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East of England Local Government Association (EELGA) Response to “Local authority funding reform: objectives and principles”

We are writing to you today in response to the “local authority funding reform: objectives and principles” consultation, which is due to conclude on 12 February 2025. This response follows engagement with EELGA members, which consist of the fifty local authorities within the East of England, and our affiliate partners, including the Cambridgeshire and Peterborough Combined Authority.

In summary, while the general principles suit local authorities generally, a conversation about principles is a distraction from the key issues. Local authorities have massive areas of policy with national-level risk portfolios – SEND, social care, homelessness - but are not given the national-level funding to manage the situation themselves, or the levers needed to control their budgets locally. When funding is provided, it is often last-minute, treated as an afterthought, and poorly communicated. We therefore call for greater flexibilities around income generation, a more timely finance settlement, and an acknowledgement of the important role that local authorities can play in boosting local growth.

Within this response, unless otherwise noted, numbers within brackets are to bring attention to the specific consultation question. For the other questions, please refer to the individual responses of our fifty member authorities.

Areas of improvement (2) – Temporary accommodation funding, National Insurance reimbursement, HVO Fuel and competitive bidding

While we welcome a much needed and urgent conversation about the state of local government funding, there are some key areas of funding that are not mentioned in this consultation that we would like to see further action on in future consultations.

Temporary accommodation

Firstly, we would like to raise the issue of temporary accommodation. The number of households in temporary accommodation within the region has increased from 6,540 to 8,930 between 2020 and 2024 – a 37% increase. However, this only represents the surface - some authorities have seen their homelessness pressures double, meaning these costs can fall acutely on specific authorities,

and have radical knock-on impacts on related services¹. Either way, despite this increasing demand, the amount of funding that councils receive as compensation has been shrinking in real terms, as funding is limited to 90% of the January 2011 Local Housing Allowance rate.

Private rent has increased by 40% in the East over that time², and there has also been a stagnation or reduction in local authority social housing capacity³, forcing greater utilisation of the more expensive private sector. These issues combined mean that the funding provided is now not enough to meaningfully cover the properties in question. This has left some local authorities in a fiscally precarious state. The additional Homelessness Prevention Grant does not cover the shortfalls and is not targeted to those authorities with the greatest financial need. Therefore, the reimbursement rate must be changed immediately to 90% of the current Local Housing Allowance rate, to ease pressures on the sector.

National Insurance Contribution increases

In addition, the way that the Government has chosen to reimburse local authorities for the rise in National Insurance is problematic. The current method, which reimburses local authorities based on 80% of net spend, has the capacity to cause considerable damage to district councils. This is because a greater proportion of their spend is funded via fees and charges, which means that once their income from sales and fees is accounted for, their net spend is comparatively low. Within this consultation, central government appears keen to encourage local authorities to obtain and use greater flexibilities in the use of fees and charges, and many authorities are seeking to pursue a policy of increased fees and charges to better cover costs. It is counterintuitive to punish local authorities who have best ensured that service users adequately cover the costs of services they make use of.

Given the impact that this additional cost may have, it could be potentially fiscally disastrous at this time of financial turbulence. It would be relatively straightforward to reimburse authorities based on the costs incurred even if this requires returns from the authorities after the costs have been incurred and would clearly be the best proxy for actual costs incurred.

Tax inflexibility

Tax inflexibility is another issue raised by our councils, and it covers a significant number of areas that limit what local authorities can do to pioneer new work, gather income, and maintain their services. Some of these points include:

- If the government were to remove the price differential on HVO fuel by adjusting the taxation between diesel and HVO, it would encourage greater carbon reduction across the country and make it easier for local authorities to transfer their fleets over.
- The cost of armed forces bases can constrict local authority council tax provision. Servicemen make use of many of the services locally but do not pay council tax. Impacted local authorities should be compensated accordingly to preserve their service levels.
- Drainage Boards are allowed to charge a precept on council tax to fund themselves and improvement works. However, due to the way that this interacts with the Council Tax

¹ [Tables on homelessness](#) – Gov.uk

² [Price Index of Private Rents, UK: historical series](#) - Office for National Statistics

³ [Local authority housing data](#) – Gov.uk

Referendum Principle, it effectively means that local authorities see a certain amount of their increased income taken automatically by drainage boards – money that they desperately need themselves and have no way of recouping. Therefore, the cost of these boards should be managed as either a cost or as a special exemption, to assist local authorities in impacted areas.

Competitive bidding

We would also like to mention competitive bidding. The Government’s current view on simplifying the local government funding system, including a reduction in the number of grants open for competitive bidding, is noted. However, the issue is not visibly brought up within this consultation itself. Therefore, we would like to reaffirm our commitment to this position and ask that the Government, wherever possible, allocate money through the funding settlements that will be agreed for 2026/27 – 2028/29, and for future settlements beyond this, rather than through competitive bidding.

