Government response to the Levelling Up, Housing and Communities Select Committee report on Financial distress in local authorities

Presented to Parliament by the Secretary of State for Levelling Up, Housing and Communities by Command of His Majesty

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Local Government Funding Reform

Conclusion 1: Local authorities have seen significant reductions in their spending power coincide with increasing demand for their services and inflationary pressures exceeding those in the wider economy. Recent funding settlements, while increasing in cash terms, have not kept pace with these pressures leading to a downward spiral. The prospect of further real terms funding cuts is likely to exacerbate existing concerns about systemic underfunding, with the current funding gap already estimated at £4 billion.

Recommendation 1: *The Government must include additional funding in the local government finance settlement for 2024–25 to ensure local authorities bridge their estimated £4 billion funding gap. The Government must set out which local authorities are being prioritised and why for this financial settlement. The Government must also set out what longer term support will be provided to local authorities if the £4 billion funding gap is not fully met in the forthcoming financial settlement.*

Response:

1. As the Secretary of State acknowledged in December, the Department recognises that there are "significant funding pressures facing Local Government". That is why, having listened to the views of local government, on 24 January the Government announced additional measures for local authorities in England worth £600 million. We are prioritising support for social care councils - this includes £500 million of new funding for councils with responsibility for adult and children's social care, distributed through the Social Care Grant.

2. The Government recognises the importance and difficulties of serving dispersed populations. Subsequently, we are prioritising councils with rural populations by increasing the value of the Rural Services Delivery Grant by over 15%, from £95 million to £110 million in 2024-25. This will be the highest increase since 2018-19, and the second successive year of above-inflation increases. In addition, the Government recognises that all councils are facing increasing costs and demand for services. We are therefore increasing the Funding Guarantee to ensure all councils will see at least a 4% increase in their Core Spending Power before any local choices on council tax, efficiencies, or reserves.

3. The final Local Government Finance Settlement for 2024-25 makes available up to £64.7 billion, an increase in Core Spending Power of up to £4.5 billion or 7.5% in cash terms on 2023-24 – meaning local government has seen a real-terms increase in Core Spending Power from 2019-20 onwards.

4. The Government remains committed to giving councils longer term certainty, and it is the Government's intention to return to multi-year settlements in the next Parliament when circumstances allow. Spending decisions beyond 2024-25 are a matter for the next spending review. It was therefore not possible to deliver a multi-year Settlement this year without clarity on departmental budgets into the next spending review period.

Conclusion 2: There is widespread agreement that Council tax is outdated, regressive, and long overdue for reform. The Government's increasing reliance on council tax to fund local authorities is causing a disproportionately negative impact on funding levels for authorities in the most deprived areas of England. The Government's imposition of referendum thresholds for increasing council tax is restricting local authorities' abilities to raise sufficient funding to fulfil their statutory responsibilities, in response to reductions in central Government grants, increased demand for services, and inflationary pressures.

Recommendation 2: *We repeat the recommendation made in our July 2021 report, Local Authority Financial Sustainability and the Section 114 Regime, and our November 2023 report, Council Tax Collection: namely, that: the Government must urgently reform council tax by undertaking a revaluation of properties and introducing additional council tax bands, and should consider options for wider reform of council tax.*

Response:

5. The Government remains committed to improving the local government finance landscape in the next Parliament. The starting point for this work should be consideration of the purpose and functions of local government. The government confirmed in the Policy Statement of 2022 that in response to calls from the sector the government is prioritising stability in this Parliament and will work with local government and the wider sector on the new challenges and opportunities they face in the next Parliament.

6. The Government has no plans to conduct a revaluation of council tax bands. A revaluation would be expensive to undertake and it would particularly risk penalising those on a lower income, including pensioners, who have seen their homes appreciate in value, and might face a substantial increase in tax without having the income to pay it. This was reaffirmed in our response to the committee's inquiry on council tax, our formal response to which was published on 1 February.

