

## East of England Local Government Finances Briefing

### 04 November East of England All Party Parliamentary Group Meeting

**Date:** October 2024  
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#### **Purpose**

To provide a briefing for East of England MPs on the key financial pressures faced by local authorities in the East of England and set out the key asks to be put forward to the Government's Spending Review to ensure the stability of the sector.

This paper contains the following sections:

1. [Key asks](#)
  2. [Background and context](#)
  3. [Children's social care and education](#)
  4. [Adults' social care](#)
  5. [Housing](#)
  6. [Prevention](#)
  7. [Asylum and Resettlement](#)
  8. [Flexibility in fees and charges](#)
  9. [Workforce](#)
  10. [An outdated funding system](#)
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#### **1. Key Asks**

- 1.1 To ensure that our local authorities can continue to deliver for residents across the region, there are important things that are required from Government.
- 1.2 The first is stability. The sector has had to navigate its way through 7 x 1-year funding settlements, which have given local authorities little in the way of security or predictability. This has limited the ability of local authorities to manage their finances, leading to a reduced appetite for risk, an inability to plan, and the fear of suboptimal spending decisions. The Government has announced that it will move to a three-year spending cycle going forward, and we ask that this not be diluted in any way.
- 1.3 Secondly, there is a need to revise the funding formula itself. The formula was last reviewed in 2013 and was based on 2006 data – now nearly 20 years old. Furthermore, the formula does not consider the latest need, population growth and resources of a given area – especially important for a region that has grown significantly over the past 10 years. These factors lead to a huge inequality in funding, and the longer this situation persists, the wider these gaps will get.

- 1.4 Thirdly, local authorities should be trusted with greater powers around income-raising, particularly around council tax. Real terms core funding for local authorities per capita is 18% lower than in 2010/11<sup>1</sup>. While more funding through the funding formula is desperately needed, local authorities also need the freedom to raise more of their own income to tackle rising costs.
- 1.5 Finally, as has been raised by the CCN, early investment in key services with rising pressures will reduce the overall amount that must be paid – potentially saving as much as £5.9bn to 2029/30, or 22.4% of the projected increase<sup>2</sup>.

## **2. Background and Context**

- 2.1 The significant, and growing, financial issues faced by councils have been well documented and publicised in recent years following concerted lobbying by the sector. Over a decade of austerity, and more recently inflation, wage pressures and growing demand have led to the perilous position of councils nationally facing a £6.2 billion funding gap over the next two years<sup>3</sup>.
- 2.2 Councils in the East of England are not immune to these challenges and, arguably, are even worse off than their counterparts in other regions. Research carried out by the University of Essex in 2024 shows that, apart from the South West and West Midlands, local authorities in the East of England received the lowest average Special and Specific Grants funding (£861.74 per capita) in 2023/24. For the East of England, core funding has also declined steadily since 2020/21. This is all within the context of the East of England experiencing the largest population growth of all regions between 2011 and 2021 (8.3%).
- 2.3 As detailed below, our member authorities are experiencing specific challenges in escalating costs associated with certain services including Children’s and Adults’ Social Care, housing and homelessness. However, the problems are not isolated to these services, and the sector as a whole is facing significant risks around financial sustainability. MPs will be aware of recent, high-profile cases of effective bankruptcy (section 114 notices) from councils nationally, and in our region. The cost of borrowing is putting strain on council budgets, and funding is not keeping pace with demand and population growth. Areas with a low tax base are especially limited in their ability to increase income.
- 2.4 Councils are increasingly having to draw on their financial reserves to manage these cost pressures and balance their budgets. Councils’ un-ringfenced reserves fell by £1.7 billion nationally in 2022/23 and £1.1 billion in 2023/24. The use of reserves is not a sustainable solution to current budget pressures – reserves can only be spent once – and some councils have only minimal balances remaining.
- 2.5 If additional support is not forthcoming, it is only a matter of time before we see many more councils entering this position. Recent CCN and PwC research suggests that

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<sup>1</sup> [How have English councils’ funding and spending changed? 2010 to 2024 | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk/publications/1044)

<sup>2</sup> [Failure to address £54bn funding black-hole could leave councils as ‘little more than care authorities’ by the end of decade - County Councils Network](https://www.ccn.org.uk/news/2024/04/22/failure-to-address-54bn-funding-black-hole-could-leave-councils-as-little-more-than-care-authorities-by-the-end-of-decade-county-councils-network/)

<sup>3</sup> [Failure to address £54bn funding black-hole could leave councils as ‘little more than care authorities’ by the end of decade - County Councils Network](https://www.ccn.org.uk/news/2024/04/22/failure-to-address-54bn-funding-black-hole-could-leave-councils-as-little-more-than-care-authorities-by-the-end-of-decade-county-councils-network/)

there will be an increase in local authority spending need of 46.7% between 2022/23 and 2029/30, indicating that these pressures are unlikely to disappear<sup>4</sup>.