Timetabling for Local Government Finance Settlements (3) – The calendar needs changing

We agree with the listed principles, but in addition, we would like to include “timely” – that decisions around allocations should be made earlier in the year before council budgets are required to be approved. Currently, local authorities are left waiting far too late for details essential for them to plan – with final details sometimes only emerging after their budgetary process has concluded. This impacts the effective decision-making of local authorities, who are forced to make decisions about budgets months in advance and often completely in the dark. This can lead to spending cuts in suboptimal or unplanned areas, to the unnecessary detriment of key services. It can also impact the relationship between politicians and officers, as officers are required to prepare for the worst, putting difficult and politically painful choices to councillors which, once funding is revealed, may not have been necessary or even effective.

Local councils ratify their budgets in full council in February. Therefore, all relevant information should be available well before this period - ideally in the year beforehand - and not too close to Christmas, to avoid capacity gaps over that period. This would make a big difference within councils, who are currently forced to work hard over Christmas in response to provisional figures that are seldom released on time.

We are aware that the Government’s intention to move to a three-year funding settlement will alleviate some of these issues, which is absolutely the correct thing to do. It is important that the Government keeps to this commitment. However, unless the details for this three-year funding settlement are also released in a timely manner, then the benefits that come from that additional window of information will be similarly reduced. Therefore, more timely information is crucial.

The use of data (4) (8) (15)

It is hard to disagree that we should use the best and most up-to-date data. However, there are some caveats that should be noted, particularly pertaining to the East of England. For example, while deprivation in our region may be comparatively low, there are pockets of aggravated deprivation, particularly along our coastlines and in deeply rural areas. These are not caught in figures at the regional, county, or even district level. Therefore, we ask that the data be sufficiently granular to identify these pockets of need, so we can better serve our more deprived areas.

This is especially important in the East. According to an article published in Contemporary Social Science⁴, the governance capacity of parts of the East of England, particularly the East coast, is low compared to the rest of the country. This limits the levers that local authorities have as a region to act on the ground and entrenches the gap between themselves and wealthier areas. This is not just a point about deprivation – this is about wasted productive capacity that could be used to drive growth. As the Government’s agenda, as outlined in the English Devolution White Paper, is committed to building this governance capacity through devolution and local government reorganisation, we ask that this not be undermined in the East, a part of the country that desperately needs that governance capacity to drive its growth agenda.

Local authorities often have data resources that allow for this kind of granular data. We have attached an annex to this letter which contains all the respective versions of this statistical breakdown for each of the areas in the East of England.

Business Rates Reset, excessive burdens and funding simplification (9) (12) (14) (16)

We generally agree that long-term clear funding is the best way forward for our local authorities. It takes time for some transformation projects to bear fruit, and therefore knowing in advance when these transformation projects will be required would give local authorities the ability to plan their budgets strategically.

However, no local authority in the East of England should be worse off in real terms than they were before the change in allocations. Our local authorities have worked hard over the years to maintain their budgets and provide the services that residents need. There is serious concern that funding levels in the East of England will fall in either cash or even real terms under the 2026/27 – 2028/29 settlement due to a perceived lack of deprivation in our region. This not only punishes the good work that has been undertaken by these authorities to make the tough choices needed to balance their budgets but could also potentially threaten the financial viability and governance capacity of local authorities if they are required to find yet more cuts to their budgets. The lack of flexibility around cost recovery and Council Tax setting leaves authorities with very little scope to recover any loss of grant.

The change in retained Business Rates is one example where authorities in the East may find themselves losing funding. These receipts have come to be relied upon by the authorities who receive them to maintain fiscal solvency. There are therefore deep concerns with regards to how they will be withdrawn. One local authority raised with us that their retained business rates support £2.25m of ongoing service expenditure – approximately 10% of its core spending power. If this were to be removed even gradually, without a sufficient boost to the funding settlement, it could lead to significant cuts.

Furthermore, it is impossible to talk about local government finance without involving the wider funding issues at play. Pressures such as children’s and adults’ social care, SEND, and homelessness pressures are difficult for councils to control unilaterally. It is one reason why local authorities set aside such large reserves: so they can better manage their risk exposure.

⁴ [Full article: The intersection of productivity and governance capacity in spatial inequality: the case of England’s devolution periphery](#) – Taylor and Francis online

These expensive areas of service can also crowd out other, non-statutory, areas of spend, such as leisure services, cultural services, and key preventative activities. These issues have national-level risk and therefore should be supported with national-level funding, while retaining the role of local authorities through effective and efficient local delivery.

Regarding specific burdens, the management of the tax and benefit system is something that local authorities are expected to provide. However, the existing grant funding for such areas is not sufficient to fund this administrative work, requiring cross-subsidisation. If these massive demand pressures are going to be given to local authorities, freedom must be given locally to find the funding to keep these vital administrative services funded.

Housing and funding (13)

A key concern is that the costs of growth more generally – which includes housing growth – are not well covered by the existing funding regime. For example, while all funding is welcome for local authorities, especially given the high demand pressures they are experiencing, an honest conversation needs to be had about the cost of integrating housing and the provision of services to new residents. The New Homes Bonus does not cover this cost, and neither does the potential council tax increase that comes with a new household.

