

Consultation Response



Provisional 2024-25 Local Government Finance Settlement Consultation Response by London Councils

London Councils is the collective of local government in London. Shared ambitions are developed, agreed, championed and delivered at London Councils by members working together. Through London Councils, boroughs speak as one and collaborate with the Government, the Mayor of London, wider public sector, third sector, business community and other key UK and international cities.

Introduction

1. London Councils welcomes the opportunity to comment on the 2024-25 provisional local government finance settlement consultation on behalf of its member authorities.
2. The increase in Core Spending Power (CSP) is welcome, but the 4.6% real-terms increase for London boroughs will not close the overall funding gap they face. We still anticipate a funding shortfall in 2024-25 of at least £500m.
3. Council funding is becoming too reliant on council tax. The CSP increase assumes local authorities will increase council tax rates by the maximum permitted amount which, if taken, would account for 45% of the £565 million CSP increase for London authorities. At a national level, more than half of the CSP increase relies on council tax increases. Given the ongoing cost of living crisis, huge housing pressures on residents in the capital and the repeated rises in council tax since 2016, another 4.99% council tax increase will be an extremely difficult proposition for London boroughs.
4. While we appreciate the confirmation of the majority of funding streams for 2024-25, this represents the sixth single-year settlement in a row which significantly hinders medium-term planning and strategic investment. We continue to urge the Government to deliver a medium-term funding settlement for London boroughs.
5. Of particular concern, well-managed local authorities are signalling they will be unable to fund their spending requirements in the next year without additional emergency financial support, and these warnings need to be taken seriously. Demand for services and the cost of providing them have increased faster than funding. The increased frequency of Section 114 notices in the last year should not be taken lightly. They indicate our local government finance system is broken and needs to be comprehensively reviewed and remedied. Without significant investment and funding reform, further Section 114 notices are likely.
6. This response firstly sets out London Councils' general comments about the proposals within the consultation, before providing more detailed responses to the specific questions posed within it. In summary, the main issues raised include:
 - the financial challenges facing London boroughs
 - the need for greater funding certainty and transparency

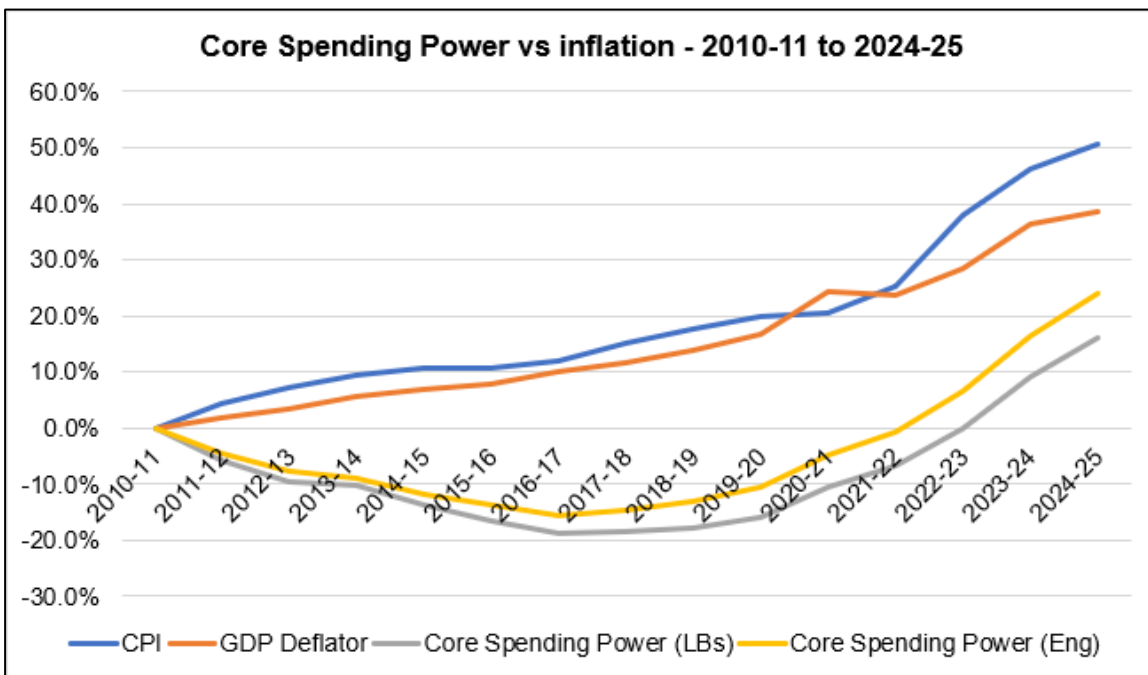
- the significant cut to Services Grant (one of the few flexible resources available to local authorities)
- the continued hypothecation of council tax
- the exclusion of children’s social care needs from the distribution of Social Care Grant (SCG)
- the need for certainty over the future of the New Homes Bonus (NHB)
- the disparity in approaches to funding for rural and urban areas
- concerns about sufficiency and late publication of other grants outside the settlement
- the future of local government funding.

