**Local Government Finance| Open Consultations**

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**Funding for local government, and therefore the organisations councils commission, is an ongoing challenge. Mounting evidence points to years of underfunding, increasing costs and rising demand. The 2024 Autumn Budget added to these cost pressures, with announced increases in the national living wage (NLW) and employee national insurance contributions (ENICs).**

**Inquiries and Consultations**

**January / February 2025**

In this document you will find summaries and links to three major pieces of Government engagement on the funding of local government. These are:

* The [Local Government Committee inquiry](https://committees.parliament.uk/work/8703/the-funding-and-sustainability-of-local-government-finance/) on the funding and sustainability of local government finance (Page 3 to 4)
* The [Ministry of Housing, Communities & Local Government Consultation](https://consult.communities.gov.uk/local-government-finance/funding-reform/) on the approach to local authority funding review (Page 5 to 9)
* The [Spending Review 2025](https://www.smartsurvey.co.uk/s/SpendingReview25/) portal (Page 10)

VODG is seeking your input to help us respond to the above, to ensure the essential role of third sector providers is considered and the impact of funding decisions on frontline services and the people accessing support, is understood.

There are some key common themes across the consultations, summarised broadly as:

1. Financial sustainability and funding pressures
2. Local authority control over funding and costs
3. Service delivery impact and demands
4. Long-term financial planning and decision-making
5. Value for money and effectiveness of current systems

**While each consultation asks different questions, we ask members to start with the below six. These will help us gather what we need to respond as fully as possible.**

**Please send your responses to** [**research.policy@vodg.org.uk**](mailto:research.policy@vodg.org.uk) **asap.**

If you have further details, linked to any of the specific questions outlined, we would very much welcome your answers and will include what we can.

We will also draw on intelligence already gathered via the VODG-commissioned Cordis Bright analysis of the Budget on disability charities, and Care and Provider Alliance survey.

**Questions to Members**

1. What are the most significant funding pressures your organisation is currently facing in delivering services through local authority contracts? Please provide specific examples and impact on service delivery.
2. How has the current local government funding system affected your ability to:
   * Plan services long-term
   * Maintain service quality
   * Meet increasing demand Please provide examples where possible.
3. What specific changes to local authority funding mechanisms would most improve your ability to deliver sustainable, high-quality services? Consider aspects like:
   * Payment mechanisms
   * Contract terms
   * Funding flexibility
4. How have recent changes in service demand affected your costs and ability to deliver services? Please provide specific examples and data where possible.
5. What evidence can you provide of the relationship between local authority funding constraints and:
   * Service quality
   * Innovation in service delivery
   * Long-term sustainability of services
6. How do current local authority procurement and commissioning practices impact your organisation's financial stability and service delivery? What changes would make the biggest difference?

**The Local Government Committee inquiry on the funding and sustainability of local government finance[[1]](#footnote-1)**

The deadline for this submission is the 27 January 2025.

This submission is a free-flowing document we upload to the Government website.

The Committee is seeking evidence on the following points:

* Is the local government finance system fit for purpose? If not, what needs to change?
  + Does the local government finance system match funding to the relative needs of local authorities?
  + Does the funding system allow and incentivise local authorities to make sensible long-term choices about their finances and budgets, to better serve their residents?
  + How will this be affected by the introduction of multi-year funding settlements?
  + What parts of the local government finance system are working well and should be built on further?
* Where are the most significant funding pressures in local government, and how does the finance system address them?
* Does the current statutory regime for identifying and responding to financial distress in local authorities support local authorities to get out of financial distress?
  + Have Government interventions in response to local authorities being in financial distress helped those local authorities to stabilise their finances and avoid further financial distress?
  + What should a broader support system for local authorities in financial distress look like?
  + Are there any specific circumstances that have led some councils into financial distress and others to avoid financial distress so far?
* How much control do local authorities have over the levels of funding they receive, including from local taxation, business rates, central Government grants, and returns on commercial investments?
  + How does this differ between different types of local authorities and between authorities with different devolution agreements?
  + What are the impacts of statutory restrictions preventing the use of capital returns (e.g. from asset sales) as revenue funding, and are those restrictions beneficial for local authorities?
* How much control do local authorities have over their costs, including on mandatory services (which they are required to deliver by statute) and demand-led services (for which the level of cost is determined by the needs of residents)?
  + How does this differ between different types of local authorities and between authorities with different devolution agreements?
  + What flexibility do local authorities have in the delivery of their mandatory services, and to what extent do they have the ability to deliver non-mandatory services?
  + Has the level of demand for local authorities’ services changed recently? If so, in which specific areas and why?
  + Where local authorities cut costs by reducing the services they pay for or provide, what services are most affected and what is the impact on residents?
* How well does the Government understand the consequences of funding and mandatory service decisions?

**The Government’s Consultation on the approach to local authority funding reform[[2]](#footnote-2)**

**Overview**

This consultation seeks views on the approach local authority funding reform through the local government finance settlement from 2026-27.

Deadline for responses via an online survey if the 12 February 2025.

**Scope of this Consultation**

This consultation seeks views on the approach to determining new funding allocations for local authorities and fire and rescue services. It covers:

* our guiding objectives and principles
* measuring differences in demand for services and the cost of delivering them
* measuring differences in locally available resources
* the New Homes Bonus
* implementing changes and keeping allocations up to date

It also covers:

* ways we can reduce demands on local government to empower them to deliver for communities
* sales, fees and charges reform

It invites views on the possible equalities impacts of these proposals.