- 2.6 At the request of the previous Government, productivity plans have been developed by member authorities across the region to demonstrate how they are working to improve services whilst reducing areas of high expenditure. Finding ways to work more efficiently has been central to planning and delivering services for local government for many years. As detailed under 'Key Financial Pressures' below, the services that face the greatest financial pressures are the people-focussed areas. Councils have demand from people with increasingly complex needs requiring support grow exponentially, especially regarding adults' and children's social care, housing and homelessness services. There is a mismatch between the level of burden of the statutory duties and responsibilities that local government must fulfil and the funding available to do so.
- 2.7 The productivity plans indicate a worsening financial picture and highlight common specific areas of financial challenge including funding formulae for schools and SEND, home to school transport, an increasingly unaffordable market of private providers for residential care for children with complex needs, investment in infrastructure project and affordable homes, homelessness, supported housing, housing benefit rates and social housing site viability.
- 2.8 These plans set out the ways in which Government can work with and enable local councils to effectively reduce demand, and make the following asks of Government:
- multi-year settlements
  - fundamental national reform of adults' and children's social care
  - greater financial freedoms to spend ringfenced grants to allow more local place-based decision making
  - a greater collective focus on prevention through wider system support.

### **3. Children's Social Care and Education**

- 3.1 Research from the University of Essex undertaken in 2024 shows that County Councils and Unitary Authorities across the East of England region spent more than 60% of their resources on social care between 2019/20 and 2023/4.
- 3.2 SEND, home to school transport, safeguarding responsibilities and an increase in the complexity of support required by children and young people, combined with escalating placement costs, is creating the perfect storm and having a significant impact on council finances. Costs of placements are now massive. LGA research showed that in 2022-23, councils paid for over 1,500 placements costing £10,000 per week or more.<sup>5</sup> When looking at total spend on children's social care nationally, this increased by £2.8 billion from 2019-20 to 2024-25.
- 3.3 In the East of England we are experiencing rising demand costs due to the estimated increases in both the number of children who will require specialist residential care to meet complex needs and the overall number of children with disabilities who will require support.

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<sup>4</sup> [Failure to address £54bn funding black-hole could leave councils as 'little more than care authorities' by the end of decade - County Councils Network](#)

<sup>5</sup> [Local Government Association 2024 Autumn Budget and Spending Review Submission | Local Government Association](#)

- 3.4 Unitary authorities in East of England spent the largest proportion of their expenditure from 2019/20 to 2023/24 (c.26%) on Children’s Social Care, and this was always higher than the national average for a unitary. A detailed analysis of 2023/24 data shows that 48% of these resources were spent on children being looked after by the local authority, 18% on safeguarding services and 16% on family support services. While less material than other services (i.e. 3% of total spend), children’s social care related to asylum seekers presented one of the highest growth rates between 2022/23 and 2023/24 (53% increase).
- 3.5 Over the same time period, County Councils in the East of England spent 21% of their budget on average on children’s social care. Similar to unitaries, in 2023/24, 52% of these resources were spent on children being looked after by the local authority, 20% on family support services, and 19% on safeguarding services.
- 3.6 By way of a specific example, in Peterborough, the number of children subject to a Child Protection Plan has doubled since last year. The number of looked after children is also increasing, sitting at 436 currently, compared with 412 in March 2023. The average cost of a residential placement is £290k each year. As a result, the development of care homes is being considered by the Council, alongside innovative models of delivery. Support and co-finance models with the Department for Education would be helpful and welcomed.
- 3.7 Looking to the future, it is projected by CCN and PwC that spending on children’s services in England could increase by 66.6% between 2022/23 and 2029/30. Early action and investment to address these challenges could save as much as £3bn by 2030 – a saving of 14%<sup>6</sup>.
- 3.8 Home-to-school transport costs for children with Special Educational Needs and Disabilities (SEND) has risen dramatically largely due to a 62.7% increase (nationally) in those with Education, Health and Care Plans. This has been exacerbated by rising fuel costs, and a shortage of drivers and passenger assistants. This in turn has driven a real-terms increase in budgeted spend by councils on home to school transport overall, and for children with SEND of £544 million (nationally). Overall, councils budgeted £1.4 billion in 2023/24 for SEND home to school transport<sup>7</sup>.
- 3.9 The increase in the amount and cost of SEND provision has an obvious direct impact on SEND transport costs. One unitary council in the East of England, for example, has seen a 20% increase in Educational Health and Care Plans (EHCPs) compared to 2023, and a 39% increase over 5 years. In 2023/24, Councils in our region allocated more resources to SEND than Secondary Education.

