion",[133] and that "the Government must proceed with the aim of rebalancing the sources of funding so there is not such a reliance on council tax".[134] The Government's response to that report noted that "increased funding for local authorities must come with genuine, long-term reform of the adult social care system", and referred to the additional funding announced in the 2022 Autumn Statement discussed above, plus a commitment to over £2 billion over the next two years to support and improve adult social care and discharge in England, and £700 million for the next steps of the People at the Heart of Care plan. The Government also note that, recognising that different places have differing abilities to raise funding through the council tax precepts, they make an adjustment to the adult social care precept called 'equalisation' to offset these differences.[135]

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127 Q15 [Councillor Graham Chapman, member, Nottingham City Council]

128 Levelling Up, Housing and Communities Committee, Second report of session 2022–23, Long-term Funding of Adult Social Care, HC 19, para. 85

129 Department for Levelling Up, Housing and Communities, June 2023, The Government's response to the Levelling Up, Housing and Communities Committee report Long-term funding of adult social care (parliament.uk), pp. 20–21.

130 Levelling Up, Housing and Communities Committee, 27 November 2023, Letter from the Chair to the Secretary of State for Levelling Up, p.10

131 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.5

132 Department of Health and Social Care, April 2023, Policy Paper, Next steps to put People at the Heart of Care - GOV.UK (www.gov.uk)

133 Levelling Up, Housing and Communities Committee, Second report of session 2022–23, Long-term Funding of Adult Social Care, HC 19, para. 40

134 Levelling Up, Housing and Communities Committee, Second report of session 2022–23, Long-term Funding of Adult Social Care, HC 19, para. 74

135 Department for Levelling Up, Housing and Communities, June 2023, The Government's response to the Levelling Up, Housing and Communities Committee report Long-term funding of adult social care (parliament.uk), pp.9 and 17.

93. **While the additional funding announced in Autumn Statement 2022 has provided some brief respite for local authorities facing particularly acute pressures, a consistent and sustainable increase in funding is required. We have heard evidence of ongoing concerns about the continuing cost and demand pressures affecting adult social care. The absence of any additional funding announced in the Autumn Statement 2023, and the prospect of future real terms funding cuts, has exacerbated those concerns.**

94. ***We reiterate the recommendation we made in our July 2022 report Long-term Funding of Adult Social Care, that the Government needs to recognise the need for more funding to local authorities for delivery of adult social care, in the order of several billions each year, and to plan a sustainable mechanism to deliver this funding, for example through the social care premium recommended by our predecessor committee in 2018.***

95. ***We also reiterate the recommendation we made in our July 2022 report for the Government to publish a 10-year plan for implementing the reforms set out in its white paper People at the Heart of Care.***

4 Special Educational Needs and Disabilities (SEND)

96. In this chapter we address another key spending pressure for local authorities, their delivery of services for children and young people with special educational needs and disabilities (SEND).

97. In 2023, there were approximately 1.6 million school pupils in England with identified SEND,[136] of which approximately 500,000 have an education, health and care (EHC) plan.[137] EHC plans were introduced by the *Children and Families Act 2014* and are required for children and young people who need more support than is available through the mainstream education system.

98. Local authorities receive funding for delivery of most SEND-related services from the Department for Education (DfE), through the high-needs funding block of the Dedicated Schools Grant (DSG). DSG funding is ring-fenced for distribution to education providers.[138] Amounts distributed to local authorities via the DSG are calculated through the National Funding Formula administered by the DfE.[139] Local authorities, in consultation with local education providers, determine individual allocations of this funding.

Demand Pressures

99. Demand for SEND services has increased significantly following the passing of the *Children and Families Act in 2014*. According to the County Councils Network, the number of individuals with EHC plans has "skyrocketed": in 2015 the number was 240,183 compared with 517,049 in 2023, an increase of 115% over nine years.[140] The total number of EHC plans in 2023 is up 9% on 2022 and has increased each year since 2014. There were 66,700 new EHC plans made during calendar year 2022, up 7% on the previous year, and this has also increased each year since 2014.[141]

100. We heard evidence from Gary Fielding, section 151 officer at North Yorkshire Council, of local authorities increasingly being presented with cases of greater complexity which require costly specialist provision:

> We now have a young person who costs just short of £1.5 million per annum. Those were unheard-of sums beforehand, but it is because of the complexity, the greater diagnosis, the advances in medicine, the advances in care. Those are to be celebrated, but they come with financial challenges.[142]

136 Special Educational Needs: Support in England, 07020, 11 January 2024, R. Long & N. Roberts, House of Commons Library, p.5

137 National Statistics, June 2023, Education, health and care plans, Reporting year 2023 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

138 Department for Education, January 2020, Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG) (publishing.service.gov.uk), p.11

139 Department for Education, October 2023, National funding formula for schools and high needs 2024 to 2025 (publishing.service.gov.uk)

140 County Councils Network, November 2023, From Home to the Classroom: Making Travel to School Services Sustainable, p.4.