Recommendation 3: *Furthermore, in the short-term, the Government must raise the referendum threshold for council tax at least in line with a relevant measure of inflation. In the longer term we recommend that the Government considers removing the threshold entirely.*

Response:

7. The Government's manifesto commits to continuing to protect local taxpayers from excessive council tax increases. Referendum principles are thresholds, not targets, and strike a balance between allowing local authorities to make tough decisions to address pressures on services while protecting local residents from excessive increases. Every decision to raise council tax is taken locally, and councils can raise council tax above the referendum threshold, provided they have the backing of their residents through a referendum.

8. The Government believes that any increases above the current referendum threshold, where the Government has provided additional flexibility, should only be considered in the most serious of circumstances.

Conclusion 3: We have previously recommended that the Government widens the funding base of local authorities and grants more flexibility over local taxes and other revenue raising powers. We therefore welcome the Government's call for views on local authority capital flexibilities and believe that additional flexibilities may play a useful role in enabling local authorities to support themselves in times of financial distress.

However, local authorities' use of capital funding for revenue expenditure is not sustainable and at best it can only be a temporary solution to short-term financial pressures. We have concerns that the Government, if it does grant these additional flexibilities, may delay its engagement with the more fundamental reforms to the funding system which we believe are urgently required. There is a risk that local authorities, in using these flexibilities, are drawn into fire sales of local assets, or unsustainable borrowing, in attempts to bridge their chronic budget gaps. This could drive poor value for money for local authorities and their communities, and exacerbate existing financial distress.

Recommendation 4: *The Government should ensure that the implications of any additional flexibilities it grants on capital funding are carefully considered. We recommend that these are limited to extending flexibilities over invest-to-save activity only. The Government must closely monitor local authorities' uptake of these flexibilities and act quickly to work with local authorities in preventing unintended negative consequences. The use of capital funding for revenue expenditure must not become business as usual and is not a sufficient substitute for more fundamental reform of the funding system.*

Response:

9. On 18 December, the Department launched a call for views to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity and more flexibilities to use capitalisation without the requirement to approach Government. The options could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources. In addition to the options proposed, the Department sought other ideas to be put forward, to ensure we have adequately considered all viable options.

10. The Government takes its position as the guardian of public funds seriously and there is a clear balance between providing greater freedoms to use capital resources, reserves and assets to alleviate local revenue pressures and incentivise efficiency, while avoiding creating unsustainable financial practices through misuse of flexibilities. The Department made clear that any additional flexibilities must have safeguards that are proportionate and effective at preventing misuse, while still placing decision-making at a local level. The Department is considering responses, following the close of the call for views on 31 January and will publish a response before the summer recess.

11. On 29 February, the Government published details of financial flexibilities agreed with a small number of councils that requested financial support on an exceptional basis – due to specific local issues that they are unable to manage themselves. This support is usually via a capitalisation direction, allowing revenue costs to be met through borrowing or through capital receipts, funded through asset sales. Using capital resource for revenue purposes is outside the normal rules of local authority accounting and, as such, ministers will only consider agreeing to this in exceptional circumstances. As a result of this action by Government, we anticipate that all councils will be able to set a balanced budget and continue to deliver vital services for their communities.

Conclusion 4: The business rates system is overly complex, outdated and in urgent need of reform. The baselines used in the business rates retention scheme are over 10 years out of date and their continued use is causing a significant misalignment between the level of funding distributed to local authorities and those authorities' spending needs. There is a disproportionately negative impact on those authorities in the most deprived parts of the country. The Government committed to a Fair Funding Review for local government in 2016 but is still to deliver on this commitment and it is not clear to us that it will do so.

Recommendation 5: *We renew our previous recommendation that the Government implements the business rates reset and Fair Funding Review. This should include transitional arrangements to ensure stability in funding levels after reset and review. The Government must commit to a fundamental long-term review of the business rates system to ensure business taxation is fit for a modern economy.*

Response:

12. Following a manifesto commitment, the Government completed a review of the business rates system in 2021. Parliament subsequently passed the Non-Domestic Rating Act 2023 to give effect to the review's conclusions, including measures to improve the responsiveness of the tax to changes in economic conditions.

