



## **SIGOMA Submission to the 2024 Autumn Budget**

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## **SIGOMA Submission to the 2024 Autumn Budget and Spending Review**

### **1. About SIGOMA**

- 1.1. SIGOMA represents metropolitan and unitary authorities outside London, from the Southern Ports, the East Midlands, West Midlands, North West, North East and Yorkshire & Humber. The 48 SIGOMA councils are home to 14 million people and represent around 25% of council funding.
- 1.2. We represent large urban cities and many of the surrounding towns. Our authorities typically represent areas that have suffered most during post-industrial decline and benefitted least from policy linking funding to local prosperity.
- 1.3. Deprivation continues to blight the prospects of many of our authorities. 44 of our 48 authorities are in the lower half of the 2019 Index of Multiple Deprivation (IMD) ranking<sup>1</sup>, with 13 of the most deprived decile being SIGOMA members, including the top 6 most deprived.
- 1.4. Significantly, our authorities became relatively more deprived in the latest publication of the IMD, due in part to worsening conditions of our members but also due to the relative improving conditions of other authorities.
- 1.5. As funding for authority services has fallen since 2010, reliance of residents on vital local services has increased due to austerity. There is a strong, pervasive and well documented link between deprivation and the demand for (and cost of delivering) services by local authorities. Our members have worse outcomes in health, education and employment.
- 1.6. SIGOMA councils, like all upper tier councils, have been held back from the brink of failure by successive one-off adult social care additional funding grants and the ability to raise an adult social care precept. However, we are starting from a lower, weaker tax base and generally benefit less from funding which is earned relative to local taxes such as business rates and Council Tax. Whilst additional funding is always welcome, a lack of certainty and weak funding base, increasingly unrelated to need, is undermining our services.

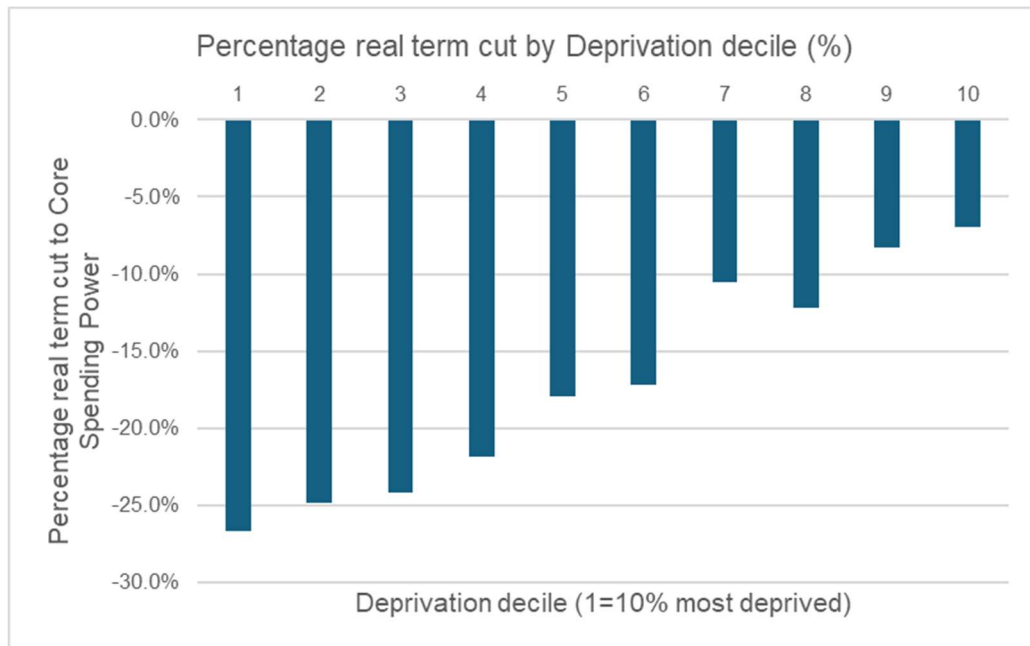
### **Local Government Funding**

#### **2. Funding Sufficiency**

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<sup>1</sup> 2019 Index of Multiple Deprivation produced by MHCLG, measured in Chart 1 at county level

- 2.1. Between 2010 and 2024, local authorities in England have seen their funding fall by 18.1% in real terms. More deprived areas have experienced more significant cuts – SIGOMA members have experienced a 23.3% real-terms cut, and the 10% most deprived local authorities a real-terms cut of 26.6%.