141 National Statistics, June 2023, Education, health and care plans, Reporting year 2023 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk)

142 Q102 [Gary Fielding, section 151 officer, North Yorkshire Council]

101. The amount of funding provided by the Department for Education has not kept pace with this increase in demand and costs. Councillor Barry Lewis, leader of Derbyshire County Council, told us that the latest estimate of local authorities' budget deficits relating specifically to SEND services across England is approximately £2.3 billion, increasing to £3.6 billion by March 2025.[143] The F40 group of local authorities estimates that an additional £4.6 billion in funding is required each year to meet the current demand for SEND support.[144]

Statutory Override

102. In our recent report *Financial Reporting and Audit in Local Authorities*, we noted that local authorities' accounting requirements are different in certain ways from generally accepted accounting practice. This is because Governments have overridden generally accepted accounting practice with specific statutory requirements, and these requirements have been adopted into the local authority accounting code.[145]

103. In 2020, the then-Ministry for Housing, Communities and Local Government introduced one such 'statutory override' allowing local authorities to exclude any deficits on their DSG spending from their main revenue budgets.[146] This has the effect of allowing local authorities to accumulate deficits by overspending on their allocated DSG budgets, and to proceed with an imbalanced budget in this specific spending area, without requiring a section 114 notice.[147] The statutory override had been due to expire in March 2023. In December 2022, the Department for Levelling Up, Housing and Communities announced that the statutory override would be extended for a further three years to the end of March 2026.[148]

104. Since March 2021, the Department for Education has made "safety valve agreements" with 34 local authorities with the highest DSG deficits.[149] Under these agreements, the Department for Education has agreed to pay additional DSG funding to a local authority on the condition that the authority undertakes to reduce its DSG deficit and implement a DSG management plan.[150] The Minister for Local Government Simon Hoare MP confirmed to us that the cost of those agreements to date is a total of "just under £1bn"[151] and that the Department for Education is working through the programme with a further five councils at present.

143 Q53 [Councillor Barry Lewis, Leader, Derbyshire County Council]
144 F40, October 2023, Press Notice, MPs urge Chancellor to invest in Special Educational Needs as figures show extra £4.6bn is needed to meet demand (prgloo.com)
145 Levelling Up, Housing and Communities Committee, First Report of Session 2023–24, Financial Reporting and Audit in Local Authorities, HC 59, para 99.
146 HC Deb, 29 November 2022, UIN 98741, Written questions and answers, Special Educational Needs: Question for the Department for Education.
147 Department for Education, March 2023, Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan (publishing.service.gov.uk), p.18
148 Department for Levelling Up, Housing and Communities, December 2022, Local government finance policy statement 2023–24 to 2024–25 - GOV.UK (www.gov.uk)
149 Department for Education, May 2023, Dedicated schools grant: very high deficit intervention - GOV.UK (www.gov.uk) Five councils in March 2021, nine councils in March 2022, and 20 councils in March 2023. See also p.4: Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023
150 Department for Education, March 2023, Dedicated Schools Grant 'Safety Valve' Agreement: Barnsley 2022–2023 (publishing.service.gov.uk), an example safety valve agreement.
151 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.4

105. In addition, the Department for Education is working with a further 55 local authorities (those with the largest DSG deficits not already engaged in ‘safety valve’ agreements) through its ‘Delivering better value in SEND’ programme.[152] This programme is being delivered by management consultants Newton Europe, in collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA),[153] and aims to identify achievable changes that local authorities can make to ensure that they can maintain high quality services for children and young people with SEND while maintaining these services on a sustainable financial footing.[154]

106. While we appreciate that some efficiencies may be achievable, it is not realistic to expect local authorities to manage down deficits of the scale of many billions of pounds over a period of two or three years. One-off ‘safety valve’ funding does not address the underlying mismatch between demand, costs, and annual DSG funding and it will not prevent local authorities from accumulating further deficits subsequently.

107. During the final oral evidence sessions for our inquiry, we asked the Minister for Local Government, and the Secretary of State for Levelling Up, for clarification on whether the Government will fund, or it will expect local authorities to fund, deficits remaining when the statutory override ends in March 2026. Nico Heslop, Director of Local Government finance at the Department for Levelling Up, Housing and Communities, said in oral evidence that this decision is to be taken in the next Parliament.[155] The Minister for Local Government also wrote to us to explain that:

> Local authorities should continue to work with all parts of the SEND system to put themselves in the best position so that when the ‘statutory override’ comes to an end, local authorities are able to demonstrate their ability to deal with remaining DSG deficits. DLUHC, DfE and HMT are working together to prepare for the end of the ringfence, to avoid jeopardising local authorities’ financial viability.

Home-to-School Transport

108. Local authorities have statutory duties to make arrangements for free-of-charge transportation between home and school for all eligible children.[156] We heard evidence that costs relating to home to school transport for those with special educational needs and disabilities (SEND) have significantly increased and are putting further pressure on local authorities’ finances. Home-to-school transport is not funded via the DSG, and requires local authorities to fund it via their general revenue funding.[157]

109. Gary Fielding, section 151 officer at North Yorkshire Council, explained as follows:

152 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.4
153 Department for Education, October 2023, Guidance on our intervention work with local authorities - October 2022 (publishing.service.gov.uk), p.3
154 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023
155 Qq258–259 [Nico Heslop, Director for Local Government Finance, Department for Levelling Up, Housing and Communities]
156 Education Act 1996 (legislation.gov.uk), section 508B. ‘Eligible child’ is defined in schedule 35B and includes all children with special educational needs and disabilities who cannot reasonably be expected to walk to their school.
157 HC Deb, 11 January 2024, vol 743, Commons Chamber, SEND Provision and Funding - Hansard - UK Parliament (see speech by David Davis MP)

