

# LOCAL NEWS PARTNERSHIPS



## Council finances 2023-24

**Embargoed - 21st August 2023**

Please note this report and accompanying dataset is subject to change

**BBC Shared Data Unit, BBC Local News partnerships**

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## What's the story?

### Town Halls warn of financial ruin as deficits soar 60% in two years

Some UK councils will not be able to provide even basic services after a BBC study found a £5bn black hole in public finances, Unison has warned.

The BBC Shared Data Unit has found the average council now faces a £33m predicted deficit by 2025-26 - a rise of 60% from £20m two years ago.

Unison said it meant some would not be able to offer the “legal minimum of care” next year.

The Local Government Association said inflation, the Living Wage and energy costs were adding billions to budget books.

Together, the 190 authorities surveyed said they would need to find **£5.2bn to balance the books** by April 2026 - even after **making £2.5bn of cuts** this year.

The research, carried out by the BBC Shared Data Unit, comes with details of the spending cuts and the deficit at 190 local authorities in the UK. Data for your local authority can be found in the spreadsheet attached.

The investigation also shows how Town Hall chiefs have plundered **£1.1bn** from their reserves to balance the books. Cllr Susan Hinchcliffe, Leader of Bradford Council, said the council was using reserves at an unprecedented level, which was unsustainable.

Leicester City Council said it was going to run out of reserves during the next financial year.

*Cuts across the country this year include:*

- **Thurrock:**
  - The council is reducing street cleaning, ending “non-statutory” youth work, withdrawing subsidy for three bus routes, charging for domiciliary care for some users and dimming street lights in a bid to make up an unprecedented shortfall.  
<https://www.bbc.co.uk/news/uk-england-essex-64664866>
- **South Gloucestershire**
  - Waste service cuts planned:  
<https://www.bbc.co.uk/news/uk-england-bristol-65929431>
  - Cuts could see black bins collected just once a month, described by opposition as “crazy and irresponsible”
- **Swindon**

- 100 full-time equivalent posts will be removed from the organisation's structure in 2023-24, of which half are currently vacant. The authority said it would reduce the monitoring of its 1,000 CCTV cameras.

[https://www.swindon.gov.uk/news/article/847/council\\_s\\_cabinet\\_to\\_discuss\\_proposals\\_to\\_close\\_unprecedented\\_budget\\_gap](https://www.swindon.gov.uk/news/article/847/council_s_cabinet_to_discuss_proposals_to_close_unprecedented_budget_gap)

They also include, among other:

- **Leicester City Council:** Scrapped free Sunday parking despite the fact the city was “already struggling” from low footfall.
- **Northumberland:** Made youth workers redundant despite concerns it will lead to inequality and more anti-social behaviour. Council is redirecting resources to its Family Hub programme.
- **North Lanarkshire:** Reduced the Holiday Hunger programme - which provides food during the school holidays. Venues have been cut from 18 to 12.
- **Gateshead:** To close two leisure centres unless a community funding bid can rescue them: <https://www.bbc.co.uk/news/uk-england-tyne-65909316>
- **Harlow:** Set to close respite centre for disabled people and carers
- **Halton:** School meals cut: Closure of two children's day centre and meals-on-wheels service.
- **Essex:** SEND overnight care shut - <https://www.bbc.co.uk/news/articles/cv2j13ed503o>
- **Southend:** Youth service cuts - <https://www.bbc.co.uk/news/uk-england-essex-66102911>
- **Shropshire:** Transport services for children with special educational needs and disabilities (SEND) changes <https://www.bbc.co.uk/news/uk-england-shropshire-64888639>
- **Nottingham:** stopping collection of household bins put out on the wrong day - <https://committee.nottinghamcity.gov.uk/documents/s142999/Annex%20>
- **Birmingham:** Europe's largest local authority, has halted all non-essential spending with immediate effect.

## Risky investments

Two years ago, when the BBC Shared Data Unit last looked into council budgets in the wake of the pandemic, then communities minister Robert Jenrick said many of the failing authorities had let down taxpayers through “risky investments”.

But local government professor Arianna Giovannini, and the chair of the public accounts committee Meg Hillier, said councils were left in a difficult situation whereby their dwindling grant funding from Government had to be covered by increased commercial returns.

At the time, Croydon, with its large retail portfolio including the town’s shopping centre, had lost millions in commercial rent as a result of the pandemic and had to ask for government support to cover almost £2bn of loan debt.