13. Following calls from the sector for stability in this Parliament, the reset of the business rates retention system will not happen before 2025-26. The Government agrees to consider further improvements in the area and remains committed to improving the local government finance landscape in the next Parliament.

Social Care

Conclusion 5: We agree with the Government that comprehensive reform of the children's social care system is urgent and necessary. We are concerned, however, at the receding prospect of timely delivery of reforms and note that, despite the additional funding that the Government announced in autumn 2022, the Government's plans do not provide sufficient short-term financial support to local authorities to enable them to maintain the quality of services that vulnerable people need and deserve. As the CMA has noted, there is a need to ensure profits made by private sector firms from public sector services are not "materially higher than" expected, and are appropriate and fair to the services provided.

Recommendation 6: *The Government must work urgently with local authorities to better understand their short-term budgetary pressures in this area and work to develop a package of support and funding to enable continued service delivery while wider system reforms are implemented.*

Response:

14. The Government agrees with the Committee and recognise the pressures that councils delivering children's services are under, and the need to substantively reform the children's social care system. In 2023 we published our implementation strategy and consultation 'Stable Homes, Built on Love' which sets out a system-wide transformation of the system. This responds to the Competitions and Market's Authority study, Child Safeguarding Practice Review Panel, and the independent care review published in 2022.

15. We have additionally taken action to provide further support to local government to enable continued system delivery while wider reforms are implemented. At the final local government finance settlement, published 5 February 2024, we announced that we are providing £1.5 billion in additional grant for social care through the settlement for 2024-25 compared to 2023-24. This includes the additional £500 million announced on 24 January 2024, having listened to the views of local government. While being mindful of the level of adult social care provision, where possible councils should use this uplift to invest in areas that help place children's social care services on a sustainable financial footing. This includes investment in expanding family help and targeted early intervention, expanding kinship care, and boosting the number of foster carers. On the 6 March 2024, the Government announced its commitment to invest £165 million over the next 4 years to significantly expand the capacity of the children's home estate in England. This will improve outcomes for looked after children and unlock productivity savings by reducing local government reliance on emergency provision. The government is also exploring further ways to combat profiteering and bring down costs in the children's care market.

Recommendation 7: *The Government should support local authorities by reviewing possible ways of facilitating greater collaboration across local authorities so that they can collectively deliver more children's care services directly rather than through private suppliers.*

Response:

16. At the Spring Statement, the Government announced funding to reduce local authority overspends on children's social care places across England by making 200 additional child social care places available and reducing local government reliance on costly emergency places for children. £165 million of funding will be used to create the additional places to help tackle last year's overspend of £670 million.

17. The Government will provide £45 million to match funding to local authorities to build an additional 200 open children's home placements, and invest £120 million to fund the maintenance of the existing secure children's home estate and rebuild Atkinson Secure Children's Home and Swanwick Secure Children's Home.

18. The Government will continue to support greater collaboration across local authorities to collectively commission and deliver care services. We are working with the sector and with partners such as health and youth justice to co-design this. Last year, we invited local authorities to express an interest in being one of the pathfinders for the Regional Care Co-operatives (RCCs) programme. We are currently in negotiations with two regions about becoming RCC pathfinders and will announce the regions shortly.

19. The Government is also providing support for councils to increase their own provision and reduce reliance on the private sector. At SR21, the Government committed £259 million in capital funding over the SR period and, at Spring Budget 2024, announced an additional £165 million over the next four years. Nevertheless, we recognise that sometimes private placement costs are too high, and that council taxpayers are stuck footing the bill. The Government's position is that it has an issue with profiteering rather than profit, and through the reforms to children's social care it will continue to explore what action is needed to best support

councils. The Government will be developing proposals on what more can be done to combat profiteering, bring down costs and create a more sustainable market for residential placements which it will publish later this year.