> The other point I would make about SEND is that it is seen as a DfE issue […] However, it manifests itself to local authorities in other ways too […] Five years ago, in North Yorkshire we spent £5 million a year on SEND school transport; we now spend £21 million—it has gone up by £16 million. That is not funded by DfE through schools; it is funded by core general funding. That is £16 million in a five-year period, so we are under great strain, and that is before we have to address the deficits on SEND.[158]

110. The County Councils Network has reported that, with increasing numbers of EHC plans recommending specialist provision or attendance at a special school, the numbers of locally available school places have not kept pace with demand and local authorities are "required to transport tens of thousands of young people over long distances" to special schools outside of their local area. The number travelling to special schools has increased by 24% in the last five years.[159]

111. The County Councils Network cite the complexity of children's needs, and parental expectations, as drivers of increased use of individual transportation such as taxis, rather than other forms of shared transportation. Use of taxis for transporting SEND children to and from school increased by 36% between 2019 and 2023.[160] The increased cost is being borne by the local authorities responsible for delivering these services.

SEND Reforms

112. On 5 December 2023, the Minister for Local Government wrote to us acknowledging that there is "low confidence in mainstream school settings" meaning that parents and carers feel the need to secure EHC plans and specialist provision for their children.[161] This has increased demand and pressures on both the provision of education services for those with SEND and for more costly forms of home-to-school transport, as more families seek places in special schools, the most suitable of which may be located outside of their local area.

113. The Minister for Local Government also highlighted in his letter the Government's *SEND and Alternative Provision Improvement Plan* published in March 2023, which aims at improving mainstream ordinarily available school provision. The Minister explained that this meant that:

> More children and young people will receive the support they need in their local setting and fewer will need to access support via an EHCP.[162]

114. The Department for Education has also proposed to invest £2.6 billion of capital funding between 2022 and 2025 to deliver new school places and improve provision for children and young people with SEND.[163]

158 Q102 [Gary Fielding, section 151 officer, North Yorkshire Council]
159 County Councils Network, November 2023, From Home to the Classroom: Making Travel to School Services Sustainable
160 County Councils Network, November 2023, From Home to the Classroom: Making Travel to School Services Sustainable
161 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.4
162 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023, p.4
163 Department for Education, March 2023, Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan (publishing.service.gov.uk), p.8

115. We echo the conclusions reached by the Education Select Committee in its 2019 Report on *Special Educational Needs and Disabilities*:

> The Department for Education set local authorities up to fail by making serious errors both in how it administered money intended for change, and also, until recently, failing to provide extra money when it was needed.[164]

116. This is also a concern for Members of Parliament more generally. On 11 January 2024, there was a debate in the House of Commons on SEND provision and funding, at the end of which the House passed a motion calling for a review of funding for SEND provision.[165]

117. **The rise in numbers of EHC plans following the Children and Families Act 2014 has significantly increased demand for more costly forms of SEND provision and home to school transport. The funding available to local authorities, through the Dedicated Schools Grant or otherwise, is far from sufficient to meet this demand.**

118. **The Government's use of the statutory override and one-off 'safety valve' funding are temporary measures and do not address the underlying mismatch between demand, costs, and annual Dedicated Schools Grant funding. They will not prevent local authorities from accumulating further deficits until the underlying mismatch is resolved, and we do not believe it is realistic to expect local authorities to manage down deficits of the scale of many billions of pounds in total over a period of two or three years. Without significant additional funding via the DSG to match service demand and costs, or a further extension to the statutory override - which would, at most, offer a further period of temporary respite - the sector faces a cliff-edge of section 114 notices.**

119. **The Government has provided no clarity on whether it will fund, or it will expect local authorities to fund, deficits remaining when the statutory override ends in March 2026.**

120. **It is clear that the Government's aim to improve existing mainstream and locally available special school provision will not be sufficient on its own to influence parents' or carers' views on Education, Health and Care plans. The development of improved locally available provision will also take time to realise and is not likely to address the financial pressures affecting local authorities in the short-term.**

121. ***The Government should provide clarity to local authorities on its specific expectations for resolving existing DSG budget deficits, and agree with local authorities a set of realistic and achievable steps, supplemented by sufficient additional funding, for eliminating these existing budget deficits. This should be done by 31 March 2024.***

122. ***The Department should commission a cross-government independent review of Education, Health and Care Plans and consider fundamental reform of this system, to put SEND provision on a financially sustainable footing for local authorities whilst ensuring that all children and young people with SEND have access to the services that they need. This review should also address provision in mainstream and special***

164 Education Select Committee, First Report of Session 2019, Special educational needs and disabilities (parliament.uk), HC 20, paragraph 20.
165 HC Deb, 11 January 2024, vol 743, Commons Chamber, SEND Provision and Funding - Hansard - UK Parliament

schools. Furthermore, the Government, when considering future financial support for local authorities, should assess the future demand for SEND within the wider context of schools as part of the Dedicated Schools Grant funding.