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<sup>6</sup> [Failure to address £54bn funding black-hole could leave councils as ‘little more than care authorities’ by the end of decade - County Councils Network](#)

<sup>7</sup> <https://www.local.gov.uk/publications/local-government-association-2024-autumn-budget-and-spending-review-submission>

- 3.10 Home to school transport cost pressures are only set to increase, with the CCN and PwC projecting an increase in costs of 90.1% between 2022/23 and 2029/30<sup>8</sup>.
- 3.11 The loss of local specialist education service in some areas has also resulted in additional transport costs. Reform is urgently needed to ensure home to school transport provision is both proportionate and affordable.
- 3.12 High needs Dedicated Schools Grant (DSG) deficits also pose a major risk to upper tier councils' sustainability. Councils cannot exercise much control over rising costs and demand in high needs budgets.

#### **4 Adults' Social Care**

- 4.1 University of Essex research shows that, over the last five years, unitary authorities in the East of England spent an average of 36% of their budgets on Adults' Social Care (ASC), whilst County Councils spent around 50% of their budgets in this area, with the proportion of their budgets being spent on ASC consistently tracking above the national average.
- 4.2 Pressures on adult social care budgets have been around for many years. In fact, despite other service areas receiving increased attention recently, they are as acute now as they have ever been. Increasing demand, wage costs and other inflationary pressures have led to budgeted net spend on adult social care increasing by £3.7 billion (nationally) in real terms from 2019/20 to 2024/25.<sup>9</sup> £1.9 billion of this increase was from 2023/24 to 2024/25. Directors of Adult Social Services have described the current situation as "as bad as it's ever been"<sup>10</sup>. One Council in the East of England has seen demand for services increase by 18% this year, and there is an increasing demand for care from the under 65s.
- 4.3 This expenditure is expected to increase. The County Council Network (CCN) has recently published a paper in collaboration with PwC which suggests that spending on Adult Social Care could increase by 58.1% between 2022/23 and 2029/30, with increases per year far exceeding the inflation target<sup>11</sup>. The report further suggests that policy interventions to reform service provisions could reduce spend in 2029/30 by £2.1bn – a saving of 5.5%.
- 4.4 The challenges of an ageing population are particularly pertinent to the East. England's most ageing local authorities in terms of demography are along the coastline, including Tendring and North Norfolk. The East is on average older demographically than the UK as a whole with a higher-than-average dependency ratio (a measure of the number of dependents aged 0 to 14 and over the age of 65, compared with the total population aged 15 to 64). It is therefore more susceptible to the threat of increased skills shortages of an ageing population and demand on public services.<sup>12</sup>

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<sup>8</sup> [Failure to address £54bn funding black-hole could leave councils as 'little more than care authorities' by the end of decade - County Councils Network](#)

<sup>9</sup> [Local Government Association 2024 Autumn Budget and Spending Review Submission | Local Government Association](#)

<sup>10</sup> [ADASS-Spring-Survey-2024-FINAL-1.pdf](#)

<sup>11</sup> [Failure to address £54bn funding black-hole could leave councils as 'little more than care authorities' by the end of decade - County Councils Network](#)

<sup>12</sup> [Levelling-up-the-East-of-England-FULL-1.pdf \(eelga.gov.uk\)](#)

- 4.5 In addition to support for immediate budgetary pressures, long-overdue reform of the system is required. With NHS funding continuing to focus on acute services and hospital discharge, integrated partnerships between local government and health, alongside investing in care and support must also be seen as a key enabler for the Rt. Hon. Wes Streeting MP's commitment to shift the focus of the NHS from "analogue to digital" "sickness to prevention" and "hospital to community."<sup>13</sup> The independent Darzi investigation, revealed that spend on acute care has risen from 47% in 2002 to 58% in 2022, while primary care has fallen 27% to 18%<sup>14</sup>.
- 4.6 Cuts to public health funding further exacerbate these challenges. In Peterborough, for example, the funding falls £4m short compared to the need. Repeated cuts to local authority budgets, including the funds reserved for public health, have all directed resources away from a proactive and preventative healthcare model.