20. We are working to improve the sustainability of the placements market, including introducing financial oversight of private providers. Other actions are also being taken to improve the sustainability of the market – including investing over £36 million this SR in a foster carer recruitment and retention programme: £3 million is being invested in a Pathfinder in the North East region where a foster carer recruitment support hub and communications campaign launched in September 2023, and the region is also further rolling out of the Mockingbird retention programme. £33 million is available for wider roll out of this work, including funding an additional 9 regional recruitment support hubs. This is the largest ever investment in fostering in England and will support the roll out the foster carer recruitment and retention programmes to over 60% of all local authorities in England, as well as funding a new service 'Fosterlink' which supports local authorities to identify service improvements. As announced in the Spring Budget, we are continuing to invest in the children's homes market to provide high quality, safe homes for some of our most vulnerable children and young people in all nine regions of England. This will support LAs to reduce overspends on children's social care places across England by reducing local government reliance on costly emergency places for children Since SR 21, our £400m capital investment will add around 560 new beds in Open Children's Homes and around 72 in Secure Children's Homes.

21. Together these programmes will support 90% of all LAs in England. Last year Government raised the minimum financial allowance for foster carers above inflation (12.4%). This year, we will again raise fostering allowances above inflation, with allowances due to rise by 6.88%. In addition, we provided tax and benefit relief for foster carers. This is expected to be worth an additional £450 annually to each foster family. Additionally, a joint Written Ministerial Statement has been issued between DLUHC and DfE to clarify the national policy position on planning applications for new children's homes.

Conclusion 6: While the additional funding announced in Autumn Statement 2022 has provided some brief respite for local authorities facing particularly acute pressures, a consistent and sustainable increase in funding is required. We have heard evidence of ongoing concerns about the continuing cost and demand pressures affecting adult social care. The absence of any additional funding announced in the Autumn Statement 2023, and the prospect of future real terms funding cuts, has exacerbated those concerns.

Recommendation 8: *We reiterate the recommendation we made in our July 2022 report Long-term Funding of Adult Social Care, that the Government needs to recognise the need for more funding to local authorities for delivery of adult social care, in the order of several billions each year, and to plan a sustainable mechanism to deliver this funding, for example through the social care premium recommended by our predecessor committee in 2018.*

Response:

22. The Government has recognised the pressures in adult social care and has made available up to £8.6 billion of additional funding over two years to support social care and discharge. This additional funding includes significant increases in dedicated grant funding for social care

such as the £500 million announced in January, which has specifically been made available to support local authorities with the cost of social care in 2024-25, in response to the feedback the Government received on the provisional settlement.

23. The final Settlement for 2024-25 provides over £1.5 billion in additional grant for social care through the Settlement for 2024-25 compared to 2023-24. This includes:

- £5 billion through the Social Care Grant, a £1.2 billion increase on 2023-24;
- £1.1 billion through the Market Sustainability and Improvement Fund, a £123 million increase on 2023-24;
- £500 million through the Discharge Fund, a £200 million increase to the local authority component on 2023-24;
- £2.1 billion through the improved Better Care Fund.

24. This funding is enabling local authorities to buy more care packages, help people leave hospital on time, improve workforce recruitment and retention, and reduce waiting times for care. When providing funding for ongoing pressures – such as inflation – we have prioritised giving councils as much certainty as possible. For example, we were clear that funding for discharge and the Market Sustainability and Improvement Fund were available for two years and included wording in the MSIF grant conditions to enable local authorities to provide funding for long-term measures such as pay. Sustained Government investment in adult social care has meant that public expenditure on adult social care has increased in real terms for eight consecutive years – reaching £22.9 billion in 2022-23.

Recommendation 9: *We also reiterate the recommendation we made in our July 2022 report for the Government to publish a 10-year plan for implementing the reforms set out in its white paper People at the Heart of Care.*

Response:

25. The Government remains committed to the ten-year vision for adult social care, as laid out in the white paper ‘Next steps to put people at the heart of Care’, published in April 2023. Any plans for reform are subject to future Spending Reviews and fiscal events – subsequently, the Government cannot provide a ten-year plan for reforms in the sector. Spending review periods provide a higher degree of funding certainty for detailed delivery plans.