This is especially true if the Government wants local authorities to play a bigger part in its growth ambitions. It is not enough to simply meet costs. If the Government wants councils to be involved in the housebuilding process, actively managing the housing market in their area through construction, infrastructure investment, and active planning, the cost of doing this must be met. Given the ambition of the Government's housebuilding agenda, this would include investment in transport schemes that enable housebuilding (such as the A12 in Essex and West Winch in Norfolk), wider connectivity projects to boost transport across the region (such as Ely and Haughley, and the expansion of East-West rail to Ipswich and Norwich) along with funding for councils to plan, connect and absorb these new homes into their existing service structures.

Sales, fees, and charges (18)

In addition, more flexibility around sales, fees, and charges would be appreciated in order to enable local authorities to better manage their local budgets and service provision. Specific issues raised by local authorities in our region include:

- Planning fees: Full recovery of planning fees through planning charges, including the cost of developing and updating local plans.
- Licensing fees: Several licensing fees have statutory maximum charges so, like planning fees, the full ability to set these locally should be encouraged.
- Penalty charge notices: The price of these notices have remained unchanged since 2008 at £35 if paid within the permitted timescale. However, the costs of administering penalty charge notices (PCNs) have increased, reducing both the income from the measure and the force of the penalty as a disincentive to parking irresponsibly. One policy could be to give local authorities complete flexibility over PCNs, to determine locally the rate of fines, and where the proceeds should be spent. This could open a democratic conversation – led locally – about how these funds should be used, perhaps to increase the provision of good parking within an area.

Again, we would like to mention here that the way the government has chosen to reimburse local authorities for the rise in National Insurance is problematic regarding fees and charges, for the reasons outlined above.

In any event, we ask that local government be consulted on sales, fees, and charges in the round, and well in advance. This is because ad-hoc consultation on individual funding streams leads to a system that is not designed fully, leading to net freezes or even losses for local authorities.

The default

If the above considerations are not considered, including ensuring that local authorities are funded adequately to face the challenges present within their boundaries, it will significantly undermine the already low levels of governance capacity present within much of the East of England. It would also lead to suboptimal service delivery at a time when productivity is crucial. As a major region that holds the key to the delivery of many of the government's missions, particularly growth and clean energy, this would hold the entire country back and stymie the ambitions of local authorities.

Conclusion

To conclude, we call for the following within this consultation:


- Uprate the compensation rate for temporary accommodation to 90% of current LHA levels.
- Base reimbursement for National Insurance rises on the gross cost of service, rather than net spend of the authority.
- Heavily reduce competitive bidding.
- An acknowledgment of the heavy demand pressures being borne by local authorities, including SEND, social care and temporary accommodation, and recognition that carrying national-level risk should come with national-level funding and flexibility to raise income locally.
- Release funding settlement information in a rational and timely manner that fits with the local authority budgetary process, including the commitment to three-year funding settlements.
- Ensure that no local authority sees its core spending power drop in real terms from these proposed reforms.
- Take care not to undermine local government finances during the transition period, particularly with regards to authorities that may rely heavily on business rate retention.
- An honest conversation about the costs of growth, including the costs of overheating housing markets, the wear on infrastructure and the associated administrative burdens.
- Flexibility around fees, Sales, and charges, including full cost recovery for planning, licensing, and the ability to set penalty charge notice levels locally.

We look forward to discussing future funding decisions with you going forward. However, as reflected under the "timely" point, we stress the importance of liaising with us with detail as soon as possible, to allow for enough time for meaningful engagement and preparedness.

We have recently published a report on the economic potential and infrastructure of the East of England, called "Opportunity East". [This can be found online](#) and will guide the position of many regional stakeholders going forward and may give an idea of what could be invested in within the region to boost growth.

We have also made submissions to the Spending Review, one in partnership with the East of England All Party Parliamentary Group, one about housing in partnership with our Regional Housing Group, and one representing the views of local authorities in the East of England more generally. These have been linked accordingly, and they may be useful additional reading for understanding specific cost restraints.

Yours,

A handwritten signature in black ink, appearing to read 'Cliff Waterman', with a horizontal line extending to the right.

Councillor Cliff Waterman

Lead Member for Local Government Finance for the East of England Local Government Association
Leader of West Suffolk Council

ANNEX 1: List of Local Authority Statistical databases

Area	Link
Suffolk	Suffolk Observatory – SODA
Norfolk	Norfolk Office of Data and Analytics (NODA) - Norfolk County Council
Essex	Home Essex Open Data
Southend-on-Sea	SmartSouthend
Thurrock	Open data for Thurrock
Cambridgeshire and Peterborough	Cambridgeshire and Peterborough Insight Open Data Open Data Portal
Hertfordshire	Welcome to Herts Insight Herts Insight
Bedford	Local Insight Bedford JSNA
Central Bedfordshire	Local Insight
Luton	Luton Insights tool