Since 2021, there have been notable examples of those risks not paying off, in particular at Slough Council, which was seeing year-on-year losses from its £139m investment property portfolio, and Thurrock, which accumulated a £500m deficit after buying into a failed solar farm scheme.

Despite these, many councils continue to invest heavily in retail, office space and industrial sites in order to receive additional income in leasing the sites out.

Through a separate series of Freedom of Information Requests, the BBC Shared Data Unit found Somerset Council had bought more than £136m worth of retail property since the start of the pandemic, including the £22m Steelite tabletop manufacturers in Stoke-on-Trent, a B&Q in Ayr and a Wickes in Birmingham.

In March 2020, nearby Torbay Council bought an Odeon Cinema for £11m that it said would return £5m a year in revenue.

## Emergency funding

Six councils will receive emergency support from the central government in the current financial year. Below are the amounts agreed in principle to support the day-to-day running of each council in the 2023-24 year.

**Cumberland** and **Westmorland and Furness** are new authorities. They replaced six district councils and Cumbria County Council on 1 April, 2023.

**Kensington and Chelsea**, as the landlord of the Grenfell Tower [destroyed in a fire that killed 72 people in June 2017](#)- applied for financial support “to pay its share of the compensation due to the bereaved, survivors and first responders of the Grenfell Tower tragedy and associated legal costs,” according to its [2022-23 statement of accounts](#).

Local authorities	Amount agreed in principle for 2023-24
Thurrock	£180.2m
Croydon	£63m
Kensington and Chelsea	£51.8m
Cumberland	£40m
Slough	£31.6m
Westmorland and Furness	£26m

## Methodology

**For our investigation, we concentrated on the upper-tier authorities in England and Wales, as well as the single-tier councils in Scotland and Northern Ireland.**

Between April and June, we approached 218 councils in total, asking for details contained in each authority’s ratified budget for 2023-24 and their medium-term financial strategies.

### **We asked the councils to provide:**

- The total net revenue budget requirement for 2023-24.
- Details of any savings planned for 2023-24 and how much of that pertained to adult social services.
- Whether the council planned to use general or earmarked reserves to balance the budget in 2023-24.
- Whether the council’s medium-term financial strategy contained an as yet un-funded shortfall for the 2025-26 financial year.

In some cases the council supplied the agenda papers for the authority’s budget. In those cases we filled in the accompanying sheet manually and sent our findings back to the corresponding council for verification.

Regarding the two-year shortfall recorded in the sheet - this is a **cumulative** shortfall. So if the council predicted it would need to find £2m in 2024-25 and £3m in 2025-26, we have recorded this as a £5m cumulative deficit.

If a council sent us a range of predictions for its two-year shortfall we have recorded the worst-case scenario in the sheet and put the best-case scenario in the notes section for context.

In some cases, councils did not answer a particular question. In this case we have entered **DNA** ('Did Not Answer') into the sheet. If we filled their details manually and they did not confirm our findings, we entered **DNC** ('Did Not Confirm'). Where a question was not applicable to that particular authority, we have entered NA (not applicable).

Councils in Scotland and Northern Ireland do not have responsibility for adult social care and as such, those authorities were not asked questions about savings to adult social care.

Population figures correspond to data published by the Office for National Statistics (ONS) (['Dataset Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland'](#), Dec 2022). This excludes Westmorland and Furness and Cumberland, both created in April 2023. These local authorities' population figures were obtained from their respective websites ([Westmorland and Furness](#) and [Cumberland](#)).

Council tax figures for England (excluding precepts) correspond to data published by the Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (['Band D Council Tax figures 1993 onwards \(revised 19 May 2023\)'](#), Table 3 and Table 4). It excludes some local authorities, so these figures were collected from each council website.

BBC calculations estimated the council tax figures for Scotland using data provided by local authorities. Likewise, Wales figures were obtained from data released by the local councils and the Welsh government.

Domestic rate percentage increases for Northern Ireland were collected from each local authority website.

## How to use this pack

**Separate to this document we have provided you with a spreadsheet containing all of the responses from the authorities we received.**

Councils are ordered in alphabetical order in the sheet by default.

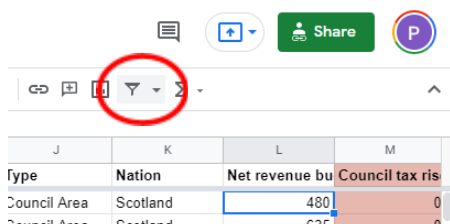
We recommend you find your council using the find function (Ctrl and F).