General comments

The financial challenges facing London boroughs

7. **Despite the planned 6.4% increase in CSP, London boroughs’ overall resources remain 15% lower in real terms than in 2010.** Over the same time period the population has grown and boroughs now serve 800,000 more residents – broadly equivalent to a city the size of Leeds. Chart 1 below shows the long-term trend of CSP is well below where it would have been had it tracked inflation.

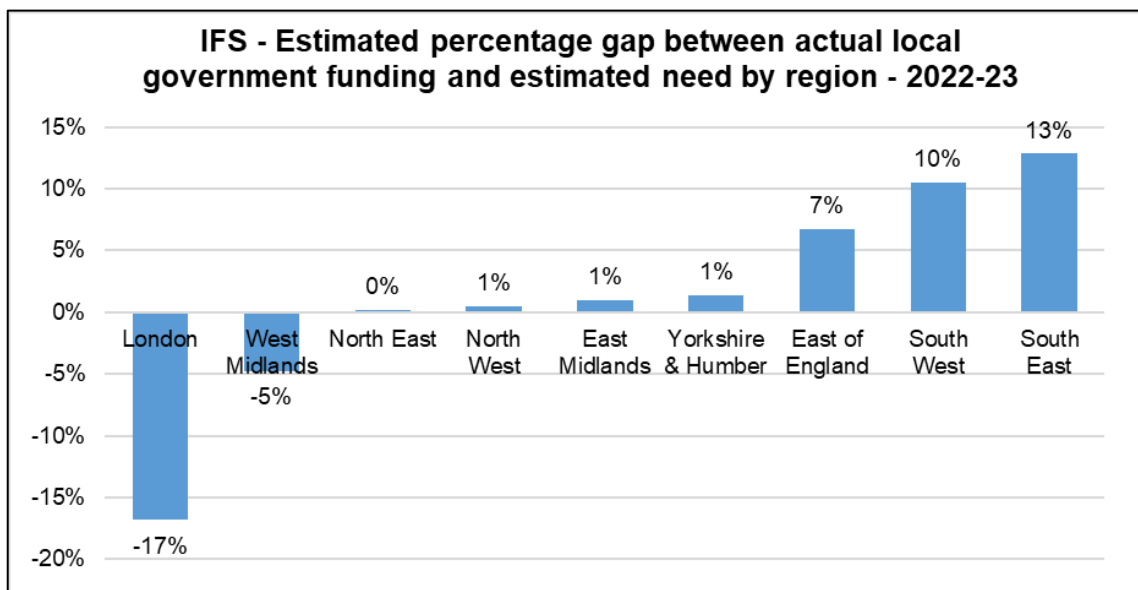
Chart 1 - CSP trend versus inflation since 2010-11



8. London boroughs have also been asked to deliver new burdens and responsibilities without requisite funding over the last decade or so, which we estimate to have added £1.1bn to London boroughs’ cost pressures; for example in Council Tax Support schemes (£300m), underfunding for implementing the fair cost of care (£70m), or the shortfall in the costs of concessionary fares (£160m).
9. The pressures boroughs faced in 2023-24 have been such that all but two London boroughs are forecasting an overspend this year, totalling **more than £600m**. Boroughs have worked hard to protect their budgets and any low hanging fruit and general efficiencies are long gone. Staff numbers have reduced by a third (80,000) since 2010, and most have delivered significant transformational programmes. The average London borough plans to use a quarter of its reserves to balance budgets over the next four years, which can only be done once—this is not sustainable.