Calculated using Core Spending Power data published at the Local Government Finance Settlement, GDP deflators and IMD 2019 upper-tier authority deprivation scores. Upper-tier local authorities only.

- 2.2. Growing demand and cost for council services has added pressure to council budgets. Despite local authorities making significant savings since 2010, local authorities do not have sufficient funding to deliver the services they are expected to deliver.
- 2.3. Total funding for local authorities in 2024/25 is £13 billion less in real terms compared to 2010/11 but local authorities continue to be asked to deliver more.
- 2.4. The Local Government Association (LGA) estimates that councils face a funding gap of £6.2 billion just to keep services standing still over 2025/26 and 2026/27<sup>2</sup>. SIGOMA councils are making £1.69 billion in savings over 2024/25 and 2025/26 in addition to significant reserve use<sup>3</sup>.

<sup>2</sup> LGA (2024), Local Government White Paper. Available at: <https://www.local.gov.uk/publications/local-government-white-paper>

<sup>3</sup> SIGOMA (2024), Budget Pressures Survey, conducted June 2024.

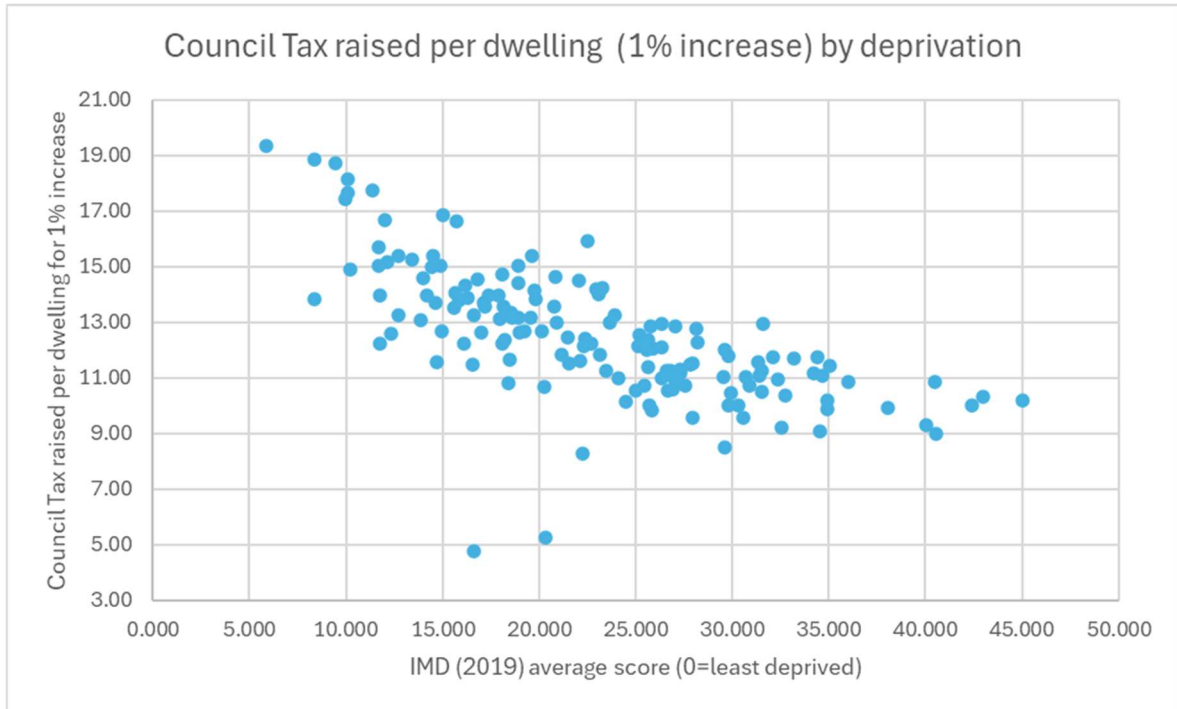


- 2.5. There is a fundamental mismatch between what local authorities are expected to do and the resource they have to do it. This is pushing local authorities closer to Section 114s and resulting in significant cuts to local services.
- 2.6. Local authorities have the local knowledge and skills required to identify innovative solutions to local challenges such as poor health or high levels of unemployment. The current funding gap means that they lack the resource to formulate, invest and apply these.
- 2.7. Addressing the funding gap in local authority funding will allow local authorities to stop treading water with service delivery and provide the resources and capacity required to find innovative solutions to local problems.
- 2.8. These solutions would act as preventative measures hence reducing costly crisis demand for local and national public services in the future. They would contribute to the government's missions by aiding local economic growth, supporting the NHS, assisting in the transition to net zero and breaking down barriers to opportunity.
- 2.9. Therefore, addressing the local authority funding gap would act as an Invest to Save measure for the Treasury and come at a net nil cost over the course of the Parliament.
- 2.10. To address this funding gap, we are asking for:
  - A 7% increase in Core Spending Power in the 2025/26 Local Government Finance Settlement to address the immediate funding gap.
  - A commitment through the Spending Review to increase Core Spending Power in line with inflation each year.
  - A guarantee that all new responsibilities of local authorities are sufficiently funded and do not pass the cost from central government to local government (and the local taxpayer).

### **3. Funding Distribution**

- 3.1. Existing funding for local authorities is not distributed fairly.
- 3.2. Big cuts to grants to local authorities since 2010 disproportionately impacted councils most dependent on grant (the most deprived), and a growing reliance on Council Tax to fill the funding gap has left the most deprived councils worse off. In 2024/25, 56% of Core Spending Power was from Council Tax.