By scrolling right you will see the columns have headings, which we have colour coded:

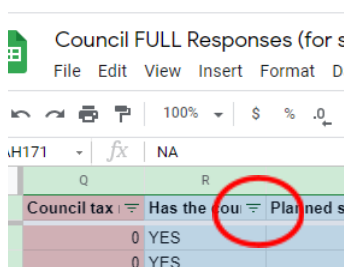
TAX	Light red
SAVINGS	Light blue
USE OF RESERVES	Yellow
CUMULATIVE SHORTFALL	Green
EXCEPTIONAL FINANCIAL SUPPORT	Purple

Please take time to read the column headings carefully when compiling your report.

**If you make a copy of the spreadsheet (File > Make a copy) you will be able to SORT the sheet by any column to see how your council ranks in comparison to others.**



To sort by a column, turn on **FILTER VIEW** by clicking on the icon shown in the picture to the left (make sure you have a cell selected within the sheet before clicking this). This will bring up small green arrows above the columns as below.



Click on the green arrow above the column you wish to sort by (such as savings proposed for 2023-24) and click on "Sort Z-A". This will place the spreadsheet in order of the highest to lowest depending on the metric you are sorting by.

Please note that the top answers may come back with "NA", "DNC" or "DNA" because we have incomplete data for that particular council. You will need to discard these figures in any analysis you do.



## What we found

**Our study consists of 190 of 218 top-tier councils in the UK.**

Response rate in England was: 131 out of 153

Response rate in Wales was: 20 out of 22

Response rate in Northern Ireland was: 8 out of 11

Response rate in Scotland was: 31 out of 32

### How much are councils saving in total?

- Councils in the UK plan to make **£2.5bn** worth of savings in the 2023-24 financial year.
- At least **£466.8m** of that (18%) is made up of savings from adult social care services in England and Wales as councils in Scotland and Northern Ireland do not have responsibility for social care.
- Out of the 190 councils in the study, 179 (94%) have budgeted to make savings for 2023-24.
- The average planned savings per analysed council are £13.9m, a 36% increase since our last study in 2021-22 (£10.2m).

**Hampshire County Council** is set to make the most savings overall in the UK (**£80m**), followed by Surrey (**£69m**) and Norfolk (**£59.7m**).

However, as a proportion of the net budget, **Shropshire** is set to make the most savings this year. Its £51.4m schedule of savings amounts to 20.1% of its annual net budget.

Largest savings as a % of net budget		Largest savings per person	
Shropshire	20.1%	Orkney Islands	£311
Newry, Mourne and Down	17.2%	Aberdeen City	£191
Slough	15.7%	East Dunbartonshire	£189
Swindon	15.6%	Shetland Islands	£184
Nottingham	14.1%	Blackpool	£166

On top of the savings, councils plan to use **£1.1bn** worth of reserves to balance budgets this financial year. Among them, **Bradford** is planning to use **£52.8m** worth of reserves - the largest total in the UK and nearly 12% of the council's yearly net budget.

As a proportion of the net budget, **Shetland Islands** is set to use the most reserves. Its planned use of **£36.7m in reserves** amounts to nearly 24% of its net budget.

### Which councils are facing the largest shortfall in 2025-26?

**Across the UK, councils will need to find a combined £5.19bn to balance the books by 2025-26.**

**Thurrock** is predicting the biggest two-year funding gap - a shortfall of **£521m** by the 2023-24 financial year. However, in proportional terms, **Slough** is predicting the largest two-year shortfall. The **£339m** it will need to find to balance the budget by then is 237% of its net spend for 2023-24.

Both [Thurrock](#) and [Slough](#) have borrowed money from the government and raised council tax by almost 10 per cent.

Local authorities	Two-year shortfall as a proportion of net budget	Predicted CUMULATIVE shortfall for 2025-26
Slough	237.1%	£339m
Thurrock	159%	£521m
Shetland Islands	70.3%	£109m
Kingston upon Thames	26.2%	£37.2m
Orkney Islands	25.6%	£26m

### Council tax

Some 75% of analysed councils in England have raised council tax by at least **4.99%** for 2023-24.

The average raise was 4.79%, with the maximum increase recorded in **Croydon** (14.99%), **Slough** (9.99%) and **Thurrock** (9.99%).

Taxpayers in **Scotland** will see an average raise of 5.45% and **Wales**, 5.53%. The regional rate in **Northern Ireland** is set nationally and will increase 6.67% for 2023-24.