## 5 Housing

- 5.1 The single biggest pressure faced by many of the district, borough and unitary councils in the East of England is in providing temporary accommodation for homeless households. Nationally, district council spending on temporary accommodation has increased by 200% in just five years<sup>15</sup>. In Chelmsford alone, the cost of this accommodation increased by £3.7m last year.
- 5.2 Unitary authorities in our region spent a larger proportion on General Fund housing services than the national average in each of the last five years. In 2023/24, 66% of this expenditure related to homelessness, mostly temporary accommodation, and expenditure on homelessness has increased by 28% in the last 2 years.
- 5.3 District Councils in our region spent on average 12% of their budget on General Fund housing services in the last 5 years. However, a constant increase in this expenditure is noticeable, rising from a share of 11% of total budget in 2019/2020 to 14% in 2023/24.
- 5.4 In 2023/24, 44% of this expenditure related to homelessness, mostly linked to the Homelessness Reduction Act.
- 5.5 To illustrate increased demand in this area, in Peterborough the number of people approaching the council as homeless has risen by 40% from an average of 51 a week in 2021/22 to 70 a week in 2023/24. A large part of these pressures is a critical lack of affordable and social housing. To address these pressures, EELGA has called for reform of the Housing Benefit subsidy regime in relation to temporary accommodation, so that the Local Housing Allowance rate applied is brought up to 90% of 2024 levels, rather than being pegged back at 90% of January 2011 levels as it is at present. It is also imperative that LHA rates keep pace with market rents.
- 5.6 Delivery of increased social and affordable housing is desperately needed for East of England communities, and this is recognised by the Government in its ambitious housing targets for this Parliament. However, delivery of new stock is severely hampered by many factors including land availability and cost, accessing developer contributions, supply chain and skills pressures and increased focus (quite rightly) on

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<sup>13</sup> [Secretary of State for Health and Social Care's address to IPPR - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/secretary-of-state-for-health-and-social-care-address-to-ipp-r)

<sup>14</sup> [Independent investigation of the NHS in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/reports/indpendent-investigation-of-the-nhs-in-england)

<sup>15</sup> [Record temporary accommodation figures: Action demanded to tackle crisis | District Councils' Network](https://www.districtcouncils.org/news/record-temporary-accommodation-figures-action-demanded-to-tackle-crisis)

investing in improving the condition of current stock. To support this, EELGA has called for non-stock-holding local authorities to be allowed to access the preferential borrowing rates from the Public Works Loan Board that can already be accessed by those that have retained council housing. Another supporting measure would be increased grants from Homes England for councils and partners in our region to unlock brownfield housing sites.

## **6 Prevention**

- 6.1 The prevention agenda is critical to council service delivery. There are a multitude of examples across the sector in the east of England, including Help Hubs, Community Connectors, and various multi-agency teams who work tirelessly to solve problems for our residents, from debt advice to loneliness, and housing to mental health. One discharge team based at the Norfolk and Norwich Hospital works to ensure people can be safely discharged home as quickly as possible, saving £800 per night in hospital beds.
- 6.2 Upfront investment in prevention not only saves the public purse money but also improves quality of life and takes some of the strain off acute medical services. More funding is required in this space, and the Government should ensure that, as budgets get stretched, spending on prevention is not reduced. A recent national report by the NHS Confederation illustrates that investing in preventative measures including housing will have a significant impact for health outcomes and the country's economy in the long run.<sup>16</sup> Our Healthy Homes in the East of England report, to be launched in December, highlights the need to focus on improving a person's housing situation to reduce health inequalities and demand for health and social care services.
- 6.3 Local councils are making the most of current funding by partnering locally to create such preventative health interventions. With greater join up with and between Government departments on funding, policy design and implementation, local health and care leaders will be better able to focus on such preventative interventions on a larger scale. EELGA calls on government to support Integrated Care Systems by providing a cross-sector funding framework to facilitate the delivery of increased investment in prevention. The Hewitt Review recommendation that the share of Integrated Care System budgets going towards prevention should be increased by at least 1% over the next 5 years, would go some way in helping health and care leaders to shift the model of care towards prevention.<sup>17</sup>

## **7 Asylum Resettlement**

- 7.1 Whilst councils are a crucial element of the support available to those seeking refuge or resettling in our country, providing this is having a significant impact on their finances. Councils receive some funding to support these communities, but it does not match the costs incurred. The funding for refugee resettlement work is more generous than that given to councils where asylum seekers are accommodated by the Home Office's housing contractors. In the case of asylum seekers, the cost of education, of social care pre-decision and particularly temporary housing post-decision exacerbate council pressures and are not usually reimbursable. The Home Office and MHCLG have asked LAs to capture and report costs of supporting various migrant groups and intend to review and streamline funding, but the outcomes are