- 3.3. Local authorities representing more deprived areas have a greater proportion of lower banded housing, meaning each 1% increase in Council Tax raises less

than more affluent authorities. In SIGOMA areas, 93% of properties are in Bands A to D, compared to 81% in England.



Calculated using Council Tax Requirement published at Local Government Finance Settlement for 2024/25 and IMD 2019. Data published by MHCLG. Upper-tier local authorities only.

- 3.4. Delay of the reset to business rates retention, which was due in 2020, means £1.5 billion of funding is allocated on growth and not need. SIGOMA councils would receive a net gain of £230 million if business rates were reset.
- 3.5. In addition, a number of grants introduced by the previous government have re-directed funding from the most deprived local authorities to less deprived areas. Grants such as the New Homes Bonus, Rural Services Delivery Grant and Funding Guarantee mean SIGOMA areas have missed out on almost £1.4 billion of funding between 2015/16 and 2024/25<sup>4</sup>.
- 3.6. All these elements have distorted the local government funding landscape, with funding no longer being directed towards need. Recent research by the IFS<sup>5</sup>, found that the most deprived fifth of local authorities receive a share of funding

<sup>4</sup> If New Homes Bonus (since 2015/16), Rural Services Delivery Grant (since 2015/16) and Funding Guarantee (since 2023/24) had been distributed using the SFA formula.

<sup>5</sup> IFS (2023), 'How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending?'. Available at: <https://ifs.org.uk/publications/how-much-public-spending-does-each-area-receive-local-authority-level-estimates-health>

that is 9% lower than their share of estimated need. Meanwhile, the least deprived fifth of local authorities receive a share of funding 15% more than their estimated share of need.

- 3.7. With the right funding, local authorities supporting the most deprived areas could break down the barriers to opportunity and improve the life chances for their residents, thus reducing inequality nationally. This would assist the government in their missions to break down barriers to opportunity, securing the highest sustained growth in the G7 and building an NHS fit for the future.
- 3.8. Redistributing the funding that is currently in the system more fairly could come at nil cost to the Treasury and would result in savings across the Parliament.
- 3.9. There are several opportunities to address the fairness of funding distribution in the Budget and Spending Review. We are asking for:
  - New Homes Bonus, Rural Services Delivery Grant and Funding Guarantee to be abolished and the funding to be distributed through the Revenue Support Grant at the 2025/26 Local Government Finance Settlement.
  - Commit to a reset of business rates growth in the Spending Review.
  - Ensure MHCLG have the funding required for a full Fair Funding Review, including Council Tax equalisation, and the resources for a transition period that does not withdraw funding from the most deprived councils set to benefit the most from the Review.