## National breakdowns

### England

**Some 127 of the 130** English local authorities in our study plan to make savings in 2023-24. The combined savings are worth **£2bn**. English authorities will also use **£785.2m** worth of reserves in 2023-24.

**99 councils** raised council tax by at least 4.99%.

The 130 authorities predict a combined two-year shortfall of **£3.77bn** by 2025-26.

Largest savings (total)		Largest savings per resident	
Hampshire	£80.0m	Blackpool	£166.0
Surrey	£69.0m	Shropshire	£158.3
Norfolk	£59.7m	Slough	£141.5
Leeds	£58.6m	Westminster	£126.8
Shropshire	£51.4m	Nottingham	£115.5

Largest savings as a % of net budget	
Shropshire	20.1%
Slough	15.7%
Swindon	15.6%
Nottingham	14.1%
Westminster	13.4%

## Scotland

**29** out of the **31** Scottish councils in our study plan to make savings in 2023-24. The savings are worth a combined **£302.2m**. Scottish authorities are also planning to use **£211.8m** worth of reserves in 2023-24.

**27 councils** raised council tax by at least 5%.

The 31 authorities predict a combined two-year shortfall of **£1.12bn** by 2025-26.

Largest savings (total)		Largest savings per resident	
Aberdeen City	£43.4m	Orkney Islands	£310.6
Glasgow City	£31.3m	Aberdeen City	£191.0
Highland	£22.2m	East Dunbartonshire	£189.4
East Dunbartonshire	£20.6m	Shetland Islands	£183.8
Aberdeenshire	£18.6m	West Dunbartonshire	£134.5

Largest savings as a % of net budget	
Aberdeen City	8.0%
Orkney Islands	6.9%
East Dunbartonshire	6.4%
West Dunbartonshire	4.5%
Argyll and Bute	3.2%

## Wales

**17** out of the **20** Welsh councils in our study plan to make **£182.0m** worth of savings and use **£72.7m** worth of reserves in 2023-24.

The **20** authorities predict a combined two-year shortfall of **£394.8m** by 2025-26.

**10 councils** raised council tax by at least 5%.

Largest savings (total)		Largest savings per resident	
Rhondda Cynon Taf	£27.8m	Powys	£123.5
Swansea	£20.3m	Newport	£122.1
Newport	£19.5m	Rhondda Cynon Taf	£117.1
Cardiff	£17.7m	Monmouthshire	£108.9
Powys	£16.5m	Conwy	£100.8

Largest savings as a % of net budget	
Newport	5.2%
Monmouthshire	5.1%
Powys	5.1%
Rhondda Cynon Taf	4.6%
Conwy	4.1%

## Northern Ireland

**Six out of the eight** councils in our study planned to make savings in 2023-24. The combined savings are worth **£25.2m**.

Councils in Northern Ireland are set to use **£14.5m** worth of reserves in 2023-24.

Only Armagh City, Banbridge and Craigavon Borough Council has predicted a two-year shortfall in its budget by 2025-26: **£4.3m**

Newry, Mourne and Down District Council is set to make the most savings in 2023-24. The £11.6m savings proposed amount to 17.2% of its overall budget.

Local authorities	Total savings planned for 2023-24	Savings as a proportion of net budget
Newry, Mourne and Down District Council	£11.6m	17.2%
Ards and North Down Borough Council	£3.8m	6.0%
Derry City and Strabane District Council	£3.6m	4.8%
Mid Ulster District Council - Dungannon	£3.3m	6.1%
Armagh City, Banbridge and Craigavon Borough Council	£2.6m	3.1%
Fermanagh and Omagh District Council	£0.3m	0.7%
Lisburn and Castlereagh City Council	£0m	0%

## Quotes and expert comment

### Mike Short - Head of Local Government, Unison

"Council finances are in the direst of states. As the government tightens the squeeze on local budgets, services either vanish or are scaled down dramatically.

"Cash-starved councils have had to go cap in hand to ministers for emergency support or raid already depleted reserves in a desperate attempt to balance the books.

"This is not a sustainable situation. Local authorities simply don't have the funds to provide even statutory services. That's why social services directors warned recently that councils probably can't offer even the legal minimum of care support next year.

"Council employees have had enough. Pay rises haven't kept up with the cost of living. And staff want to take pride in their jobs and run good quality services for local residents. This is no longer possible. It's no wonder so many are quitting for pastures new.

"As staff leave, there's no money to replace them, which piles on the pressure for those remaining. In social work, staff shortages have led to excessive workloads, putting vulnerable families at risk.

"Decent, well-resourced public services are essential. They're a driver of economic growth and the fabric holding communities together.