123. ***Additional funding for home-to-school transport is necessary in the short-term. Therefore, the Government should assess the benefits of introducing new statutory guidance aimed at encouraging the use of less costly forms of shared transportation. In response to this Report, the Government should set out the results of this assessment in full.***

5 Homelessness

124. In this chapter, we consider a third key and growing pressure on local authorities' finances, that of homelessness and temporary accommodation. We look at the Government's approach to setting Local Housing Allowance rates and how this has affected demand for local authority support. Local authorities have a statutory duty to secure accommodation for unintentionally homeless people in priority need.[166] They have further statutory duties to work to prevent homelessness for all eligible applicants who are threatened with homelessness, and to work to relieve homelessness for all eligible applicants who become homeless.[167]

Increasing Demand

125. The numbers of people presenting to local authorities requiring homelessness support have increased. The Kerslake Commission reported in September 2023 that "the number of households who are homeless and living in temporary accommodation is the highest since records began".[168]

126. According to the most recent statistics published by the Department for Levelling Up, Housing and Communities, between 1 April and 30 June 2023 34,850 households were assessed as being threatened with homelessness and owed a prevention duty by their local authority (up 1.5% on the same quarter in 2022), 38,810 households were assessed as homeless and owed a relief duty by their local authority (up 6.9% on the same quarter in 2022), 14,470 households were owed a main homelessness duty by their local authority (up 19% on the same quarter in 2022), and on 30 June 2023 105,750 households were in temporary accommodation (up 10.5% on 30 June 2022).[169]

127. Increased demand for homelessness services is putting significant pressure on local authorities' budgets. We heard from Councillor Claire Holland, leader of Lambeth Council and acting chair of London Councils, that in London

> Boroughs are forecasting to overspend over £90 million on temporary accommodation this year. One in 50 Londoners is homeless; that is one child in every classroom across London. That is a massive cost to us […] In my own borough it is sadly going up consistently and constantly.[170]

128. Similarly, Stephen Jones, Director of Core Cities UK, told us that:

> One of my authorities tripled its homelessness and temporary accommodation budget for the year to reflect the demand, yet is still projecting a pressure and the fact that it is outstripping that.[171]

166 Housing Act 1996 (legislation.gov.uk), section VII, para 193.
167 Homelessness Reduction Act 2017 (legislation.gov.uk), section 4. For a full overview of local authorities' duties, see Statutory Homelessness (England), W. Wilson & C. Barton, December 2022, House of Commons Library, pp.8–12.
168 Kerslake Commission, September 2023, Turning the Tide on Homelessness and Rough Sleeping, p.6
169 Department for Levelling Up, Housing and Communities, November 2023, National Statistics, Statutory homelessness in England: April to June 2023
170 Q11 [Councillor Claire Holland, Leader, Lambeth Council]
171 Q32 [Stephen Jones, Director, Core Cities UK]

129. In our 2020 Report *Building More Social Housing*, we reported on shortage of affordable housing driving an increase in numbers of households requiring temporary accommodation.[172] We recommended that a social housebuilding programme should be top of the Government's agenda.[173] Our current inquiry into *The Finances and Sustainability of the Social Housing Sector* addresses related issues in further detail.

Local Housing Allowance

130. Local housing allowance (LHA) rates are caps set by the Government which specify the maximum amount of housing benefit or universal credit that can be received by claimants for rental costs when renting from a private landlord. The LHA was introduced in 2008, making rent for up to the 50th percentile of local market rents potentially affordable for benefit recipients. It was reduced in 2011 to the 30th percentile of local market rents and subsequently subject to further reductions or freezes.[174] In April 2020, the Government lifted LHA rates to cover the 30th percentile of local market rents, but LHA rates have been frozen since then. We heard evidence that the Government's decision to freeze local housing allowance rates in April 2020 has been a primary driver of increased homelessness.[175]

131. Abdool Kara, Executive Director at the National Audit Office, told us that:

> The single biggest issue driving increased homelessness - not the only one, but easily the single biggest - is local housing allowance rates. The freezing of local housing allowance rates does two things: it creates more people who are homeless, because their housing benefit cannot afford rising rents, but more importantly it means that local authorities cannot discharge their duty towards households once those people are homeless, because they cannot find them properties in the local area that are within the local housing allowance rates.[176]

132. The Institute for Fiscal Studies reported that market rents for new let properties have increased on average by more than a fifth since the LHA rates were frozen in 2020, and that the proportion of new private rental properties affordable to benefit recipients has fallen from 23% to 5% in the same period.[177]

133. London Councils have estimated that the impact of again uprating the LHA to the 30th percentile of local market rents would be to prevent an additional 16,500 to 22,000 London households from becoming homeless over a six-year period, and would lead to savings of between £80 million and £107 million per year for London's local authorities.[178] Following our oral evidence session with the Minister for Local Government, we wrote to the Secretary of State to follow up on the Minister's commitment to write to us with the

172 Housing, Communities and Local Government Committee, Third Report of Session 2019–20, Building More Social Housing, HC 173, para 14.
173 Housing, Communities and Local Government Committee, Third Report of Session 2019–20, Building More Social Housing, HC 173, para 70.
174 London Councils, September 2023, Impact of unfreezing Local Housing Allowance rates in London
175 Kerslake Commission, September 2023, Turning the Tide on Homelessness and Rough Sleeping, p.6
176 Q87 [Abdool Kara, Executive Director, National Audit Office]
177 Institute for Fiscal Studies, June 2023, T. Waters & T. Wernham, Housing benefits have been frozen while rents have sky-rocketed. Only 1 in 20 private rental properties on Zoopla can be covered by housing benefit
178 London Councils, September 2023, Impact of unfreezing Local Housing Allowance rates in London

Government's assessment of the national impact on homelessness of its decision to freeze the LHA.[179] We did not receive this assessment in subsequent correspondence received from the Minister for Local Government and from the Secretary of State.[180]