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<sup>16</sup> [Pathway-to-prevention-CF.pdf \(carnallfarrar.com\)](#)

<sup>17</sup> [The Hewitt Review: an independent review of integrated care systems - GOV.UK \(www.gov.uk\)](#)



not yet known. Moreover, the current Home Office's drive to clear the asylum backlog and the expected presentations of those granted leave to remain as homeless, will further affect existing housing pressures. Therefore, the Government could support local authorities by reimbursing the cost of providing temporary accommodation to this migrant group. Another option is extending eligibility for Local Authority Housing Fund (LAHF) properties and allowing councils to use them to house asylum seekers with leave to remain as well as Afghan refugees.

## **8 Flexibility in Fees and Charges**

8.1 Due to the reduction in financial support from the Government over recent years, councils have had to increasingly look to the income that can be raised locally to balance their budgets. For district councils, a significant proportion of this is made up of fees and charges in areas such as planning, parking and penalty charges. However, the Government imposes certain restrictions on the levels that these can be set at. Therefore, an action that would substantially support council budgets, but cost the Government nothing would be to permit all councils to set these rates locally. For example, the Government could allow local authorities to be given the freedom to fully recover the cost of their Planning functions through locally set planning charges. The current system leads to Councils subsidising developers to build new homes rather than these resources being used to enhance public services for residents. Equally, charges for Penalty Charge Notices, which are issued to drivers who park irresponsibly have remained unchanged since 2008 and, when paid within the permitted timescale, only result in a maximum penalty charge of £35. Councils now facing the situation where staff costs have increased year on year due to the national living wage but their income source has remained stagnant. Local authorities are now experiencing cases where drivers would prefer to receive a penalty charge notice rather than pay the daily rate in car parks or on street parking on the basis that they are unlikely to receive a penalty every day. An increase in the PCN rate would ensure that Local Authorities are able to provide effective enforcement to counter irresponsible and inconsiderate parking.

## **9 Workforce**

9.1 Local government colleagues are the sector's biggest asset. However, they also represent the biggest pressure on budgets. Recent Government policy on the National Living Wage (NLW), whilst welcome, has created a significant impact on the sector. Significant increases to the NLW have meant pay awards to the 1.4 million people covered by collective bargaining in local government have been heavily weighted towards the lower end of the pay spine, leaving the pay rates of middle earning professionals in the sector out of touch with comparable employers, not just in the private sector, but in other parts of the public sector too<sup>18</sup>. The proposed changes to the NLW in the Government's Make Work Pay ([LABOUR'S PLAN TO MAKE WORK PAY - Delivering A New Deal for Working People](#)), which will remove the age banding which applies to the NLW, will increase costs again for councils.

9.2 Unlike other parts of the public sector, increases in local government pay are not fully funded by the Government and these costs need to be found by councils, in-year. This can lead to the use of one-off reserves to balance the books and a need to seek efficiency savings in council service areas. Greater financial support is required from

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<sup>18</sup> [Local Government Association 2024 Autumn Budget and Spending Review Submission | Local Government Association](#)



the Government to ensure councils have the funding required to achieve sustainable levels of wage increases each year.

- 9.3 This is especially true when considering the National Living Wage (NLW); the Government has set this level but has not provided the funding for Councils to meet the additional cost. In Chelmsford alone, the last pay award cost £1.2m, £400k of which was due to the increase in the NLW. This is equivalent to their Council Tax increase.

## **10 An Outdated Funding System**

- 10.1 The formula used to distribute funding from the Government to councils has not been subject to significant reform since 2013/14. This decade-old system needs to be reviewed and reformed to ensure councils receive the funding required to continue to deliver high-quality services for their communities and places. The data and formulae used in this model, have not kept pace with changed patterns of need and demand locally. The IFS has estimated that only 39 local areas out of 150 in England receive a share of funding that is within 5% of their share of estimated spending needs.<sup>19</sup>
- 10.2 However, it is EELGA's view that any reform of the funding formula needs to be made alongside an increase in the overall quantum to ensure that it does not lead to a situation of winners and losers.
- 10.3 It is to be welcomed that the Government is committed to moving away from one-year finance settlements to a multi-year approach. This has long been called for by EELGA and the whole sector.

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<sup>19</sup> [How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending | Institute for Fiscal Studies \(ifs.org.uk\)](#)