"Cuts are a false economy as the dreadful experiment with austerity has more than shown. It's time for a fair funding settlement, both for now and future years."

### **Cllr Shaun Davies, Chair of the Local Government Association**

"Inflation, the National Living Wage, energy costs and ongoing increasing demand for services are all adding billions of extra costs onto councils just to keep services standing still.

"Councils are having to make cutbacks to services to meet their legal duty to balance the books this year and using reserves to plug funding gaps. Councils hold reserves so they can plan for the future and deal with known risks. They can only be spent once and using reserves is not a solution to the long-term financial pressures that councils face.

"Councils' ability to mitigate these stark pressures are being continuously hampered by one-year funding settlements, one-off funding pots and uncertainty due to repeated delays to funding reforms.

"The Government needs to come up with a long-term plan to sufficiently fund local services. This must include greater funding certainty for councils through multi-year settlements and more clarity on financial reform so they can plan effectively, balance competing pressures across different service areas and maximise the impact of their spending."

### **Background information - LGA cost pressure analysis**

- Recent spikes in inflation, the National Living Wage and energy costs have placed further pressure on council finances still feeling the effects of the loss of £15 billion in government funding from 2010-11 to 2019-20.
- New LGA analysis estimates that the extra cost to councils of delivering their services at current levels will exceed their core funding by £2 billion in 2023-24 and £900 million in 2024-25.
- If inflation fails to fall in line with the forecast at the March 2023 Budget - and instead is in line with more recent inflation projections from the Bank of England - this would add £740 million in cost pressures in 2023-24 and £1.5 billion in 2024-25.
- This analysis of funding pressures relates solely to the funding needed to maintain services at their current levels. It does not include addressing existing underfunding in areas such as the adult social care provider market, children's social care and homelessness, nor does it include funding to improve or expand council services.

## **Dame Meg Hillier MP - Chair of the Public Accounts Committee (PAC)**

“The PAC warned three years ago of the extreme risks inherent in commercial property investments made by cash-strapped councils. These findings indicate that local government finance may be approaching a tipping point. There are only so many more savings that can be made to services relied upon by local communities, and it is alarming to see such a steep increase in councils chipping away at their own precious reserve funds.

“Feeding into this picture, our Committee [recently warned](#) that the risk of financial issues being missed is increased by delays in local audits. This hinders accountability for £100bn in local government spending, and the rot risks spreading to NHS and central government.

“Our Committee found in 2021 that local government income was £8.4 billion less than in 2010–11 in real terms at the start of the pandemic. Multiple high-profile cases of councils reaching crisis point in recent months is the logical endpoint of that status quo. Both those cases and these findings should have the dashboard flashing red across the board for the Government.”

## **Cllr Georgia Gould - Chair of London Councils**

“The pressures on boroughs’ finances feel as bad as ever.

“Budgets have been hollowed out by years of government austerity cuts, followed in quick succession by the Covid-19 pandemic, skyrocketing inflation, and the cost-of-living crisis.

“The funding boroughs receive from the government has not kept pace with London’s growing population and the fast-rising demand for services. This leaves budgets squeezed and undermines boroughs’ work tackling the most pressing challenges in their communities.

“London’s homelessness crisis is the worst in the country and represents a real risk to boroughs’ financial stability. With councils collectively spending over £60m each month on temporary accommodation for 170,000 homeless Londoners – and these numbers continuing to rise – the situation is utterly unsustainable. This is a growing emergency and requires urgent action from the government.

“From supporting homeless households through to encouraging local economic growth and securing net zero ambitions, councils play a vital role in many of the most important issues facing the country. The government needs to work with us to deliver sustainable long-term funding for local services.”

## **Background information**

- London boroughs have been underfunded for over ten years. Boroughs’ overall resources are 18% lower in real terms than in 2010 – even though there are now around 800,000 (10%) more Londoners to serve.



