Written evidence submitted by Professor Ileana Steccolini, Dr Bernard K. Dom and Dr André Lino (LGFS0022)

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Summary

- The short-term, blame-oriented accountability frameworks and market-driven responses directly exacerbate the chronic financial pressures experienced by local authorities across these critical service areas. Strengthening financial resilience through strategic, long-term accountability reform, reinvestment in internal capabilities, and reduction of reliance on costly market solutions is essential to stabilising local authority finances and effectively meeting statutory service demands.
- While financial assistance helps strengthen the financial resilience of local authorities, non-financial interventions are crucial for long-term stability and meaningful service delivery. By prioritising proactive strategies, such as anticipatory planning and preventive policies, increased participation, and innovative service models, councils can move beyond crisis-driven responses and build a more sustainable and equitable system.

2. Introduction and Contextual Background

Local authorities (LAs) in England face significant challenges in continuing to deliver key statutory services such as adult and children's social care, temporary accommodation, and special educational needs and disability (SEND) services. For instance, LGA (2024)[4] projections indicate a 12.5% rise in service costs by 2026/27, creating a £6.2 billion funding deficit over two years to maintain current service levels. Alongside increased costs, a sharp reduction in central government funding, particularly the 77% cut in the Revenue Support Grant (RSG) from £9.9 billion in 2015/16 to £2.2 billion by 2019/20, led to an escalating funding gap growing from £1.4 billion in 2012/13 to over £16.5 billion by 2019/20 (Dom, 2024), forcing councils into increasingly precarious financial positions and highlighting a systemic failure to provide sustainable funding solutions. Council tax and business rates fail

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[4] LGA. 2024. *Reforming the local government funding system in England.* Joint report from the Local Government Association, the Society of Local Authority Chief Executives and the Chartered Institute for Public Finance and Accountancy.

to compensate for lost central support, particularly in economically weaker areas, exacerbating regional inequalities. As a result, LAs have been forced into short-term survival strategies, including service cuts and financial risk-taking, raising concerns over their long-term viability.

Different services have peculiar challenges attached to them. For instance, demographic changes and increasing health conditions have driven higher demand for adult social care, with 18.6% of the population aged 65 or older in 2021 (ONS, 2022)[5]. Despite councils spending over £16 billion on adult social care in 2018/19 (LGA, 2020)[6], core funding per person fell by 26% between 2010 and 2020, with government funding declining by 46% (Ogden and Phillips, 2024). In early 2025, thirty councils received £1.5 billion in emergency support due to severe budget shortfalls (MHCLG, 2025)[7]. Children's social care services also face rising demand from safeguarding concerns and child poverty (Gray & Barford, 2018). Additionally, workforce shortages and reliance on costly agency staff exacerbate financial pressures on local authorities (Eckersley, 2024).

The rising cost of housing and the shortage of affordable options have increased demand for temporary accommodation, straining local authority budgets. Government policies, such as Universal Credit rollout and the Local Housing Allowance freeze, have exacerbated homelessness and financial instability (Hardie, 2022). Councils have been forced to spend heavily on emergency housing, including costly hotel placements and escalating costs (Elston et al., 2024). With limited social housing investment, reliance on private-sector solutions has further increased expenses (Dom, 2024). As a result, Murphy et al. (2025) indicated that some councils have had to divert funds from other essential services to cover housing-related expenditure, which has doubled in five years.

Between 2014 and 2024, the number of children with Education, Health, and Care (EHC) plans increased by 140%, while funding per plan fell by 35%, despite a 58% rise in high-needs funding (PAC, 2024)[8]. This funding shortfall has caused most local authorities to overspend their high-needs budgets since 2016–17, contributing to a £3.15 billion cumulative deficit (LGA, 2024). Rising reliance on private special needs schools, where placements cost significantly more than state schools, has escalated financial pressures, with councils spending £2 billion on such placements in 2022–23. Additionally, home-to-school transport costs for SEND students have risen by 77% in real terms since 2015, further straining budgets (PAC, 2024).

3. Drivers of financial distress for local authorities, including adult and children's social care, temporary accommodation, and special educational needs and disability services for children and young people

Based on the evidence discussed in the contextual background, the capacities and capabilities of councils' response are challenged by central drivers that are non-financial but significant enough to thwart their financial conditions. The drivers hinge on an accountability system that is often characterised as narrow (Steccolini, 2004; Bracci et al.,

[5] Office for National Statistics (ONS), 2022. *Voices of Our Ageing Population: Living Longer Lives.* ONS: London

[6] Local Government Association (LGA), 2020. *Explaining Variation in Spending: Adults' Services for Older People.* LGA Research: London

[7] MHCLG. 2025. Councils to receive exceptional support. London: MHCLG

[8] Public Accounts Committee. (2024). Support for Children and young people with special educational needs. Repot HC 353. London: House of Commons

2021), short-term focused (Bhamra et al., 2011; Dom et al., 2025), manuscript under review) , and blame-oriented (Guerin et al., 2018).

