

The State of Local Government Finance 2023: Executive summary

- ▶ Council finances are in a critical state and there is widespread concern among senior council figures about their long and short-term resilience. Only 14% of senior council figures have confidence in the sustainability of council finances.
- ▶ Councils are taking every step available to them to balance their budgets. More than 50% of respondents said they would be cutting spending on services, increasing commercial investments, or spending reserves. More than 90% said they would be increasing council tax – most often by the maximum amount possible – or increasing fees and charges. 88% said they had to take three or more of these measures.
- ▶ Adult social care, housing and homelessness and children’s services were the greatest pressures on council finances. Of these, adult social care was the most frequently cited long-term pressure and housing and homelessness most often chosen as a short-term pressure.
- ▶ 72% of respondents said their council had dipped into their reserves last year, and 68% plan to this year. This means that 54% of all respondents were in a council that was spending reserves both last year and this coming year – a completely unsustainable situation.
- ▶ 52% of respondents said their council would be cutting spending on services. 20% went further, and said their budget would lead to cuts in frontline services that would be evident to the public. Even more urgently, 7.5% – 12 different councils – said there was a danger that financial constraints could risk their capacity to deliver their statutory duties – the essential services they are legally required to provide.
- ▶ Councils are increasingly reliant on commercial activity to fill the gap in their funding. 52% of respondents said they would be increasing commercial activity this year, primarily through local housing and commercial developments and asset sales.
- ▶ Very few respondents supported the central government’s approach to local government finance. Only 5% were happy with the progress that has been made on delivering a sustainable finance system, and only 8% felt confident that the government would prioritise considering councils in wider policy decisions.
- ▶ The process of bidding for central government funding was widely regarded as an ineffective way to distribute funds, and a serious waste of time and resources for councils. 82.5% of all respondents said their council had made at least one unsuccessful bid, and 21% that all of their bids had been rejected.