10. Demand has grown in adult social care following the pandemic and wider pressures on the NHS. Costs have also increased because of persistent high inflation and the impact on the care market of the fair cost of care reforms, which means nearly all **boroughs expect to overspend by a total of £200m this year.**
11. Children's social care demand is also higher than before the pandemic because of the impact of lockdown, child welfare and mental health, but it is the growing complexity of needs and a lack of sufficient capacity in the London market which is driving higher costs. **Boroughs forecast a £150m overspend this year.**
12. Demand has especially grown in homelessness. Temporary accommodation (TA) numbers are up 9%, people owed a homelessness duty are up 15% and monthly spending is up 16% in the past year. London is at the epicentre of the homelessness crisis with 170,000 households in **TA meaning one child in every classroom is homeless. Boroughs forecast a £150m overspend on TA this year.**
13. **Pressures on boroughs' Housing Revenue Accounts are also becoming unsustainable** due to constraints on rental income combined with mounting demand to tackle damp and mould, fire safety and retrofit costs. We estimate the 7% cap on social rents in 2023-24 will cost boroughs £600m over five years. Despite the headline commitment to a CPI+1% rent increase over recent years and the localist principle undermining HRA self-financing in 2012, government has imposed a rent position on social housing providers for five of the past seven years.
14. Three quarters of boroughs estimated to be **carrying DSG deficits, totalling almost £300m in 2023-24.** This is expected to increase to nearly £400m by 2025-26. This is despite the DfE's Safety Valve and Delivering Better Value programmes.
15. All of the above pressures mean that, despite the 6.4% increase in CSP for 2024-25, we still anticipate **London local government has a funding shortfall in of at least £500m next year.**
16. The spate of recent warnings of financial failure across the sector is a symptom of sustained underfunding of local services. Outer London boroughs are facing a particularly tough outlook as they are amongst the lowest funded per capita in the country with growing populations who are becoming more deprived. However, recent research from the Institute for Fiscal Studies found an estimated **17% gap between funding need and the actual levels of local government funding across the whole of London:** by far the highest of any region in England (see Chart 2 below). It means a number of boroughs are now getting close to the financial cliff edge of Section 114 notices due to structural underfunding rather than any fault of their own.

Chart 2 – IFS estimate of local government funding gaps for 2022-23



Source: [Institute for Fiscal Studies, August 2023](#)

Certainty

- This is the sixth single-year funding settlement in a row. Local authorities need certainty over how they will be resourced. Medium-term funding certainty leads to more strategic and efficient use of resources. Local authorities can create the environment for greater economic growth, but they need the certainty (and funding) to be able to make the required long-term investments and assure private investors of its commitment. **We continue to urge the Government to deliver medium-term (at least 3 year) funding settlements for London boroughs.**
- Confirmation of funding allocations in the PLGFS were confirmed one day before the end of the parliamentary term. This hinders the ability of councils to plan their budgets and deliver the maximum value for money for taxpayers. Andrew Hudson's review of the governance and processes which underpin the department's oversight of the business rates system in 2018 recommended the PLGFS be published no later than the first week in December each year. **We urge the Government to deliver on the commitment made following the Hudson Review and publish the provisional settlement in the first week of December.**