First, the accountability systems are framed to prioritise financial performance indicators rather than service quality metrics (Ferry and Murphy, 2018; NAO, 2024). Accountability mechanisms have become fragmented, with top-down oversight focusing on financial stewardship, while bottom-up transparency initiatives often fail to empower citizens due to information overload and lack of analytical expertise (Eckersley et al., 2014). Further, Ferry et al. (2015) established that a lack of rigorous framework affects the principles of accountability and governance, particularly when evaluating the value for money in local government. The absence of a comprehensive accountability framework that includes both financial scrutiny and service outcome evaluations has led to ineffective governance (Steccolini, 2019) and financial management failures (Caller, 2018)[9], as seen in crises like those at Northamptonshire County Council and Birmingham City Council.

Second, councils are held to account predominantly for short-term financial compliance rather than their long-term financial resilience and strategic capabilities. For instance, Ferry and Midgley (2023) argue that the Whole of Government Accounts (WGA) is an incomplete accountability mechanism, as it fails to capture long-term financial risks and liabilities that affect local government sustainability. This accountability approach stifles organisational learning, as councils focus primarily on avoiding blame rather than addressing systemic funding gaps through strategic long-term planning. Consequently, local authorities become increasingly vulnerable – as exemplified by multiple councils' Section 114 issues, thereby lacking the internal capacity and strategic vision necessary to address chronic funding deficits effectively.

This short-termism drives councils to prioritise immediate financial survival through risky market-oriented strategies, such as speculative commercial ventures or outsourcing core functions, eroding their financial stability and internal capacities. The marketisation of social care services, encouraged by austerity-induced funding cuts, has fragmented service provision, diverting funds away from frontline care and toward private sector profits. Similarly, market-oriented strategies, exacerbated by chronic underinvestment in social housing, have increased reliance on expensive private-sector accommodation and hotel placements. These strategies temporarily mask funding gaps but significantly increase costs in the long run, intensifying financial strain. Finally, as seen before, the commercialisation of SEND provision, due to insufficient state-funded special school placements, has forced councils into costly placements within the private sector, substantially increasing service costs and budget deficits. Further, the erosion of in-house capacities to provide specialised SEND services or coordinated transport internally leaves councils dependent on expensive external providers, escalating expenditures and undermining their financial resilience.

The current accountability mechanisms focus more on blame than systemic learning. Different stakeholders have diverse opinions and perspectives on the quality of services provided and the use of limited resources by LAs. Dom et al. (2025, manuscript under review) found that public trust in LAs has reduced, if not lost, primarily because there is a lack of engagement in accounting and accountability processes. The issue is not just citizen

[9] Caller, M. 2018 Northamptonshire County Council Best Value Inspection January - March 2018.

disengagement, as suggested by Newman et al. (2024), but active exclusion, raising serious questions about whether local authority governance can genuinely claim to be accountable in its current form. This reflects a broader trend where governance structures are designed to protect decision-makers rather than empower communities.

4. Challenges and support for individuals in accessing local authority services

Local authorities in the UK are increasingly forced to prioritise high-demand statutory services such as adult and children's social care while scaling back essential but non-statutory services like libraries, welfare advice, and youth programmes. This shift has led to longer waiting times, reduced access to discretionary services, and difficulty securing appointments with local council departments (Barbera et al., 2020). Councils, under persistent financial strain, have resorted to short-term budget adjustments, such as postponing public works and reducing funding for cultural and educational services, as a means to sustain frontline statutory services (Barbera et al., 2020). However, this reactive approach exacerbates financial instability. Barbera et al. (2017, 2021) suggest that councils without strong anticipatory financial planning are more likely to implement cutbacks rather than transformative strategies that could enhance long-term resilience. In England, a lack of medium- to long-term funding certainty has contributed to this pattern, as councils are unable to make strategic investments in preventative services that could reduce future demand pressures.

To address this challenge, Barbera et al. (2020) suggest that a multiple-year financial settlement, which was also proposed in the English Devolution White Paper, would enable councils to plan with greater financial stability and mitigate service disruptions. Additionally, a shift from competitive, bid-based funding models to equitable, needs-based allocations would help ensure that authorities in high-need areas receive the necessary resources to provide equitable service provision (Barbera et al., 2024). Governments must also encourage councils to develop anticipatory financial capacities, such as strengthening reserves and diversifying revenue sources, to better withstand financial shocks and reduce reliance on short-term crisis measures.

The bureaucratic rigidity of local government service delivery exacerbates financial and operational strain, particularly as councils grapple with rising demand and constrained resources. Administrative complexity in accessing council tax reduction, social housing, and social care support results in high transaction costs, inefficiencies, and service bottlenecks, disproportionately affecting vulnerable populations. The introduction of Universal Credit has intensified these challenges, as delays, miscommunication, and administrative burdens reduce claimants' financial resilience and increase dependency on crisis services. These inefficiencies not only restrict access but also amplify fiscal pressures on local authorities, forcing reactive spending instead of strategic, preventative investment.