- Housing finance pressures are especially acute. The pressures on boroughs' Housing Revenue Accounts (HRAs) – through which all income and spending related to council housing stock must be recorded – are immense and look set to worsen in the coming years.
- Social housing rents are regulated by central government and a limit of 7% was set for rent rises in 2023-24. The social rent cap policy leaves London boroughs with a near £600m black hole in their HRA budgets over the next five years.
- It also follows the four-year 1% annual rent reduction policy that was in place from 2016-17, as well as the financial impact of Covid-19.
- The government has never compensated councils for this funding gap, which represents a substantial real-terms reduction in funding available for improving housing conditions and building new homes. It leaves most boroughs needing to make savings in their HRAs and curtailing investment in existing homes.
- Boroughs use HRA budgets to pay for maintenance and repairs of their social housing stock, but also for delivering on ambitions to make homes zero carbon, addressing building safety issues, and developing new homes for the 300,000 households on social housing waiting lists in the capital.
- London Councils wants to see significant reform of local government finance so that boroughs have more resource-raising flexibilities and are less reliant on central government funds and council tax.
- Re: London boroughs' level of financial reserves – in the face of numerous risks and uncertainty over the government's future funding decisions, maintaining healthy reserves can be crucial for a borough's financial resilience and ability to withstand sudden shocks. Increasing funding certainty and local control will stabilise the system and reduce the need for building up reserves as an insurance policy.

### **What the councils said**

We asked for comments from all five councils leading on each one of the following metrics: “largest savings as a proportion of net budget”, “largest two-year shortfall as a proportion of net budget” and “largest use of reserves as a proportion of net budget”.

Ten councils responded: Shropshire, Newry, Mourne and Down, Nottingham, Thurrock, Shetland Islands, Kingston upon Thames, Barnsley, Bradford, Leicester and Kensington and Chelsea.

### **Shropshire** - Council with the largest savings as a proportion of net budget

The results of the BBC's research come as no surprise to the Council which has been very open about the scale of the financial challenge that it faces and how it is preparing for this.

Shropshire Council is like many other councils of all political colours who are facing very similar financial challenges, as highlighted by the Local Government Association in July who say that councils in England and Wales face a £2 billion funding gap.

Despite our net budget increasing by around £20m this year, due to inflation and continued increasing demand for our services, we predict that the Council will need to reduce its spend by £51m this year.

Shropshire's funding gap is compounded by our rural nature and sparse population, which makes it more expensive to provide services like social care, which accounts for around 75% of the council's net budget.

However, unlike many other councils in similar situations we are robustly prepared with a clear understanding of the challenge we face and a detailed plan to tackle this.

In the first two months of this financial year, we have already delivered, or have high confidence in, £19m of spending reductions. This is equivalent to £37% of the total required reductions for the year and plans to deliver the remaining £32m are well underway. This is a significant achievement so early in the year.

The greatest pressure has always been increasing demand for our services due to local pressures and national and international issues beyond our direct control – inflationary pressures, the cost-of-living crisis fuelled by the invasion of Ukraine and wider health and care system pressures increasing demand and costs on our social care services which account for around three quarters of our net budget.

We are confident we will deliver our plans and finally resolve the long-term financial gap that the council has faced to create an efficient, modern and sustainable council for the future.

### **Newry, Mourne and Down District Council** - 2nd council with the largest savings as a proportion of net budget

"In striking the Rate, Newry Mourne and Down District Council has sought to make savings in the financial year 2023-24 to minimise the impact on the ratepayer and the use of its reserves."

### **Nottingham** - 5th council with the largest savings as a proportion of net budget

Deputy Leader and Portfolio Holder for Finance, Cllr Audra Wynter, said: “Like all councils, we are operating in a very volatile economic climate, with inflation, rising energy and fuel costs and an increased demand on our services driven in part by the cost-of-living crisis, all combining to make budget setting extremely difficult. This is on top of the reduction in core Government funding over recent years placing an increased reliance on Council Tax for income, which creates a particular problem for places like Nottingham, where the predominant property types don’t allow us to raise sufficient funds.

“There are also issues that led to the appointment of an Improvement and Assurance Board which continue to have an impact on our financial resilience. We are having to make difficult decisions about transforming the way we deliver services and doing some things differently to set a balanced and realistic budget over the medium term, and keep the council on a sustainable financial footing.”

It’s worth noting:

- Nottingham has a very low Council Tax base, with 80% of properties in Band A and B – almost double the national average (43.5%). Only 5.2% of properties (just over 7,500) are in Band D and very small numbers in the bands above this
- Since 2010 we have had to make over £300m of savings to our budgets. The main Government grant for the council fell from £126.8m a decade ago to £26.7m this year - the equivalent of £694 less for every Nottingham household
- Demand continues to grow for vital services such as adult social care, which now makes up over a third of the council’s entire budget.

**Thurrock** - 2nd council with the largest two-year shortfall as a proportion of net budget

Cllr Graham Snell, Cabinet member for Finance, said: “We are committed to getting the council back on to a stable financial footing and we’re working closely with Commissioners and the government to do this. The council received exceptional financial support from the government as part of its 2023-24 budget and is likely to require this in future years as the Council financial strategy is worked through to achieve a balanced budget in the future.”