26. The ‘Next steps to put people at the heart of Care’ plan, published in April 2023 set out detailed plans for how we will make progress towards this 10-year vision over this Spending Review period. We have made significant progress on transformational reforms spanning workforce, digitisation, assurance and data, home adaptations, and innovation. This includes the first ever national Care Workforce career Pathway unveiled in January and implementing a landmark shift in how we hold local authorities to account for the care they provide.

27. Alongside the political, economic and technological elements that will affect delivery, as we continue through this decade ten year journey, future reform plans and activity will also be informed by learning lessons during this initial period. Reform programmes are ensuring robust monitoring and evaluation plans are established early in design to capture relevant data to inform these evaluations and measure impact of new policies.

28. Any plans for reform are subject to future Spending Reviews and fiscal events. Spending review periods provide a higher degree of funding certainty for detailed delivery plans.

Special Educational Needs and Disabilities

Conclusion 7: The rise in numbers of EHC plans following the Children and Families Act 2014 has significantly increased demand for more costly forms of SEND provision and home to school transport. The funding available to local authorities, through the Dedicated Schools Grant or otherwise, is far from sufficient to meet this demand.

The Government's use of the statutory override and one-off 'safety valve' funding are temporary measures and do not address the underlying mismatch between demand, costs, and annual Dedicated Schools Grant funding. They will not prevent local authorities from accumulating further deficits until the underlying mismatch is resolved, and we do not believe it is realistic to expect local authorities to manage down deficits of the scale of many billions of pounds in total over a period of two or three years. Without significant additional funding via the DSG to match service demand and costs, or a further extension to the statutory override - which would, at most, offer a further period of temporary respite - the sector faces a cliff-edge of section 114 notices.

The Government has provided no clarity on whether it will fund, or it will expect local authorities to fund, deficits remaining when the statutory override ends in March 2026. It is clear that the Government's aim to improve existing mainstream and locally available special school provision will not be sufficient on its own to influence parents' or carers' views on Education, Health and Care plans. The development of improved locally available provision will also take time to realise and is not likely to address the financial pressures affecting local authorities in the short-term.

Recommendation 10: *The Government should provide clarity to local authorities on its specific expectations for resolving existing DSG budget deficits, and agree with local authorities a set of realistic and achievable steps, supplemented by sufficient additional funding, for eliminating these existing budget deficits. This should be done by 31 March 2024.*

Response:

29. The Government agrees that close, bilateral working between DLUHC and DfE is important in tackling issues with the cost of SEND provision. The Government seeks to improve the outcomes and experiences of children and young people with SEND and those who need alternative provision, while placing local authorities on a sustainable footing. This will enable local authorities to ensure all young people with SEND receive the support they need, on a sustainable basis.

30. We have been clear that all local authorities must take responsibility for the effective and sustainable management of their high needs systems and associated spending. Many local authorities continue to do just that: work effectively to manage their high needs systems and associated spending in a sustainable way, supported by the high needs budget rising by 60% over five years from 2019-20 (it will increase to £10.5 billion in 2024-25), for the benefit of the children and young people they serve. Around a third of local authorities have no deficit, and some have been contributing to their DSG surpluses in the last two years.

31. However, we recognise that, for some local authorities, there is an urgent need to resolve issues with the sustainability of their high needs systems, and the Government is supporting them to do so. We are focusing our support in two ways: supporting local authorities to make sustainable change at a local level in the short term, whilst developing longer term reform of the national system.

32. At present, DSG deficits are ringfenced from local authorities' wider financial position to give local authorities the short-term flexibility to implement sustainable change at a local level. This ringfence, reinforced by Government's longer-term reform plans and substantial increases in high needs funding, will remain in place up to March 2026. 38 local authorities with the highest deficits now have Safety Valve agreements which, if delivered by the individual authorities, will see them deliver a sustainable high needs system and eradicate their deficits. These agreements set out the realistic and achievable steps that authorities can take at a local level to manage their budgets sustainably, and eliminate their DSG deficits, supported by around £1 billion of additional funding, and bespoke, expert support for each authority. Further authorities have and will continue to be invited to the Safety Valve programme in 2023-24 and 2024-25.

