

## East of England Local Government Association Submission to the 2025 Spring Spending Review

**Date:** February 2025  
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### 1. Summary of Key Asks

- 1.1 With the publication of the English Devolution White Paper, councils are now entering a period of turbulence, uncertainty and significant change. The scale of officer capacity that is required to progress plans associated with devolution and reorganisation cannot be underestimated. We ask the Government in this Spending Review to **ensure that additional financial support is provided to councils to support them to successfully navigate this change** alongside continuing to deliver high-quality services to residents.
- 1.2 There is also a fundamental inter-dependency between the reorganisation agenda and Government funding plans. **More clarity on the associated financial impact is desperately needed**, including how the local government finance settlement will be dealt with during transitional arrangements between current councils, shadow authorities and new unitary authorities. Furthermore, more detail is required around how current debt within the sector will be dealt with during this process.
- 1.3 Local government has had to navigate its way through seven single-year funding settlements, which have given councils little in the way of security or predictability. This has limited the ability of local authorities to manage their finances over the long term, leading to a reduced appetite for risk, an inability to plan, and the fear of suboptimal spending decisions. **We ask that the Government's commitment to moving to multi-year finance settlements is not diluted in any way.**
- 1.4 Regarding current proposals to reform the funding formula, we ask that this process **takes into account the full range of factors that impact on the demand and cost of services rather than focussing purely on deprivation levels.** Importantly, this work also needs to include an overall increase to the quantum of funding to ensure that the process does not lead to a situation of winners and losers. EELGA will separately be responding to the Government's consultation on this issue.
- 1.5 **Local authorities should be trusted with greater powers and flexibility around income-raising, particularly on fees and charges.** While more funding through the reformed formula is desperately needed, local authorities also need the freedom to raise more of their own income to tackle rising costs.

- 1.6 One of the single biggest pressures for district and unitary councils is the provision of temporary accommodation for homeless households. **We urgently call for reform of the Housing Benefit subsidy regime, so that the Local Housing Allowance (LHA) rate applied is brought up to 90% of 2025 levels**, rather than being pegged back at 90% of January 2011 levels. It is also imperative that LHA rates keep pace with market rents. For more detail, please refer to [EELGA's submission to the Spending Review on housing pressures.](#)
- 1.7 A significant area of growing pressure for unitary and county councils is the provision of adult social care services, and this has been the case for many years. **We urge Government to ensure councils are funded adequately to provide these services** in the short to medium term alongside longer-term reform to the system.
- 1.8 We look forward to receiving more detail regarding reform of children's social care and SEND services. Parallel to this reform, however, are the immediate escalating financial pressures of delivering these services. 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. Particular areas of pressure are escalating placement costs and home to school transport. **Councils require immediate additional funding to meet demands.** For more detail, please refer to [EELGA's submission to the Spending Review on children's services.](#)
- 1.9 The [Opportunity East](#) report highlights the growth sectors within the East of England, already making it **the** innovation region with an economy of the future. The region powers, feeds, and supplies the UK. Offshore wind farms power the equivalent of 32% of all UK homes; it supplies 15% of England's total farmland, and 50% of the UK's containerised goods move through the region. All this has been achieved despite underinvestment. In total, the East of England receives £8bn less per year than the national per capita average in public expenditure. Infrastructure has experienced chronic under-investment for decades and, as a result, there is a risk of not maximising the region's growth potential. Key infrastructure projects that would benefit the entire of the UK – not just the East of England – include Ely and Haughley junctions; East West Rail, including its extension to Ipswich and Norwich; and key road upgrades. In addition, the current funding model for local government does not enable councils to benefit from the 'proceeds of growth'. Every new home built has a net cost to local councils (the extra Council Tax from one new home is less than the costs of providing council services to that home). For more detail, please refer to the [East of England APPG's submission to the Spending Review.](#)

## 2. Background and Context

- 2.1 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%).
- 2.2 Councils in the East of England 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. Also, 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.

- 2.3 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.
- 2.4 The services that face the greatest financial pressures are the people-focussed areas. Councils have seen 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.

### **3. Adults' Social Care**

- 3.1 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.
- 3.2 Pressures on adult social care budgets have been around for many years. In fact, 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>1</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>2</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, which means each individual requires services for many years (if not decades) longer than in previous generations.
- 3.3 The challenges of an ageing population are particularly pertinent to the East of England. England's most ageing local authorities in terms of demography are along the coastline, including Tendring and North Norfolk. The region 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>3</sup>
- 3.4 In addition to support for immediate budgetary pressures, long-overdue reform of the system is required. It is therefore disappointing to learn that the earliest we will hear from the Casey review is 2026 with an initial report, and then 2028 for the final report with recommendations. With NHS funding continuing to focus on acute services and

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<sup>1</sup> [Local Government Association 2024 Autumn Budget and Spending Review Submission | Local Government Association](#)

<sup>2</sup> [ADASS-Spring-Survey-2024-FINAL-1.pdf](#)

<sup>3</sup> [Levelling-up-the-East-of-England-FULL-1.pdf \(eelga.gov.uk\)](#)

hospital discharge, integrated partnerships between local government and health must also be seen as a key enabler. 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>4</sup>.

- 3.5 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.

#### **4. Prevention**

- 4.1 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.

- 4.2 Upfront investment in prevention not only saves 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 spending on prevention is not reduced and is, in fact, increased on an 'invest to save' basis. 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>5</sup> Our [Healthy Homes in the East of England](#) report, 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.

- 4.3 Councils are making the most of current funding by partnering locally to create 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 preventative interventions on a larger scale. We call 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>6</sup>

#### **5. Asylum Resettlement**

- 5.1 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 costs of education, of social care pre-decision and particularly temporary housing post-decision exacerbate

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<sup>4</sup> [Independent investigation of the NHS in England - GOV.UK \(www.gov.uk\)](#)

<sup>5</sup> [Pathway-to-prevention-CF.pdf \(carnallfarrar.com\)](#)

<sup>6</sup> [The Hewitt Review: an independent review of integrated care systems - GOV.UK \(www.gov.uk\)](#)

council pressures and are not usually reimbursable. Moreover, the current 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.

## **6. Flexibility in Fees and Charges**

- 6.1 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 leisure services. However, the Government imposes certain restrictions on the levels that these can be set at. Therefore, an action that would substantially support council budgets, at no cost to the Government, 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.
- 6.2 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 are now facing the situation where salary costs have increased year on year due to increases in the national living wage, but their income source has remained stagnant. Local authorities experience cases where drivers would prefer to receive a penalty charge notice rather than pay the daily rate in car parks, or for on-street parking, on the basis that they are unlikely to receive a penalty charge notice 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.

## **7. Workforce**

- 7.1 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. The proposed changes to the NLW in the Government's Make Work Pay, which will remove the age banding which applies to the NLW, will increase costs again for councils.
- 7.2 Significant increases to the NLW have also meant that 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>7</sup>. This situation could further exacerbate recruitment and retention issues for councils.
- 7.3 Unlike other parts of the public sector, increases in local government pay are not fully funded by the Government, and, moreover, these additional costs need to be found by councils in-year. This is because councils set their budgets for the forthcoming year

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<sup>7</sup> [Local Government Association 2024 Autumn Budget and Spending Review Submission | Local Government Association](#)

normally in February but pay increases are not set for another seven to nine months. 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 the Government to ensure councils have the funding required to achieve sustainable levels of wage increases each year.

- 7.4 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. We call for the impacts of increases to NLW to be fully funded by Government.

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