**Shetland Islands** - 3rd council with the largest two-year shortfall as a proportion of net budget and 1st council with the largest use of reserves as a proportion of net budget

Shetland Islands Council recognizes both of these measures as factually correct. The Council acknowledges that its budget continues to be set at a higher level than is sustainable, and requires to be supported through an unsustainable draw of its held reserves. However, the Council is in the relatively unique position of having substantial levels of historic reserves, so has no need to seek any exceptional central funding in the very short term to support this, even if it were to continue to be the case. The Council

continues to discuss ways to reshape the budget to provide high quality services while preserving reserves at a set and sustainable level.

**Kingston upon Thames** - 4th council with the largest two-year shortfall as a proportion of net budget

The Royal Borough of Kingston upon Thames (RBK) relies more heavily on income from council tax and business rates than many other authorities given that it receives very little revenue support grant (RSG), which has reduced down from £66 million in 2010 to £180k in 2023-24 (£4k in 2022-23).

RBK's cumulative shortfall (or budget gap) to 2025-26 of £37.202m assumes no increase in council tax rate from 2024-25 onwards. Other authorities may have factored in general council tax increases up to the current referendum threshold for this period. To put this into context, if we were to assume full increases at current thresholds for 2024-25 and 2025-26 (2.99% general CT, 2% ASC precept) it would generate ca. £5.8m towards the gap per annum. This would reduce the cumulative gap to £25.602m. RBK are currently revisiting all budget assumptions as part of the annual budget process for 2024-25 - 2027-28.

RBK's cumulative shortfall (or budget gap) also contains prudent assumptions around unallocated growth in both 2024-25 (£5.5m) and 2025-26 (£6.5m). Growth is proposed to be added to the existing cost base to assist in delivering the Council's priorities, Transformation programme and the new Council Plan. RBK's transformation programme is a key driver to financial sustainability by driving through efficiency measures, invest-to-save projects and new income generation plans. RBK remains confident that its clear track record of savings delivery whilst continuing to deliver for residents will continue.

**Barnsley** - 3rd council with the largest use of reserves as a proportion of net budget:

"Cllr Sir Steve Houghton CBE, Leader of Barnsley Council, said: "Every year, we continue to serve our communities with less, and we must make tough decisions to balance our financial challenges with the income to fund the investments and drive Barnsley forward."

"Our finances have always been well-managed, which puts us in a good position. We're preparing as well as possible for the different scenarios and uncertainties we may face."

**Bradford** - 4th council with the largest use of reserves as a proportion of net budget:

"Since 2011, Bradford Council has had to deliver £310 million of budget reductions and raise Council Tax to balance the books.

There is a need for the Government to provide fairness, certainty and stability in Council funding and to address the social care crisis." (from [official press release](#))

**Leicester** - 5th council with the largest use of reserves as a proportion of net budget:

"A Leicester City Council spokesperson said: "The council has managed its budget well and is in a relatively healthy position with regard to reserves. We operate a 'managed reserves' policy, whereby we use reserves to buy time to consider savings decisions without having to make crisis cuts. We do not wait until the next budget to make savings, which then enables us to reduce the amount of reserves we need to use".

"However, the scale of Government cuts we face means our available reserves are expected to run out in 2024-25."

**Kensington and Chelsea** - applied for exceptional financial support from the government for 2023-24

A spokesperson said: "The Council has healthy finances, which allowed us to freeze council tax last year when many people are facing challenges with the cost of living. The direction we are seeking just allows flexibility in how we fund our share of compensation payments for the Grenfell tragedy and speed up the process for bereaved families and survivors.

"In due course the Council will be pursuing claims against the other parties also responsible for the tragedy for a share of the costs incurred from the public purse."

## **What the government said**

**Department for Levelling Up, Housing & Communities:**

**A DLUHC spokesperson** said: "No decision on funding levels for beyond 2024-25 in England will be taken until the next Spending Review, so these numbers are unsupported.

"Councils in England have benefitted from an increase in Core Spending Power of up to £5.1 billion in 2023-24 compared to the previous year, with almost £60 billion made available for local government overall.

"We are making up to £4.7 billion available for the adult social care system in England in 2024-25 and have also confirmed an uplift to the Revenue Support Grant, whilst setting out a core council tax referendum principle for 2024-25 of 3%, plus a further 2% for councils with adult social care responsibilities."