33. 55 local authorities have been working with the Government through the Delivering Better Value in SEND (DBV) programme and developing plans to reform their systems to reach a sustainable footing. Like the Safety Valve programme, this programme seeks to develop individualised local plans for sustainability, including grants and expert help.

34. The Government has also published a research report and accompanying guidance, drawing on good practice in local authorities, and the Department for Education's ongoing intervention work. We encourage every local authority to consider the guidance in full, regardless of their deficit position, and apply the advice in the most suitable way to their local context.

Recommendation 11: *The Department should commission a cross-Government independent review of Education, Health and Care Plans and consider fundamental reform of this system, to put SEND provision on a financially sustainable footing for local authorities whilst ensuring that all children and young people with SEND have access to the services that they need. This review should also address provision in mainstream and special schools. Furthermore, the Government, when considering future financial support for local authorities, should assess the future demand for SEND within the wider context of schools as part of the Dedicated Schools Grant funding.*

Response:

35. On 29 March 2022 the Department for Education published the SEND and Alternative Provision Green Paper for public consultation. This was the culmination of the SEND Review commissioned in September 2019 and set out our plans to improve the outcomes and experiences of children and young people with SEND and those who need alternative provision, within a fair and financially sustainable system. As part of the SEND Review, we examined how the SEND system has evolved since 2014 and how we could ensure it works best for all families with effective and sustainable use of resources.

36. On 2 March 2023 the Department for Education and Department of Health and Social Care published the SEND and Alternative Provision Improvement Plan ('the Improvement Plan')

setting out how we will establish a single national system that delivers for every child and young person with SEND and in alternative provision so that they enjoy their childhood, achieve good outcomes, and are well prepared for adulthood and employment, while enabling local leaders to place local authorities on a stable financial footing.

37. The Government has also made substantial investment to better secure the financial sustainability of the system, with the high needs budget increasing to over £10.5 billion in 2024-25, equivalent to a greater than 60% increase since 2019-20. The Government is also investing £2.6 billion between 2022 and 2025 to fund new special and AP places and improve existing provision. Building on the 108 special free schools we have opened since 2010, we will create thousands of additional specialist school places for those with the greatest needs – with a further 77 special free schools approved to open. On top of this, the Spring Budget confirmed funding for a further 15 special free schools, and we will announce the locations by May this year.

38. The DfE is currently testing its key reforms through our Change Programme that launched in September 2023. We are working through 9 Change Programme Partnerships, covering 32 local areas, to test and refine key reform proposals and support local SEND and AP systems across the country to manage local improvement. It is important that we are testing the system-level changes to make sure that they will deliver sustainable, better outcomes and experiences for children and families before we legislate to implement reforms nationally. Oversight of reform is being informed by the National SEND and Alternative Provision Implementation Board, jointly chaired by Education and Health Ministers.

39. As the Improvement Plan is implemented, we will carefully monitor the pace of progress towards our aims to improve outcomes and experiences within a fair and financially sustainable system, to ensure that reforms are working as intended for children and young people, their parents and families, and all those that work with them. Given this, the Government believes that a further review of provision for Children and Young People with Special Educational Needs would be unnecessary.

Recommendation 12: *Additional funding for home-to-school transport is necessary in the short-term. Therefore, the Government should assess the benefits of introducing new statutory guidance aimed at encouraging the use of less costly forms of shared transportation. In response to this Report, the Government should set out the results of this assessment in full.*

Response:

40. The eligibility criteria for free home-to-school travel are set out in primary legislation, but the legislation does not prescribe the travel arrangements local authorities should make for eligible children. The Government's statutory home-to-school travel guidance, updated in January 2024, is already clear that local authorities are responsible for deciding what travel arrangements to make, provided they are suitable for the needs of the children for which they are made. The Government has no expectation that local authorities should arrange expensive individual forms of transport except where that is what the needs of the child dictate.