[**Summary of the government’s proposed approach**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#summary-of-the-governments-proposed-approach)

1. Do you agree with the government’s objective to allocate grant and retained business rates income in a way which accounts for differences between local authorities in demand for services, the cost of delivering them and ability to raise Council Tax locally?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

1. In addition to the areas included in this consultation, are there elements of the local government finance system that are not fit for purpose and require improvement and reform? If so, please provide information on what reforms are required and why.

*If you have views, please share these and any supporting explanation or evidence.*

1. Do you agree that the suggested principles should inform our approach to updating local authority funding allocations?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

[**Measuring differences in demand for services**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#measuring-differences-in-demand-for-services)

1. Do you agree with our proposal to use the best available evidence and most up-to-date data in the assessment of need, including using the most recent census data?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

1. Do you agree with our proposal to simplify the assessment by reducing the number of Relative Needs Formulae? If you disagree, please explain why and which service areas you are concerned about.

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

1. For the children, young people and family services formula, do you agree that the variables set out are the right ones to consider in an assessment of relative need? If you recommend the addition or removal of variables, please provide supporting evidence and recommend a suitable dataset.

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

1. Do you agree that the government should consider updating the data in the fire and rescue services Relative Needs Formula?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

[**Measuring differences in the cost of delivering services**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#measuring-differences-in-the-cost-of-delivering-services)

1. Do you agree we should assess differences in cost using an Area Cost Adjustment based on the structure of 2024 ACA? If not, please provide evidence for alternative approaches.

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

[**Measuring differences in locally available resources**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#measuring-differences-in-locally-available-resources)

1. Do you agree that (other than locally retained business rates) we should only adjust for Council Tax when assessing local resources? If you do not agree, please include details of what other sources of income you think should be included (if any), and how the government should adjust for them.

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

1. Do you agree that we should measure Council Tax income by making uniform assumptions on the Level of Council Tax charged by local authorities and factors which determine their ability to raise Council Tax?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

1. To what extent should we adjust for Council Tax when determining local authority allocations (i.e. what assumption should we make on Council Tax Level)?

*Fully, partially, not at all or no view? Please provide any additional information, including any explanation or evidence for your response.*

[**Resetting the Business Rates Retention System**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#resetting-the-business-rates-retention-system)

1. Do you agree Transitional Arrangements should account for a Business Rates Reset? If not, please explain why.

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

[**The New Homes Bonus**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#the-new-homes-bonus)

1. Do you agree or disagree we should enable and encourage local authorities to support housebuilding in their areas through the Local Government Finance Settlement?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

[**Implementing changes and keeping allocations up-to-date**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#implementing-changes-and-keeping-allocations-up-to-date)

1. What measures should we use to support local authorities to move to their updated funding allocations?

*Please check the options you agree with (if any):*

* *Blend in updated allocations over several years*
* *Other transitional arrangements*
* *Please provide any additional information, including any explanation or evidence for your response*

1. Do you agree we should keep funding allocations up-to-date dynamically by using the most up-to-date data possible? If so, how?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation or evidence for your response.*

[**Reviewing demands on local government**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#reviewing-demands-on-local-government)

1. What are the most excessively burdensome activities or requirements for councils, which if changed, could significantly free up local government capacity?

*If you have views, please share these and any supporting explanation or evidence.*

1. Do you agree with our proposals to reduce the number of grants and New Burdens payments issued to local government?

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation and evidence.*

[**Sales, fees and charges reform**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#sales-fees-and-charges-reform)

1. Do you agree or disagree that the government should provide local authorities with greater control over Sales, Fees and Charges? Please provide supporting evidence, considering specific fees where greater control would be of most benefit, and expected impacts on charge-payers.

*Do you agree, neither agree nor disagree, disagree or have no view? Please provide any additional information, including any explanation and evidence.*

[**Equalities impacts of the proposals in this consultation paper**](https://www.gov.uk/government/consultations/local-authority-funding-reform-objectives-and-principles/local-authority-funding-reform-objectives-and-principles#equalities-impacts-of-the-proposals-in-this-consultation-paper)

1. Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

*If you have views, please share these and any supporting explanation or evidence.*

**Spending Review 2025 - Phase 2[[3]](#footnote-3)**

A representation to the Spending Review is a written submission, providing feedback on government spending priorities and suggesting policy ideas that could inform decisions about departmental budgets and resource allocation over the multi-year Spending Review period.

The deadline for submissions is the 9 February 2025.

HM Treasury welcomes comments on existing spending priorities and suggestions for new ones.

To help inform decisions for the upcoming Spending Review, your representation should include proposals that outline funding priorities and explain the rationale, costs, benefits, and feasibility of your suggestions.

Submissions should be evidence-based, providing clear arguments on how they align with the objectives of the Spending Review, such as delivering value for money, supporting economic growth, and achieving strategic outcomes across government.  
  
You may wish to consider:

* likely effectiveness and value for money
* revenue implications for the Exchequer
* how it supports growth
* wider macroeconomic implications (for example, for economic stability, and supporting employment)
* sectoral impacts
* distributional impacts
* locational impacts
* administrative and compliance costs and issues
* legislative and operational requirements
* environmental impact.

Sarah Woodhouse

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VODG is a registered charity no 1127328

[www.vodg.org.uk](http://www.vodg.org.uk/) | [Research.policy@vodg.org.uk](mailto:Research.policy@vodg.org.uk)

1. <https://committees.parliament.uk/work/8703/the-funding-and-sustainability-of-local-government-finance/> [↑](#footnote-ref-1)
2. <https://consult.communities.gov.uk/local-government-finance/funding-reform/> [↑](#footnote-ref-2)
3. <https://www.smartsurvey.co.uk/s/SpendingReview25/> [↑](#footnote-ref-3)