134. In the Autumn Statement 2023, the Chancellor of the Exchequer announced that the Government will raise local housing allowance rates from 1 April 2024 to the 30th percentile of local market rents. The Government suggests that this will benefit 1.6 million low-income households, who will on average be approximately £800 better off in 2024–25.[181]

135. We asked the Secretary of State for Levelling Up, Housing and Communities why the Government was delaying implementation of this change until April 2024, rather than acting immediately to alleviate homelessness this winter. He told us that:

> That is just because of the way in which the public spending cycle works, but we have also made other changes. There is £1 billion available through the homelessness prevention grant that is distributed to local authorities. Discretionary payments are available to people at risk of homelessness.[182]

136. Following the Autumn Statement, the Office for Budget Responsibility reported that "the measure also freezes LHA rates from 2025–26 onwards, thereby eroding its generosity over time as rental prices rise".[183] Subsequent re-freezing of LHA rates makes the Government's decision only a temporary solution to the current crisis in homelessness and is likely to drive further increases in homelessness and put further pressures on local authorities' spending. Following our oral evidence session with the Secretary of State, we wrote to him to request a range of estimates of the impact of the LHA rates being frozen again rather than being increased.[184] His response did not directly address this request, instead saying that the:

> Government will continue to monitor rental prices, and the Secretary of State for Work and Pensions has committed to reviewing the LHA annually. Our departments will continue to work closely together, but I cannot pre-empt that review.[185]

137. **We welcome the Government's decision to increase Local Housing Allowance rates to the 30th percentile of local market rents from 1 April 2024. However, this is an urgent matter that required the Government's immediate action. It is therefore disappointing that the Government did not implement this change with greater speed following the Autumn Statement in November 2023. We are concerned that this delay has failed to alleviate the increasing numbers of families unable to find suitable accommodation during the winter, with serious consequences for the health and wellbeing of those affected.**

179 Levelling Up, Housing and Communities Committee, 27 November 2023, Letter from the Chair to the Secretary of State for Levelling Up, pp 8–9 [in which we asked for an impact assessment of the 2020 freeze] and Levelling Up, Housing and Communities Committee, 13 December 2023, Letter from the Chair to the Secretary of State for Levelling Up, p.2 [in which we asked for an impact assessment of the post-April 2024 freeze].

180 Letter from Minister for Local Government, Simon Hoare MP, 5 December 2023 and Letter from Secretary of State for Levelling Up, Rt. Hon. Michael Gove MP, 22 December 2023, para. 17–20.

181 HM Treasury, November 2023, CP 977, Autumn Statement 2023, p.4

182 Q273 [Rt Hon Michael Gove MP]

183 Office for Budget Responsibility, November 2023, CP 944, Economic and fiscal outlook – November 2023, p.66

184 Levelling Up, Housing and Communities Committee, 13 December 2023, Letter from the Chair to the Secretary of State for Levelling Up, Housing and Communities.

185 Letter from the Secretary of State for Levelling Up, Housing and Communities, 22 December 2023, para. 20.

138. ***We recommend that the Government reconsider its position on re-freezing local housing allowance rates from 2025–26 onwards. Instead, the Government must maintain LHA rates at least at the 30th percentile of local market rents each year to ensure that those children and adults receiving benefits have sufficient access to rental properties and to prevent further escalation of pressure on local authorities' homelessness services.***

6 Priorities for the next Government

139. In this final chapter, we outline what we believe the next Government, regardless of their political persuasion, must prioritise to ensure that local authorities' finances are restored to a sustainable footing for the long term.

140. We have heard that the funding system for local authorities has remained reliant for too long on data from the last century and reforms are long overdue.[186] Earlier in this Report, we have recommended that the Government implements a revaluation of properties and a new banding structure for council tax, and that the Government proceeds with the business rates reset and Fair Funding Review. There is further scope — and indeed a need — for the next Government to conduct a fundamental review of the system of local authority funding and local taxation to ensure that the longer-term financial stability of local authorities is protected.

141. Both the Minister for Local Government and the Secretary of State for Levelling Up, Housing and Communities acknowledged in their evidence to us that long-term and more substantive reforms are necessary. However, they both said they are currently seeking to prioritise stability in the short term. The Minster for Local Government explained:

> I would just go back to the fundamental and basic point of realpolitik. On the rocky road of recovery post-covid, given the scale of demands that were placed on 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 […] I am not saying 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.[187]

142. Furthermore, the Secretary of State told us that:

> Despite the sorts of fundamental reforms that we might have wished to entertain at the beginning of a Parliament—given where we were and given, as you quite rightly pointed out, the overall set of challenges that local government faces—any sort of fundamental reform at this stage would probably risk a level of instability in the system that would not justify any of the potential benefits.[188]

143. The next Government has various options to consider when determining its approach protecting the financial viability of local authorities in the long-term. For example, land value taxes of the kind currently in use in Denmark and parts of the United States may be effective at removing the regressive elements of the current system.[189] Wider fiscal devolution, including granting local authorities a specific share of central taxation, may

186 Q6 [Councillor Claire Holland, Leader, Lambeth Council]
187 Q160 [Simon Hoare MP]
188 Q243 [Rt. Hon. Michael Gove MP]
189 Financial Times, September 2013, M. Somerset Webb, How a levy based on location values could be the perfect tax.

also be effective at giving local authorities the flexibility to meet demand or cost pressures in a sustainable way.[190] As we heard from Dr Jonathan Carr-West, Chief Executive of the Local Government Information Unit (LGIU):

> It is always worth looking at other places; it does not have to be that way […] There are all sorts of things done routinely in plenty of other places around the world, including comparable economies like France, the US and Germany - local sales taxes, local environmental taxes, tourism taxes, local shares of income tax, municipal bonds. To us they are these crazy innovations, but they are actually quite normal in most other countries […] In the long term you need to look at elements of fiscal devolution that create more flexibility.[191]

144. As we have outlined in Chapters 3 and 4, the funding and delivery of social care and services for children and young people with special educational needs and disabilities (SEND) are not sustainable in their current form. We have also made recommendations aimed at ensuring the short-term viability of the finances of local authorities faced with acute pressures.