41. Local authorities have told us that managing parents' expectations can be challenging. To support them with this, we recently published a blog post aimed at helping parents understand

whether their child is eligible for free travel and, if so, what transport they can reasonably expect their local authority to provide.

42. This directly addresses some of the common concerns that local authorities let us know parents raise, including explaining that children will often need to share a vehicle with other children and that they may be expected to walk to a suitable pick-up point if they are able to. We have let local authorities know that they are welcome to refer to this post in their own communications. The blog post can be found here: https://tinyurl.com/mtb3zj57. We have asked the Association of Directors and Children's Services (ADCS) and the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) to amplify these messages on their own communication channels.

43. The updated statutory home-to-school travel guidance, on which we worked closely with local authorities, now provides clearer guidance on many areas and explains the importance of taking travel costs into account when planning the supply of school places, and of local transport and SEND teams working together. The Government is considering what more we can do to support local authorities, including how to get expert help to meet a child's complex medical needs on transport. Further information will be available in due course.

44. In terms of funding, the majority of central Government funding for home-to-school travel is made available to local authorities through the Local Government Finance Settlement (LGFS), which will make available up to £64.7 billion in 2024/25, including the additional £500 million of funding for adult and children's social care announced on 24 January. This additional funding will, in turn, reduce pressures on other areas of children's services such as home-to-school transport. We are committed to improving the local government finance system beyond this Settlement in the next Parliament and the Minister for Local Government will be engaging with the sector on this over the coming months.

45. The Department for Education provides additional grant funding to local authorities as a contribution towards the cost of 'extended rights' travel to support school choice for low-income families – this is just under £45.8 million in 2023-24.

46. The SEND and Alternative Provision Improvement Plan, published in March 2023, set out a vision for inclusive high-quality mainstream provision where children have their needs identified early and can access prompt support. More children will have their needs met in mainstream settings without the need to travel long distances to access the support they need. In addition, home-to-school travel will be a central consideration in developing new policy on tailored lists and in Local Area Inclusion Plans (LAIPs). We will be working closely with local authorities in the SENDAP Change Programme on this. Together with £2.6 billion of Government investment in new local special and alternative provision places and improvements to existing places between 2022 and 2025, this should reduce home to school travel costs over time. The Spring Budget further committed an initial £105 million towards 15 new special free schools, creating over 2,000 additional places.

Homelessness

Conclusion 8: We welcome the Government's decision to increase Local Housing Allowance rates to the 30th percentile of local market rents from 1 April 2024. However, this is an urgent matter that required the Government's immediate action. It is therefore disappointing that the Government did not implement this change with greater speed following the Autumn Statement in November 2023. We are concerned that this delay has failed to alleviate the increasing numbers of families unable to find suitable accommodation during the winter, with serious consequences for the health and wellbeing of those affected.

Recommendation 13: *We recommend that the Government reconsider its position on re-freezing local housing allowance rates from 2025–26 onwards. Instead, the Government must maintain LHA rates at least at the 30th percentile of local market rents each year to ensure that those children and adults receiving benefits have sufficient access to rental properties and to prevent further escalation of pressure on local authorities' homelessness services.*

Response:

47. The Government understands the importance of stable housing and is taking action to increase access to affordable housing. Increasing the Local Housing Allowance (LHA), in recognition of increasing rents, is a key part of helping those who get housing support. That is why the Secretary of State for the Department of Work and Pensions has committed to reviewing the LHA rates every year, taking into account a range of factors including evidence on local rents and the broader fiscal context.

48. Our £1.2 billion investment from April 2024 will increase LHA rates to the 30th percentile of local market rents. This will see 1.6 million private renters gain, on average, nearly £800 per year in additional help with their rental costs in 2024-25.

49. This significant investment of £7 billion over five years, taken together with the wider benefits uprating, will improve housing affordability for low-income households, helping them afford their rent and reducing the risk of rent arrears and homelessness.