#### **4. Funding Certainty**

- 4.1. Uncertainty is one the biggest concerns for our membership at the present time. Uncertainty over future funding, timelines for planned reforms and future demand and costs has made setting accurate budgets increasingly difficult.
- 4.2. Since 2019, local government have only received single-year settlements causing considerable uncertainty over future levels of funding. Single-year settlements prevent local authorities from accurately planning spend for future years.
- 4.3. Directors of Finance have told us that single-year settlements, in addition to delays to local government reforms, has been like 'budgeting with a blindfold on'. As a result, local authorities have had no choice but to prematurely cut services or use reserves to fill budget gaps as they do not know what the funding will be for those services in the following years.

- 4.4. Additional grants for local government, such as the Services Grant and Market Sustainability and Improvement Fund, have been welcome, but they have complicated the funding landscape.
- 4.5. Many of these grants have been introduced on a short-term basis in recognition of the pressures local authorities are facing, however details of the future of these grants have been announced at the last minute. This creates significant uncertainty for local authorities when planning their budgets.
- 4.6. A large number of grants, all with different restrictions and reporting requirements has also created additional work for local authorities and prevented them from spending the funding where there is local need.
- 4.7. With long-term, certain and flexible funding, local authorities can use public money more effectively. Local authorities will be more financially resilient and in a position to make long-term spending plans. This will come at no cost to the Treasury or any other department.
- 4.8. With certainty and greater flexibility, local authorities can more effectively target funding towards preventative services and areas of local need. This will help to support the government's missions to build an NHS fit for the future, make Britain a clean energy superpower and break down the barriers to opportunity.
- 4.9. To provide certainty, we are asking for:
  - Multi-year settlements for local government.
  - Consolidation of local government funding pots and greater flexibility for councils on how grant funding is spent.
  - An end to competitive bidding for local government funding pots.
  - Timely clarity on local government reforms and the future of short-term funding pots, including the UK Shared Prosperity Fund.
  - The politics to be taken out of distribution, with allocations of local government funding handled by an independent body, not by Ministers.
  - A detachment of business rates from local authority funding.
  - An academic review of the duties local authorities are expected to deliver and the funding required to deliver them.

## 5. **New Burdens**

- 5.1. Local authorities often find themselves at the forefront of central government policy initiatives. Local authorities are happy to help in these situations, but any financial burdens must be sufficiently addressed.



- 5.2. There are several recently announced plans and policies which our members are concerned about. Without additional funding, these policies will represent unfunded new burdens for local authorities. Whilst they may help central government save money, they will pass on the cost to local authorities.
- 5.3. Firstly, the policy to reduce the proportion of certain custodial sentences served in prison from 50% to 40%, which will see the early release of prisoners, is an area of concern for our members. It is anticipated that this will place additional pressure on temporary accommodation budgets which are already under significant pressure (more in Section 9).
- 5.4. There has been a 32% increase in England over the last year of individuals leaving institutions (e.g. prisons, hospitals etc) being at risk of or identified as homeless. Between January to March 2024, SIGOMA councils were providing support to 37% of this group, despite SIGOMA's population equalling only 25% of England's population<sup>6</sup>.
- 5.5. Secondly, policy to reduce the cost of housing asylum seekers in hotels ended with a growing number of asylum seekers presenting to their local council as homeless. This has moved the cost of housing asylum seekers from the Home Office to local authorities without sufficient funding following. There is a risk that plans to end the use of large military sites and accommodate asylum seekers around the UK could see similar pressures on local authorities. Local authorities will always provide support to the most vulnerable in society, but they need the funding to do this.
- 5.6. There has been a 268% increase in England over the last year of individuals at risk of or identified as homeless due to their Home Office asylum support accommodation coming to an end. Between January to March 2024, SIGOMA councils were providing support to 41% of this group (57% excluding London)<sup>7</sup>.
- 5.7. Finally, government-accepted public sector pay agreements have a knock-on impact for local government pay. Local authorities will be directly impacted by NHS and education pay rises. Additionally, the government's plans to establish a new Fair Pay Agreement will put pressure on adult social care budgets. Additional funding for local authorities must be considered alongside these decisions.
- 5.8. To avoid local government budgets being put under further strain, we are asking that for any new policy, consideration is given to the direct and indirect cost

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<sup>6</sup> Figures calculated from MHCLG's Statutory homelessness in England statistics, Jan-Mar 2024 and Jan-Mar 2023.