145. Further to this, fundamental reform of the funding and delivery of these services is also essential to resolve the underlying causes of these acute pressures and to ensure sustainable service delivery in the future. This may include further consideration of a social care premium, as recommended by our predecessor committee, and as announced and subsequently cancelled by the Government.

146. Designing and implementing the correct set of reforms will require the Government to carefully consider the role of local government and the Government's, and local taxpayers', expectations of it. Councillor John Fuller asked, in oral evidence to us:

> What is the purpose of local government? If we are all chasing around changing nappies, then how are we going to build the economy? That is a difficult situation, and the Government would do well to be clear about what we are for, because until there is that clarity, we will just be arguing among ourselves, for years and years, about tourist tax or band changes, and we will miss the target.[192]

147. **The Government elected in the next UK General Election is faced with the task of designing and implementing a series of fundamental reforms to the way in which local authorities are funded, the services that they are currently required to deliver, and the way in which these services are delivered. It is critical that the next Government prioritises this matter.**

148. ***The next Government must embark on a fundamental review of the system of local authority funding and local taxation, exploring all options for removing its current regressive elements and bringing it into the 21st Century. This should include consideration of land value taxes, and of wider fiscal devolution including the option of granting local authorities a specific share of central taxation.***

190 The State of Local Government Finance 2023, March 2023, Local Government Information Unit, p.24
191 Q67 [Dr Jonathan Carr-West, Chief Executive, Local Government Information Unit]
192 Q9 [Councillor John Fuller, Leader, South Norfolk District Council]

149. ***The next Government must ensure that it explores all options for fundamental reform of funding and delivery of social care services and implements reforms that address the underlying causes of the acute funding and delivery pressures that local authorities are currently facing. The Government should also explore how the structure of local authorities, including for example moving to unitary authorities, may alleviate financial pressures currently facing local authorities.***

Conclusions and recommendations

Funding Reform

1. Local authorities have seen significant reductions in their spending power coincide with increasing demand for their services and inflationary pressures exceeding those in the wider economy. Recent funding settlements, while increasing in cash terms, have not kept pace with these pressures leading to a downward spiral. The prospect of further real terms funding cuts is likely to exacerbate existing concerns about systemic underfunding, with the current funding gap already estimated at £4 billion. (Paragraph 25)

2. *The Government must include additional funding in the local government finance settlement for 2024–25 to ensure local authorities bridge their estimated £4 billion funding gap. The Government must set out which local authorities are being prioritised and why for this financial settlement. The Government must also set out what longer-term support will be provided to local authorities if the £4 billion funding gap is not fully met in the forthcoming financial settlement.* (Paragraph 26)

3. There is widespread agreement that Council tax is outdated, regressive, and long overdue for reform. The Government's increasing reliance on council tax to fund local authorities is causing a disproportionately negative impact on funding levels for authorities in the most deprived areas of England. The Government's imposition of referendum thresholds for increasing council tax is restricting local authorities' abilities to raise sufficient funding to fulfil their statutory responsibilities, in response to reductions in central Government grants, increased demand for services, and inflationary pressures. (Paragraph 40)

4. *We repeat the recommendation made in our July 2021 report, Local Authority Financial Sustainability and the Section 114 Regime, and our November 2023 report, Council Tax Collection: namely, that: the Government must urgently reform council tax by undertaking a revaluation of properties and introducing additional council tax bands, and should consider options for wider reform of council tax.* (Paragraph 41)

5. *Furthermore, in the short-term, the Government must raise the referendum threshold for council tax at least in line with a relevant measure of inflation. In the longer-term we recommend that the Government considers removing the threshold entirely.* (Paragraph 42)

6. We have previously recommended that the Government widens the funding base of local authorities and grants more flexibility over local taxes and other revenue raising powers. We therefore welcome the Government's call for views on local authority capital flexibilities and believe that additional flexibilities may play a useful role in enabling local authorities to support themselves in times of financial distress. (Paragraph 49)

7. However, local authorities' use of capital funding for revenue expenditure is not sustainable and at best it can only be a temporary solution to short-term financial pressures. We have concerns that the Government, if it does grant these additional flexibilities, may delay its engagement with the more fundamental reforms to the

funding system which we believe are urgently required. There is a risk that local authorities, in using these flexibilities, are drawn into fire sales of local assets, or unsustainable borrowing, in attempts to bridge their chronic budget gaps. This could drive poor value for money for local authorities and their communities, and exacerbate existing financial distress. (Paragraph 50)