### **Background:**

- We have not been able to verify the figures councils have submitted to this study, and note not all councils have detailed the assumptions they are making to reach the figures quoted.
- For the years after 2024-25, in which firm policy is not currently set, our assumption is that council tax levels will grow by 4.8 per cent. Over and above this core assumption, it is reasonable to expect that the next Spending Review will take a detailed look at potential shortfalls in council funding.
- The 2021 Spending Review set funding levels for financial years 2022-23, 2023-24 and 2024-25. Funding decisions beyond 2024-2025 are a matter for the next Spending Review.
- The local government finance policy statement, released in December 2022, provided forward notice of the measures we expect to maintain into 2024-25.
- The statement also went further, to confirm an uplift to the Revenue Support Grant as well as increases to other key grants for adults' and children's social care, in line with the measures set out at the 2022 Autumn Statement. Taken together, we are making available up to £4.7 billion in 2024-25 to put the adult social care system in England on a stronger financial footing. We also set out a core council tax referendum principle for 2024-25 of 3%, plus a further 2% for councils with adult social care responsibilities.
- The Department holds responsibility for funding councils in England only, with funding for councils elsewhere in the United Kingdom being a matter for the devolved administrations.
- We are aware many councils are expecting to use reserves to meet inflationary pressures in 2023-24. Reserves rose significantly (by around £10 billion) over the two years of the pandemic. We stand ready to speak to any council that has concerns about its ability to manage its finances or faces pressures it has not planned for.

### **Welsh government:**

A Welsh Government spokesperson said:

"Record inflation and economic mismanagement by successive UK Governments over the last 13 years has led to the most difficult financial situation since the dawn of devolution.

"As part of our efforts to protect public services we are providing increased funding for local authorities in this financial year, with a 7.9% increase across Wales on a like-for-like basis. This follows a 9.4% increase in 2022-23. But we recognise that local authorities are facing difficult decisions and we continue to work closely with councils to meet the shared challenges we face."

## Notes

Information about this year's local government settlement is available here - [Written Statement: Final Local Government Settlement 2023-24 \(28 February 2023\) | GOV.WALES](#)

In addition to the £5.5bn provided to local authorities through the Revenue Support Grant and non-domestic rates, councils are expected to receive over £1bn in specific grants in this financial year.

We provided indicative funding for the next financial year in order to help local authorities plan future budgets.

The local government funding formula is agreed in partnership with local government, through the Distribution and Finance Sub Groups. We provide a transparent distribution based on relative need, rather than the complex system of retained business rates and different incentives which has characterised the approach in England.

The Welsh Local Government Association welcomed this year's local government settlement, while acknowledging that tough choices would remain due to continuing challenging economic circumstances - [Welsh Government has supported councils with today's settlement, but tough decisions remain, says WLGA - WLGA](#)

The Local Government Association was more negative about the settlement in England - [Local Government Finance Settlement: LGA statement | Local Government Association](#)

On 9th August the First Minister set out that the Welsh Government is facing the toughest financial situation since devolution, with our budget up to £900m lower in real terms than when the budget was set by the UK Government at the time of the last spending review in 2021 [Written Statement: Update about Budget 2023-24 \(9 August 2023\) | GOV.WALES](#)

## Scottish government:

An SG spokesperson said:

“The Scottish Government acknowledges the fiscal challenges facing councils but despite a decade of UK Government austerity measures, local government revenue funding is 2.6% higher in real terms than it was in 2013-14. The Scottish Government has increased the resources available to local government in 2023-24 by more than £793 million, a real terms increase of £376 million or 3%, compared to the 2022-23 Budget figures.”

## Background

The use of reserves in 2023-24 needs to be presented in context and Local Authority Reserve balances in Scotland remain considerably higher than pre-pandemic levels. General Fund reserve balances of Scottish Local Authorities were £1,584 million on 31 March 2020 and budgeted to be £2,384 million at 31 March 2024.

It should be noted that functions and responsibilities of unitary authorities in Scotland are not strictly comparable to those in England and Wales with regards to factors such as Education, Police and Fire, Health and the treatment of Non-Domestic Rates. Funding for Police and Fire transferred out of the local government finance settlement in Scotland with effect from 1 April 2013. As a result the period before and after 2013-14 are not comparable.

The Accounts Commission's Local Government in Scotland Overview report confirms that "Over this period (comparing 2023/24 to 2013/14), revenue funding to local government has increased by 2.6 per cent in real terms." [Local government in Scotland: Overview 2023 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/2023/06/2023-overview)