<sup>7</sup> As above.



implications on local authorities and sufficient funding provided to cover these implications.

## **Other under pressure areas**

### **6. Children's Social Care**

- 6.1. Children's social care is under severe financial strain. In our recent survey<sup>8</sup>, 100% of respondents reported demand and cost of children's social care as an area of budget uncertainty and 71% reported that there was a risk financial pressures could push children's services below statutory standards or to failure.
- 6.2. In 2011/12, across England councils spent 14.8% of their Core Spending Power on children's social care. By 2022/23, this figure had increased to 25.7% and is expected to increase further. For SIGOMA councils it has increased from 15.1% to 29.3%<sup>9</sup>.
- 6.3. Growing demand has been partly responsible for this increase in cost. In England, the rate of looked after children has increased from 59 children per 10,000 in 2010 to 71 children per 10,000 in 2023. In SIGOMA areas the rate has increased from 80 children per 10,000 in 2010 to 102 children per 10,000 in 2023<sup>10</sup>.
- 6.4. During austerity, councils had no choice but to cut back preventative services for children and young people which is likely to have contributed to the present pressures. In England, 33.6% of children and young people's spend was spent on preventative services in 2012/13 compared to 19.4% in 2022/23. For SIGOMA areas, children and young people's preventative spend fell from 32.8% in 2012/13 to 17.6% in 2022/23 of total children and young people's spend.
- 6.5. As a result, increase in demand for residential care is driving spending. Rising demand and a shortage of placements has put private providers of children's social care placements in a strong position and has seen them put their prices up which local authorities have little choice to pay. The lack of places has created a bidding war between local authorities, further increasing prices. Recent Ofsted data now shows that more than 4 in 5 children's homes are owned by private providers, accounting for 77% of residential placements<sup>11</sup>.

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<sup>8</sup> SIGOMA (2024), Budget Pressures Survey, 34 of 48 members responded to the survey (71%)

<sup>9</sup> Calculated from 2011/12 and 2022/23 Revenue Outturn and Core Spending Power figures, published by MHCLG.

<sup>10</sup> Figures from Department for Education.

<sup>11</sup> Ofsted (2024), 'Largest national providers of private and voluntary social care (March 2024)'. Available at: <https://www.gov.uk/government/publications/inspection-outcomes-of-the-largest-childrens-social-care-providers/largest-national-providers-of-private-and-voluntary-social-care-march-2024>

6.6. To help ease the pressures on children's social care, we are asking for:

- Greater flexibilities on the adult social care precept to enable local authorities to direct the revenue raised towards children's social care.
- A national campaign to promote foster caring, encouraging more people to become foster carers.
- A national review of the children's residential care market and introduction of greater control and regulation of the children's social care provider market, including caps on the cost of children's residential care placements, to prevent excessive profiteering.
- A long-term funding settlement for children's services with a portion ringfenced for preventative services.
- Dedicated funding to invest in local authority, not-for-profit provision of children's social care to reduce reliance on the private market in the long term.

## **7. Special Educational Needs and Disabilities**

7.1. The cost of SEND support is placing additional squeeze on local authority budgets.

7.2. In SIGOMA areas, initial requests for education, health and care plans (EHCPs) have increased by 95% between 2017 and 2022, compared to a still significant increase of 77% in England.

7.3. SEND Home to School Transport costs are spiralling. Several councils highlighted this as an area of uncertainty in budgets. One of our members told us in 2023 that their Home to School transport budget had trebled from £10 million to £30 million in the last 5 years.

7.4. The statutory override for Dedicated Schools Grant deficits is due to end in 2026, with many local authorities concerned that if these deficits are not addressed, they will have no option but to issue a Section 114. Safety valve agreements some local authorities have with government to address their deficits are temporary sticking plasters and fail to address the underlying systematic problems in SEND.