8. *The Government should ensure that the implications of any additional flexibilities it grants on capital funding are carefully considered. We recommend that these are limited to extending flexibilities over invest-to-save activity only. The Government must closely monitor local authorities' uptake of these flexibilities and act quickly to work with local authorities in preventing unintended negative consequences. The use of capital funding for revenue expenditure must not become business as usual and is not a sufficient substitute for more fundamental reform of the funding system.* (Paragraph 51)

9. The business rates system is overly complex, outdated and in urgent need of reform. The baselines used in the business rates retention scheme are over 10 years out of date and their continued use is causing a significant misalignment between the level of funding distributed to local authorities and those authorities' spending needs. There is a disproportionately negative impact on those authorities in the most deprived parts of the country. The Government committed to a Fair Funding Review for local government in 2016 but is still to deliver on this commitment and it is not clear to us that it will do so. (Paragraph 62)

10. *We renew our previous recommendation that the Government implements the business rates reset and Fair Funding Review. This should include transitional arrangements to ensure stability in funding levels after reset and review. The Government must commit to a fundamental long-term review of the business rates system to ensure business taxation is fit for a modern economy.* (Paragraph 63)

Social Care

11. We agree with the Government that comprehensive reform of the children's social care system is urgent and necessary. We are concerned, however, at the receding prospect of timely delivery of reforms and note that, despite the additional funding that the Government announced in autumn 2022, the Government's plans do not provide sufficient short-term financial support to local authorities to enable them to maintain the quality of services that vulnerable people need and deserve. As the CMA has noted, there is a need to ensure profits made by private sector firms from public sector services are not "materially higher than" expected, and are appropriate and fair to the services provided. (Paragraph 76)

12. *The Government must work urgently with local authorities to better understand their short-term budgetary pressures in this area and work to develop a package of support and funding to enable continued service delivery while wider system reforms are implemented.* (Paragraph 77)

13. *The Government should support local authorities by reviewing possible ways of facilitating greater collaboration across local authorities so that they can collectively deliver more children's care services directly rather than through private suppliers.* (Paragraph 78)

14. While the additional funding announced in Autumn Statement 2022 has provided some brief respite for local authorities facing particularly acute pressures, a consistent and sustainable increase in funding is required. We have heard evidence of ongoing concerns about the continuing cost and demand pressures affecting adult social care. The absence of any additional funding announced in the Autumn Statement 2023, and the prospect of future real terms funding cuts, has exacerbated those concerns. (Paragraph 93)

15. *We reiterate the recommendation we made in our July 2022 report Long-term Funding of Adult Social Care, that the Government needs to recognise the need for more funding to local authorities for delivery of adult social care, in the order of several billions each year, and to plan a sustainable mechanism to deliver this funding, for example through the social care premium recommended by our predecessor committee in 2018.* (Paragraph 94)

16. *We also reiterate the recommendation we made in our July 2022 report for the Government to publish a 10-year plan for implementing the reforms set out in its white paper People at the Heart of Care.* (Paragraph 95)

Chapter 4: Special Educational Needs and Disabilities (SEND)

17. The rise in numbers of EHC plans following the Children and Families Act 2014 has significantly increased demand for more costly forms of SEND provision and home to school transport. The funding available to local authorities, through the Dedicated Schools Grant or otherwise, is far from sufficient to meet this demand. (Paragraph 117)

18. The Government's use of the statutory override and one-off 'safety valve' funding are temporary measures and do not address the underlying mismatch between demand, costs, and annual Dedicated Schools Grant funding. They will not prevent local authorities from accumulating further deficits until the underlying mismatch is resolved, and we do not believe it is realistic to expect local authorities to manage down deficits of the scale of many billions of pounds in total over a period of two or three years. Without significant additional funding via the DSG to match service demand and costs, or a further extension to the statutory override - which would, at most, offer a further period of temporary respite - the sector faces a cliff-edge of section 114 notices. (Paragraph 118)

19. The Government has provided no clarity on whether it will fund, or it will expect local authorities to fund, deficits remaining when the statutory override ends in March 2026. (Paragraph 119)

20. It is clear that the Government's aim to improve existing mainstream and locally available special school provision will not be sufficient on its own to influence parents'

or carers' views on Education, Health and Care plans. The development of improved locally available provision will also take time to realise and is not likely to address the financial pressures affecting local authorities in the short-term. (Paragraph 120)

21. *The Government should provide clarity to local authorities on its specific expectations for resolving existing DSG budget deficits, and agree with local authorities a set of realistic and achievable steps, supplemented by sufficient additional funding, for eliminating these existing budget deficits. This should be done by 31 March 2024.* (Paragraph 121)

22. *The Department should commission a cross-government independent review of Education, Health and Care Plans and consider fundamental reform of this system, to put SEND provision on a financially sustainable footing for local authorities whilst ensuring that all children and young people with SEND have access to the services that they need. This review should also address provision in mainstream and special schools. Furthermore, the Government, when considering future financial support for local authorities, should assess the future demand for SEND within the wider context of schools as part of the Dedicated Schools Grant funding.* (Paragraph 122)

23. *Additional funding for home-to-school transport is necessary in the short-term. Therefore, the Government should assess the benefits of introducing new statutory guidance aimed at encouraging the use of less costly forms of shared transportation. In response to this Report, the Government should set out the results of this assessment in full.* (Paragraph 123)

Homelessness

24. We welcome the Government's decision to increase Local Housing Allowance rates to the 30th percentile of local market rents from 1 April 2024. However, this is an urgent matter that required the Government's immediate action. It is therefore disappointing that the Government did not implement this change with greater speed following the Autumn Statement in November 2023. We are concerned that this delay has failed to alleviate the increasing numbers of families unable to find suitable accommodation during the winter, with serious consequences for the health and wellbeing of those affected. (Paragraph 137)