To support individuals in accessing the right public services while enhancing LAs financial resilience, councils must invest in anticipatory capacities, reducing reliance on reactive cost-cutting measures by simplifying application processes and minimising administrative barriers. Barbera et al. (2023) suggests that digitally integrated service models, featuring automated eligibility verification and predictive analytics, can mitigate backlogs and improve service efficiency. However, a sole reliance on digital transformation risks further exclusion;

therefore, hybrid service models, incorporating assisted applications and outreach programmes, are necessary to maintain accessibility for digitally marginalised groups. A shift towards co-produced service delivery, where councils engage service users from different backgrounds in refining bureaucratic processes, can foster adaptive resilience and long-term service sustainability. Without such reforms, bureaucratic inefficiencies will continue to erode fiscal capacity, perpetuating cycles of crisis-driven intervention rather than fostering sustainable, preventative service provision.

5. Support for financially failing local authorities and action to tackle systemic issues.

The financial sustainability of local authorities in England requires a fundamental shift in approach—from short-term financial survival to long-term resilience and adaptability. While Exceptional Financial Support (EFS) packages have provided relief to financially distressed councils, they are a reactive measure that fails to address systemic vulnerabilities. Studies (Coyle and Ferry, 2022; Barbera et al. 2021) establish that the current interventions largely focus on bouncing back strategies —retrenchment, service cutbacks, and asset liquidation — rather than fostering bouncing forward strategies, which prioritise service transformation, financial self-sufficiency, and innovative delivery models.

A sustainable response requires anticipatory capacities, allowing councils to foresee risks and adjust proactively rather than reacting to crises as they unfold (Barbera et al. 2021). Central government must move beyond short-term bailouts and instead provide multi-year financial settlements that allow local authorities to plan strategically and invest in long-term sustainability (Barbera et al., 2024). People-centred decision-making should be at the heart of reforms—enhancing participatory budgeting and stakeholder engagement ensures that financial strategies reflect the needs of communities and not just cost-cutting imperatives.

By embedding resilience, inclusivity, and proactive transformation into financial planning, councils can break free from the cycle of crisis management and build a system where both financial health and social equity are central to local government decision-making.

6. Conclusions and Recommendations

There are calls for a broader scope and focus of accountability in local government (Barbera et al., 2024; Redmond, 2020; Van Helden and Steccolini, 2024). The new Labour Government, in their English Devolution White Paper, acknowledged that there was less scrutiny of service effectiveness (MHCLG, 2024). We encourage the Government's proposals to introduce an outcome-based accountability system. There is emerging evidence (Redmond, 2020; Steccolini, 2019; van Helden and Steccolini, 2024) to prove that accountability systems are more effective when non-financial metrics are also considered for measuring effectiveness and efficiency. We recommend systemic change to encourage local authorities to focus on non-financial (organizational) resilience, not just to recover to a pre-crisis state, but also to build the capacity to progress and adapt in the face of future challenges. When accountability mechanisms are reframed for the better, not only would LAs strive to improve their capacities, but it provides an incentive for them to also learn from their failures.

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Enhancing accountability requires shifting from an institution-centred focus to stakeholder-driven governance, embracing change and uncertainty as constants. For example, central government agencies should enforce balanced regulations that prevent local authorities from prioritizing short-term financial indicators over non-financial or service-related metrics. Redmond (2020) argues that local authorities can foster a shift toward holistic accountability by integrating long-term resilience metrics and incentivising adaptive governance practices. This would not only encourage, but also empower councils to build capacities and capabilities to not just anticipate potential shocks, but also better placed to devise the capacities to withstand the inevitable shocks and recover from them.

Accountability in local authorities extends beyond compliance to genuinely incorporating citizens' and stakeholders' voices in decision-making. Ashworth and Skelcher (2005) stress that accountability requires "taking into account" public perspectives, yet participation often remains superficial. While engagement with stakeholder organisations has increased, individual citizens—especially young people, ethnic minorities, and low-income groups—still face significant barriers to participation (House of Lords, 2022). Effective accountability requires a governance culture rooted in transparency, inclusivity, and responsiveness. Local authorities must move beyond procedural engagement by adopting co-governance models that integrate communities into decision-making. This includes making consultations more inclusive, systematically incorporating public feedback, leveraging digital tools for broader participation, and addressing digital access barriers. Additionally, shifting from compliance-driven accountability to learning-oriented models that consider citizens' perspectives would promote a more adaptive and forward-thinking approach to governance.

Overall, to tackle these challenges, local government financial resilience strategies must integrate long-term planning, co-produced service delivery, and anticipatory financial mechanisms. Strengthening hybrid service models, adopting needs-based funding frameworks**,** and expanding inclusive housing and social support policies will be critical in creating a more resilient and accessible local government service landscape

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