

Navigating the future of local government finance: Strategies for maximising central government funding

17 December 2024  Peter Ware and Sherina Lewis

This article was first published by [The MJ](#).

With the Autumn Budget promising changes to how local authorities receive funding from central government, councils must be ready to set out how money will be spent, write Peter Ware and Sherina Lewis.

Local government finance settlements and competitive funding pots have long been pivotal in shaping the financial health and operational capabilities of councils.

Yet local authority leaders have, for a long time, appealed to government to provide certainty over their funding settlements, proposing an end to competitive funding pots could aid long-term planning.

In the Autumn Budget red book, the government signalled an intention to streamline funding settlements and integrate previous grant funding pots.

Therefore, it's essential for local authorities to grasp the forthcoming changes and prepare to demonstrate where funding is needed, as this will be instrumental in accessing central government funding for both day-to-day spending and capital projects.

Current status of local government finance settlement and competitive funding pots

The Budget signalled little immediate change to the way local authorities receive funding, arriving at a time when the current financial strain makes it difficult for many local authorities to balance their books.

The Local Government Association's (LGA) latest survey in December 2023 found that one in five council leaders or chief executives in England believed it was very likely or fairly likely they would need to issue a Section 114 notice.

Half were not confident they had sufficient funding to fulfil their legal duties, including the delivery of statutory services, for 2024/25.

Local authorities are desperate for central government to significantly change the way it distributes funding. The ideal wish is to move to a multi-year settlement model, which will allow councils to plan and make meaningful financial decisions.

More broadly, the funding gap for councils must be addressed. In October 2023, the LGA estimated councils in England faced a £4bn shortfall over the next two years, which was only slightly plugged by an additional £600m funding in January this year.

Central government must recognise that greater funding is needed in order to prevent the decline of local service provision and allow councils to develop and invest in the local area.

Potential impact of future plans outlined in Budget red book

The Autumn Budget red book, a comprehensive document released alongside the Chancellor's Budget statement, provides detailed plans for economic and fiscal strategy, including future changes to local government financing.

Recent announcements have hinted at reforms aimed at streamlining funding processes, as well as potentially altering the criteria or amounts available through both the finance settlement and competitive pots.

Hopefully, this will mean moving towards the structure of multi-year settlements, so local authorities can plan more effectively.

Many councils hope any new model goes hand-in-hand with the integrated settlements that Greater Manchester and West Midlands combined authorities will receive from 2025/26. The upcoming English Devolution White Paper is expected to set out in greater detail the government's plans on how it will work with councils to move to a simpler financing structure.

Developing a coherent picture of investment needs in local areas

For local authorities to secure and effectively use central government funding, understanding their investment needs is paramount. Leveraging existing data is the first step in this process.

By analysing demographic trends, economic indicators and current service usage data, councils can identify areas requiring urgent attention or investment.

Incorporating local plans is also crucial, as these documents outline the strategic vision for development and growth within the area, aligning investment needs with long-term objectives.

Creating clear communication strategies is another vital component. Effective communication with central government agencies is essential to ensure the unique needs and challenges of the local area are understood and considered in funding decisions.

Strategies for local authorities to secure the best funding deals

To navigate the evolving landscape of local government finance successfully, local authorities should consider several strategies:

1. **Stay informed:** Keeping abreast of changes to funding mechanisms and criteria is essential. This includes understanding the implications of Budget announcements and adapting strategies accordingly.
2. **Engage in advocacy:** Actively engaging with central government representatives and agencies can help ensure that the specific needs and challenges of local areas are considered in funding decisions.
3. **Foster partnerships:** Collaborating with neighbouring councils, private sector partners and community organisations can strengthen funding bids, and create more compelling cases for investment.
4. **Prioritise flexibility:** Developing adaptable financial planning processes allows local authorities to respond quickly to changes in funding availability or criteria.
5. **Focus on outcomes:** Demonstrating a clear link between funding requests and positive outcomes for the community can make bids for competitive funding more persuasive.

As the landscape of local government finance continues to evolve, staying informed, leveraging data, and employing communication and planning strategies are key focus areas for local authorities aiming to secure the best deal from central government.

By adopting these strategies, councils can not only navigate the complexities of funding mechanisms but also ensure their local areas receive the necessary investments to thrive in the years to come.

Contact

Peter Ware

Partner



peter.ware@brownejacobson.com

+44 (0)115 976 6242

Sherina Lewis

Trainee Solicitor

sherina.lewis@brownejacobson.com

+44 (0)330 045 1024

Related expertise

Banking and finance

Constitutional and administrative law

Public law