Transparency

- We are concerned that the headline 6.5% increase in Core Spending Power (CSP) nationally and 6.4% for London overstates the scale of the increase in resources available to councils. CSP was established as a broader measure of funding available to authorities than just Formula Grant or Settlement Funding Assessment (SFA) in the early 2010s, and comprises SFA, estimated council tax, and several specific grants. It remains unclear why only some specific grants are included within CSP (for example, social care funding) and others (such as the Public Health Grant or the Homelessness Prevention Grant) are not. If the changes in other grants outside the settlement were included, the overall 6.5% figure would be lower, as these other grants are 'likely' increasing by less than overall CSP (note: we can only say 'likely' because Government has yet to announce final amounts for the Public Health or Homelessness Prevention grants).
- The assumptions regarding council tax are potentially misleading. The CSP figures assume all authorities raise council tax by the maximum amount possible in 2024-25 (4.99% for London boroughs). Council tax rises are local decisions that must be taken with consideration for the regressive nature of the tax and the impact on local residents. It is, therefore, inappropriate to assume maximum increases when presenting

official funding figures. It would be more accurate for the Government to assume the average level of increase within the permitted rules using historic trends, rather than assuming maximum increases which will overstate the actual level of resources.

21. We would also challenge the assumption that authorities' council tax bases will continue to increase by the same as the average annual change over the last five years. This understates the legacy impact of the pandemic and the current cost of living crisis on the tax base through lower collection rates and the increased number of LCTS claimants. The level of council tax included within CSP in the provisional settlement will overstate the true level of resources available to councils next year (as it has done in previous years).
22. More broadly, local authorities (and their residents) should be able to understand clearly how much funding is available, and where it comes from, for the services they are required to deliver. The current system remains incredibly complex and opaque, enabling changes to be made to the distribution of funding allocations which are extremely difficult to understand and assess accurately. **We continue to urge the Government to publish a full reconciliation between the funding made available to local government and the Local Government DEL figures published annually by HMT.**
23. Without a breakdown of the Local Government DEL and other relevant departmental expenditure limits which fund local authorities, it is unclear how the central share of business rates funds grants inside and outside of the settlement. **We urge the Government to be clearer about how the national business rates yield is used to fund different local authority grants (as the 1988 Local Government Finance Act states it must), so allocation decisions can be understood by the lay person and given appropriate scrutiny.**

Services Grant

24. London Councils is particularly concerned about the significant (84%) cut to Services Grant, especially in light of last year's 43% cut. Funding went from £822m in 2022-23 down to £77m in 2024-25. The scale of the reduction is greater than many boroughs anticipated and will severely impact boroughs' ability to counteract pressures associated with social care, homelessness, temporary accommodation and general cost inflation.
25. This demonstrates why far earlier certainty over the settlement is required and why greater transparency over its calculation is necessary. It is also unclear why some of the funding has been held back as contingency, and **we urge the Government to distribute this fully – as Services Grant - in the final settlement.**

Council Tax

26. While we welcome the increase in CSP, we note that **more than half of the increase is predicated upon boroughs raising council tax by the maximum permitted amount.** Last year, council tax accounted for a third of the CSP increase. Council tax rises need to be considered carefully for their impact on residents.
27. Boroughs find it extremely difficult to justify increasing council tax to its maximum limit given the current cost of living pressures on residents. Any decision to increase council tax may lead to cost shunting, as a greater number of residents may apply to LCTS schemes, social housing and homelessness services. The Government relies heavily on council tax increases to support its headline CSP increases while at the same time, criticising local authorities like the Greater London Authority for increasing council tax to fund vital services (as noted in the [Written Ministerial Statement](#) accompanying the settlement).
28. It is disappointing the Government has continued hypothecate council tax via the ASC Precept, rather than funding adult social care through a needs-based grant. This not only represents unnecessary central government control over local taxation but it fails to deliver funding where it is needed most while placing the greatest burden on those who can least afford it. **We urge the Government to reconsider its plans to continue the precept as it has essentially become a permanent hypothecation of council tax.**

29. London Councils continues to call for immediate technical reforms to council tax including enabling councils to determine additional bands locally, ending the ASC precept and providing greater local flexibility over Council Tax Support, exemptions and discounts.