50. The necessary legislation to set the rates from April 2024 came into force in January. This allows the Department for Work and Pensions and local authorities sufficient time to implement the rates and ensure claimants are paid accurately. This is in line with increases to other benefits which also apply from the start of the financial year.

51. LHA is only one element of the wider support provided to those on low incomes renting in the private and social sectors. In total the Government is forecast to spend over £30 billion in 2023/24 on housing support for renters in the private and social rented sectors. In addition, we continue to provide local authorities with funding for Discretionary Housing Payments so that they can support those who may still need support with their housing costs. Since 2011, the Government has provided nearly £1.7 billion in Discretionary Housing Payments to local authorities. This is in addition to our wider Affordable Housing Programme and our Local Authority Housing Fund.

52. The provision of affordable housing is part of the Government's plan to build more homes and provide aspiring homeowners with a step onto the housing ladder. Our £11.5 billion Affordable Homes Programme will deliver thousands of affordable homes for both rent and to buy right across the country, after the Levelling Up White Paper committed to increasing the supply of social rented homes. A large number of those new homes delivered through our Affordable Homes Programme will be for social rent.

53. Since 2010, we have delivered over 696,100 new affordable homes, including over 482,000 affordable homes for rent, of which over 172,600 homes for social rent.

Priorities for the Next Government

Conclusion 9: The Government elected in the next UK General Election is faced with the task of designing and implementing a series of fundamental reforms to the way in which local authorities are funded, the services that they are currently required to deliver, and the way in which these services are delivered. It is critical that the next Government prioritises this matter.

Recommendation 14: *The next Government must embark on a fundamental review of the system of local authority funding and local taxation, exploring all options for removing its current regressive elements and bringing it into the 21st Century. This should include consideration of land value taxes, and of wider fiscal devolution including the option of granting local authorities a specific share of central taxation.*

Response:

54. The Government is committed, as set out above, to improving the local government finance system in the next Parliament. Any changes to the Settlement or finance system will require significant consultation with the wider local government sector before any such changes are enacted.

55. The Government does not support land value taxation. For businesses, it would mean soaring bills for local high streets where land values are higher; on homes, it would tax local residents for the size of their garden.

Recommendation 15: *The next Government must ensure that it explores all options for fundamental reform of funding and delivery of social care services and implements reforms that address the underlying causes of the acute funding and delivery pressures that local authorities are currently facing. The Government should also explore how the structure of local authorities, including for example moving to unitary authorities, may alleviate financial pressures currently facing local authorities.*

Response:

56. The Government supports the case for extensive system wide reform and that is why we are fully committed to the ten-year vision for adult social care set out in the People at the Heart of Care white paper. We want to ensure that everyone can access high quality care that enables choice, control and independence. The government is investing up to £700 million over two years, building on £100 million spent in 2022-23, to make major improvements to the adult social care system.

57. Our progress includes implementing a landmark shift in how we hold local authorities to account for the adult social care they provide. The new duty for CQC to assess how local authorities are delivering their Care Act duties has gone live, and we have also made progress on our plans to transform data, including introducing a new national, person-level data collection.

58. We have also increased uptake of digital adult social care records from 40% in December 2021 to over 60%, which enables secure sharing of information across health and care services and frees up time for care staff. In January this year we unveiled a package of workforce measures including the launch of the first ever national Care Workforce Pathway; over £50 million for a new Level 2 Adult Social Care qualification; over £20 million for new social work and nurse apprenticeships; and a new digital leadership qualification for social care leaders and managers on the use of technology in the delivery of care.

59. On children's social care, as previously set out the Government is committed to delivering substantive reform to the system. But change does not happen overnight; we need to make sure our set of interventions in Stable Homes Built on Love work, and that is why we are spending these two years leading up to the next Spending Review, backed with £200 million in additional investment, to trial reforms through Pathfinders.

60. As the Government continues to deliver its reform programme, we will explore the case for increased investment where the evidence demonstrates we must do so.