

A tipping point for local authorities?

Local government challenges and opportunities



Kim Curry, an experienced Transformation Director for the Public Sector with Kingsgate, and Milly Camley, CEO, The Institute for Turnaround, discuss the challenges facing local authorities and the possible options available to them.

The warning bells for the financial resilience of the local authority sector have only got louder in recent years. There have been a number of Section 114 notices. These are statutory declarations that the council will be unable to meet its expenditure commitments from its income and halting new spending commitments until urgent action is taken, which are viewed as the local government version of “bankruptcy”, since 2021. These have included Croydon, Slough, Nottingham, Northumberland, Thurrock and Woking.

The Birmingham City Council notice in September 2023 has been much commented upon, hardly surprising given it's the largest local authority in Europe. Various individual factors are relevant in each case, from a sizeable historic equal pay claim in Birmingham to issues with investment programmes in Thurrock, Croydon and Woking, but the general backdrop has been one of uniform pressures for local government over the past decade, with lowering incomes and rising costs.

Income pressures

Income pressures include a reduction in central government grant funding since 2010; even including increased grants as a result of the Covid-19 pandemic, the [Institute for Government](#) estimates that the fall in grant income for local councils was 21% in real terms between 2009/10 and 2021/22. This reduction in grant funding was initially felt more deeply by councils in deprived areas, before being tailored to take into account local needs in more recent years.

Between 2010 and 2015 councils were encouraged to freeze council rates in exchange for higher central government grants, which may have had the effect of freezing the council tax base at a lower level than would otherwise have been the case, and there is now limited scope to make up this lost ground given the cost-of-living crisis of the past couple of years.

Councils have been allowed to increase council tax rates, but this is limited to a maximum of 3% (5% for authorities with social care responsibilities to reflect an adult social care precept) annually without holding a referendum.

Since 2013/14, business rates collection has been reformed so that local authorities retain 50% of revenue collected locally, with top-ups for those areas which collect less. A plan to increase the proportion to 100% has been delayed indefinitely and the outcome in terms of funding has been mixed.

Councils have some ability to put in place other income-raising measures, such as implementing fees and charges on discretionary services, with strict limits, or by making commercial investments which may generate revenue. The results can be hugely variable based on local demographics and facilities, for instance, parking charges, whilst without proper know-how or advice, investment opportunities can instead become fiscal albatrosses for councils.



Frequently councils lack internal expertise, knowledge and indeed appetite for income generation, and short-term funding settlements and ad-hoc grants make longer-term strategic planning difficult, if not impossible. There have been a number of disastrous investment decisions taken by local authorities which have added to the financial problems.

Rising demands

At the same time as rising costs pressures, demands for local authority services have been trending upward. There was particularly acute demand as a result of the Covid-19 pandemic, but in general demographic trends of an ageing population and wider social pressures have led to increasing demand for local authority statutory services – those they must legally provide – for instance, children's services, adult social care and housing and homelessness services. The [King's Fund think-tank](#) reported in March 2023 that requests for adult social care support reached an all-time high in 2021/22. A recent [County Councils Network survey](#) pointed to huge increases in costs and demands for children's services, whilst 119 local councils recently wrote to the Chancellor asking for urgent support to help cope with the rising cost of temporary accommodation in the context of increasing demand for homelessness services.

Headline cases such as the £85,000 per week paid by Cambridgeshire County Council for a single child's social care placement may be extreme examples, but they reflect both increasing complexity of needs requiring tailored and expensive support and wider market issues. Needs are becoming more complex and therefore expensive to support in dependent groups. For younger residents with complex needs, this means that support costs will continue into the future.

To this increasing demand for local authority support, the general economic issues of high inflation and increasing interest rates have added to pressures, increasing both core costs and debt servicing payments. In short, a perfect storm.

Options for local authorities

With no immediate longer-term funding progress looking likely with no response to the findings of the Review of Local Authorities' Relative Needs and Resources (the Fair Funding Review) planned in this spending review and the delay to plans for increased business rate retention, what can local authorities on the brink do to try to turn things around?

Looking in more detail at adult social care, one of the key increasing cost burdens for local authorities, there are three areas where transformation efforts can be focused. Firstly, on building more of a partnership rather than a transactional approach with independent sector providers and championing the social care sector as a profession on a par with the NHS. Putting in place more partnership frameworks and professional support can encourage both workforce retention and the use of flexible and innovative arrangements, taking advantage of technological advances.



Secondly, a focus on building relationships with local NHS bodies, both as part of Integrated Care Boards (ICBs) and outside of these. This includes building relationships between local directors of social services and other statutory providers, championing an understanding of the patient pathway between health and social care, and a focus on prevention as much as possible. Finally, the issue of funding for social care needs to be addressed, both in terms of a longer-term funding settlement and also in terms of local priorities. This may mean changes to other services, to prioritise the greatest areas of need, but of course changes to universal services affect all local taxpayers and are therefore politically sensitive.

A laser-like focus on prioritisation, pooling resources for combined aims with other statutory providers where possible, and more efficient use of technology for more effective delivery applies to other areas of financial pressure. These approaches can assist both in the short-term and longer-term, with more transformational changes in processes and delivery models.

These options require local authorities to have access to external support and knowledge transfer to manage any processes of cost reduction and turnaround. External help and advice can also help support managers and leaders in local authorities with the difficult process of turnaround, in particular where there has been narrow experience of managing such processes and limited succession planning. Ultimately, as with other areas of the public sector, and indeed any private sector business, for local authorities there can be no turnaround without transformation.



Kim Curry, Transformation Director, Kingsgate

Kim has over 20 years as a Directors of Adult Social Services and Very Senior Manager, leading large and complex transformation and turnaround projects.



She worked nationally for the Department of Health and Social Care and with the Department for Levelling Up, Communities and Housing.

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Milly Camley, CEO, The IFT

Milly Camley is CEO of the Institute for Turnaround. The majority of her career has been spent in the public sector, leading large public facing services and strategic functions.



Her experience working with accredited turnaround experts in the public sector directed her career path into thw wider world of turnaround expertise at The IFT.

Institute for Turnaround accredited professionals are experienced in public sector transformation programmes to deliver better outcomes for residents and clients, whilst achieving financial sustainability.