7.5. To address these pressures, we are asking for:

- Increase the quantum of funding for Special Educational Needs and Disabilities (SEND).
- Urgently provide clarity on the future of the statutory override to keep Dedicated Schools Grant deficits off council balance sheets with a view to finding a long-term solution.

## **8. Adult Social Care**

- 8.1. Adult social care is a growing area of pressure for local authorities. Whilst recent injections of funding have helped to ease some of the pressure local authorities are experiencing, adult social care takes up a significant proportion of council Core Spending Power.
- 8.2. In 2011/12, 33.0% of England's Core Spending Power was spent on adult social care. By 2022/23, that figure had increased to 41.5%.
- 8.3. Demand for these services is increasing, but the cost of delivering care is driving pressures. In SIGOMA areas, between 2015/16 and 2022/23, the unit cost of delivering nursing care increased by 66%, residential care by 47% and nursing and residential care by 52%. These are higher than the average increases for England of 60%, 41% and 45% respectively.
- 8.4. Ensuring local authorities have the funding and flexibilities they need for adult social care will help people live independently in their own homes for longer and in turn help reduce pressure on the NHS. With the right resources, local authorities are in a prime position to help the government build an NHS fit for the future.
- 8.5. We are asking for:
  - Ringfenced funding for local authorities to invest in preventative services.
  - A long-term funding settlement for adult social care, running until a reform of adult social care funding can take place.
  - A long-term workforce plan for adult social care, addressing the underlying issues in recruitment and retention.
  - A timely review of the adult social care services local authorities are expected to deliver and the resources required to deliver these, with the funding to match.
  - Reform of the adult social care precept, ensuring that funding is based on social care need and not on residents' ability to pay the social care precept.

## **9. Homelessness and Temporary Accommodation**

- 9.1. Increased demand and a shortage of housing is placing growing pressure on council finances.



- 9.2. In SIGOMA's recent survey, 76.5% of respondents reported demand and cost for homelessness services as an area of uncertainty within their budgets and 65% reported that the service could fall below statutory standards or fail.
- 9.3. In the past year there has been a 5.7% increase in households reporting as homeless or at risk and a 12.3% increase in the number of households in temporary accommodation<sup>12</sup>.
- 9.4. This has seen council spend on temporary accommodation increase by 230% in England between 2010/11 and 2022/23. For SIGOMA areas the increase has been 404%<sup>13</sup>.
- 9.5. Uncertainty around government legislation and high interest rates have led many landlords to sell, resulting in an increase of section 21 notices. Meanwhile, a shortage of housing and high cost of living has facilitated a rapid increase in rents which has made the cost of housing for the most deprived unaffordable.
- 9.6. Housing benefit subsidy loss for exempt and temporary accommodation has left local authorities covering the gap between the cost of accommodation and the subsidy they receive from central government (the 'subsidy gap'). This is costing local authorities, including SIGOMA councils, millions each year and those costs are growing.
- 9.7. There is real fear that without attention, spending in this area could spiral out of control and result in more councils declaring Section 114s.
- 9.8. Local authorities stand ready to support the government with its ambitions for 1.5 million new homes over the course of the next parliament. However, before these houses are ready, local authorities need urgent assistance to tackle this crisis. Therefore, we are asking for:
  - Lift the cap on housing benefit subsidy for temporary and exempt accommodation.
  - Increase Local Housing Allowance (LHA) rates to ensure they track market rents.
  - Increase funding for Discretionary Housing Payments.

## 10. Summary

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<sup>12</sup> <https://www.lgcplus.com/services/housing/rallying-call-for-swift-and-decisive-action-as-homelessness-figures-rise-08-08-2024/>

<sup>13</sup> Calculated from Revenue Outturn figures published by MHCLG.



- 10.1. Local authorities are well placed to help the government achieve its missions, but they need the resources and funding to do so.
- 10.2. Given the importance of local authorities in supporting a mission-led government and providing essential services to the public, consideration should be given to making local government a protected department. Real-terms cuts to local authority budgets will have a devastating impact on councils, the services they provide and the government's ambitions.
- 10.3. The asks set out in this representation would position local authorities ready to support the government with these missions and many would come at net neutral or negative cost to the Treasury in the long term.