25. *We recommend that the Government reconsider its position on re-freezing local housing allowance rates from 2025–26 onwards. Instead, the Government must maintain LHA rates at least at the 30th percentile of local market rents each year to ensure that those children and adults receiving benefits have sufficient access to rental properties and to prevent further escalation of pressure on local authorities' homelessness services.* (Paragraph 138)

Priorities for the next Government

26. The Government elected in the next UK General Election is faced with the task of designing and implementing a series of fundamental reforms to the way in which local authorities are funded, the services that they are currently required to deliver, and the way in which these services are delivered. It is critical that the next Government prioritises this matter. (Paragraph 147)

27. *The next Government must embark on a fundamental review of the system of local authority funding and local taxation, exploring all options for removing its current regressive elements and bringing it into the 21st Century. This should include consideration of land value taxes, and of wider fiscal devolution including the option of granting local authorities a specific share of central taxation.* (Paragraph 148)

28. *The next Government must ensure that it explores all options for fundamental reform of funding and delivery of social care services and implements reforms that address the underlying causes of the acute funding and delivery pressures that local authorities are currently facing. The Government should also explore how the structure of local authorities, including for example moving to unitary authorities, may alleviate financial pressures currently facing local authorities.* (Paragraph 149)

Formal Minutes

Monday 29 January 2024

Members present

Mr Clive Betts, in the Chair

Bob Blackman

Ian Byrne

Mrs Natalie Elphicke

Tom Hunt

Andrew Lewer

Mohammad Yasin

Draft report (Financial Distress in Local Authorities) proposed by the Chair, brought up and read.

Ordered, That the report be read a second time, paragraph by paragraph.

Paragraphs 1 to 149 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 5 February at 3.30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 08 November 2023

Councillor John Fuller OBE, Vice Chair, Economy and Resources Board, Local Government Association; **Councillor Graham Chapman**, Vice Chair, SIGOMA; **Councillor Claire Holland**, Acting Chair, London Councils Q1–28

Stephen Jones, Director, Core Cities UK; **Councillor Barry Lewis**, Finance Spokesperson, County Councils Network; **Councillor Sam Chapman-Allen**, Chair, District Councils Network Q29–69

Monday 13 November 2023

Mr David Phillips, Associate Director, Institute for Fiscal Studies; **Jonathan Carr-West**, Chief Executive, Local Government Information Unit; **Abdool Kara**, Executive Director, National Audit Office; **Paul Dossett**, Partner and Head of Public Sector Assurance London & South-East, Grant Thornton Q61–95

Bob Watson, Section 151 officer, Surrey Heath Borough Council; **Steve Thompson**, Section 151 officer, Blackpool Council; **Gary Fielding**, Section 151 officer, North Yorkshire Council; **Lorna Baxter**, President, Association of Local Authorities' Treasurer Societies, Section 151 officer, Oxfordshire County Council Q96–132

Monday 20 November 2023

Simon Hoare MP, Parliamentary Under-Secretary of State (Local Government and Building Safety), Department for Levelling Up, Housing and Communities; **Nico Heslop**, Director of Local Government Finance, Department for Levelling Up, Housing and Communities Q133–219

Wednesday 06 December 2023

Rt Hon Michael Gove MP, Secretary of State, Department for Levelling Up, Housing and Communities; **Nico Heslop**, Director, Local Government, Department for Levelling Up, Housing and Communities; **Joanna Key**, Director General, Regeneration, Department for Levelling Up, Housing and Communities Q220–321

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2023–24

Number	Title	Reference
1st	Financial Reporting and Audit in Local Authorities	HC 59
2nd	Council Tax Collection	HC 57

Session 2022–23

Number	Title	Reference
1st	The regulation of social housing	HC 18
2nd	Long-term funding of adult social care	HC 19
3rd	Exempt Accommodation	HC 21
4th	Draft Strategy and Policy Statement for the Electoral Commission	HC 672
5th	Reforming the Private Rented Sector	HC 624
6th	Funding for Levelling-Up	HC 744
7th	Reforms to national planning policy	HC 1122
8th	Pre-appointment hearing for the role of Local Government and Social Care Ombudsman and Chair of the Commission for Local Administration in England	HC 1819

Session 2021–22

Number	Title	Reference
1st	The future of the planning system in England	HC 38
2nd	Local authority financial sustainability and the section 114 regime	HC 33
3rd	Permitted Development Rights	HC 32
4th	Progress on devolution in England	HC 36
5th	Local government and the path to net zero	HC 34
6th	Supporting our high streets after COVID-19	HC 37
7th	Building Safety: Remediation and Funding	HC 1063
8th	Appointment of the Chair of the Regulator of Social Housing	HC 1207

Session 2019–21

Number	Title	Reference
1st	Protecting rough sleepers and renters: Interim Report	HC 309
2nd	Cladding: progress of remediation	HC 172
3rd	Building more social housing	HC 173
4th	Appointment of the Chair of Homes England	HC 821
5th	Pre-legislative scrutiny of the Building Safety Bill	HC 466
6th	Protecting the homeless and the private rented sector: MHCLG's response to Covid-19	HC 1329
7th	Cladding Remediation—Follow-up	HC 1249