Social Care Funding

30. We welcome the increased funding for adult social care, but as with councils around the country, London boroughs are still grappling with major costs associated with adult and children's social care. London Councils forecasts a collective overspend in the capital of £350m in adult and children's social care this year. More funding stability is desperately needed with **a greater focus on prevention to ease the acute pressures on the system.**

31. There is now more than £12bn of funding ringfenced for social care within the £64bn of Core Spending Power (around 20%). Boroughs will rightly use the new funding to support demand pressures next year, which cannot be expected to be removed easily thereafter. **We ask for this to become the new baseline for social care funding with additional funding provided for the reforms from October 2025 onwards.**

32. While we welcome the increase in Social Care Grant, the methodology for distributing the SCG based solely on the ASC Relative Needs Formula (RNF) is illogical and increasingly inequitable. If the intention is for this funding to alleviate pressure on both adult and children's social care, its distribution should reflect relative levels of need in both services. The proposed approach significantly disadvantages London boroughs, whose aggregate share of the ASC RNF is roughly 15% while their aggregate share of the children's social care RNF is roughly 25%. We estimate boroughs would receive £179m more from the SCG in 2024-25 if the formula reflected children's and adult social care needs equally. London boroughs have been deprived of almost £600m of funding as a result of this decision since the grant began in 2017-18. **We ask the Government to explain its decision to only use adult social care needs to distribute the SCG and strongly urge it to reconsider the distribution at the final settlement.**

New Homes Bonus

33. New Homes Bonus funding was nearly halved last year and the now-lower amount has been maintained for 2024-25. This is the fifth year the existing scheme has been rolled forward and almost three years since the Government consulted on options for reforming the grant. A permanent solution is required to provide longer term certainty. **We urge the Government to confirm its long-term intentions for the NHB as soon as possible. We believe the grant must be reformed to better incentivise house building in areas of the country facing the greatest housing pressures, such as London.**

Rural Services Delivery Grant

34. London Councils continues to question why the additional funding allocated to meet unique challenges in rural areas through Rural Services Delivery Grant is not mirrored by a comparable grant funding stream to address unique challenges in urban areas. While there are likely to be higher costs for delivering a few services in rural areas, there is more evidence of higher delivery costs in urban areas¹. This has not been equally recognised through bespoke additional grant funding. Since its introduction in 2015-16, rural areas have received £754m from this funding stream. If the Government is minded to further recognise some of the financial pressure on rural authorities, **it is reasonable to expect further consideration to be given to the**

¹ We fully support the paper by SIGOMA and Core Cities to the FFR technical working group on this issue in September 2018: <https://www.local.gov.uk/sites/default/files/documents/Consideration%20of%20population%20concentration%20by%20SIGOMA%20%26%20Core%20Cities%20%28NR%20TW....pdf>

unique pressures faced by urban areas, particularly the impact of population underestimation, daytime visitors and temporary accommodation costs.

Grants outside of the settlement

Public Health Grant

35. If the indicative PHG allocations for 2024-25 become final, London Councils would be very concerned that the total 1.3% cash increase is below inflation, meaning a real-terms cut to funding. Given the continued pressures on public health, **we urge the Government to increase public health funding by at least CPI inflation (6.7%).**
36. It is again disappointing that the Public Health Grant (PHG) allocations have not been published alongside the settlement. This is a significant and important funding stream, and councils need earlier confirmation over allocations so they can deliver accurate budgets. Indicative allocations from last year cannot be relied upon, and as such, **we urge the Government to publish PHG allocations as soon as possible.**
37. **We also continue to ask that the PHG formula is reviewed and updated immediately to take account of significant changes in demography and deprivation since 2013.**

Homelessness Prevention Grant

38. London is the epicentre of the national homelessness crisis, with more than half of all temporary accommodation placements nationally made by London boroughs. As mentioned above, there are almost 170,000 Londoners living in TA, including 83,500 children, meaning one in fifty Londoners, and at least one child in every London classroom is homeless. These disproportionate challenges have been worsened by the pandemic and in particular the cost-of-living crisis. As such, we welcome the £120m of additional funding announced in Autumn Statement 2023. London boroughs should receive a proportion of this funding commensurate to the scale of the pressures they face, and **we urge the Government to publish the allocations as soon as possible.**
39. Looking ahead, it is hugely concerning there is no long-term plan to find a sustainable solution to London's unique homelessness pressures. As such, **we strongly urge the Government to undertake a fundamental review of homelessness funding for the next Spending Review.**

Dedicated Schools Grant

40. Based on London Council's most recent DSG deficits survey, approximately one-quarter of all London schools were in deficit in 2022-23, and by 2025-26, more than two-thirds of London boroughs are projecting an overall DSG deficit.
41. While the extension of the statutory override - which hardens the ringfence on the DSG within boroughs' general funds - to 2026 is welcome, it does not solve the problem or help close deficits in the short term. The current approach by DfE focuses only on a handful of the worst affected authorities (through the Safety Valve Programme), providing little support for the growing number of authorities where deficits range from £10m-£30m. If urgent action is not taken to support these authorities, the numbers requiring an emergency intervention will only grow. **We continue to urge the Government to set out a robust strategy to support all councils to clear DSG deficits.**

Household Support Fund

42. London Councils urgently requests the continuation of the Household Support Fund (HSF), currently planned to end in March. Ending the fund as currently planned would create critical service gaps for our most vulnerable residents.
43. The HSF enables boroughs to partner with local voluntary and community organisations to provide support to vulnerable households, helping them afford their energy bills, fund emergency food support services and provide free school meals among other critical services. Across London, boroughs are spending approximately £137 million on HSF-related activity during 2023-24. Without this funding, critical support to residents cannot continue into 2024-25 and will force many households into deeper financial crisis.
44. **We strongly urge the Government to continue the HSF for at least another year or work with the sector on transitional funding.**

The future of local government funding

45. The financial challenges for local authorities in the UK are the result of a broken system. The second and eighth largest cities in England are currently effectively bankrupt—this is not a sign of a well-functioning system. Government has previously said the UK is dealing with the same economic issues experienced globally, such as high interest rates and high inflation, and yet, local authorities globally are not going bankrupt in the same way.
46. Local authorities do the best they can in the system in which they operate, trying to deliver ever-more-expensive and increasingly in-demand services without the power or flexibility to raise sufficient resources. Rather than address the funding system's shortfalls or provide certainty in the form of longer-term settlements, it is disappointing the Government is now considering further changes to capital funding rules in order to meet some of these revenue costs.² This fundamentally misses the point of the scale of the financial pressures local authorities face and demonstrates an acceptance by Government that local government is not sufficiently funded. While we welcome flexibilities afforded to local government, we believe more fundamental reform and devolution is required.
47. Growth remains the Government's goal, and the strategy in the Autumn Statement relied on tax cuts to deliver. However, if growth is the goal, the Government would be wise to consider the benefits of fiscal devolution to local authorities, a solution supported by London Councils alongside a growing chorus of voices in the sector. True fiscal autonomy and permanent devolution should be considered as a long-term solution to help fix the broken local government finance system and encourage growth and innovation.
48. Neither council tax (still reliant on property values from 1991) nor business rates (an increasingly burdensome tax for bricks and mortar business) are fit for purpose. Social care continues to be propped up by a growing number of annual grants; the business rates retention scheme has not been reviewed, nor baselines reset, since 2013; and most importantly, core funding formulae are a decade old and no longer reflect need.

² <https://consult.levellingup.gov.uk/local-government-finance/17f61919/>

49. As such, London Councils has four broad recommendations to reform of local government funding:

- **Fund local government properly at a higher, sufficient amount.** As stated above, London boroughs' overall resources remain 15% lower in real terms than in 2010 and face a funding gap of £500m in 2024-25. As demonstrated by several local authorities' warnings of future Section 114 notices, local government will be unable to provide critical services to constituents if sufficient funding is not made immediately available.
- **Reform the distribution of funding to better reflect local need.** The funding gaps identified by the previously mentioned IFS analysis show how current funding distribution models are not matching resources to needs. Delivering the "fair funding" review of relative needs and resources should be a top priority.
- **Provide longer term funding to provide greater certainty.** We seek multi-year funding settlements of 3-4 years to allow for better planning and investment at the local level.
- **Increase funding flexibilities and freedoms.** In the short term: revenue grants should be un-ringfenced by default (with ringfencing only in exceptional circumstances); the business rates retention scheme should be reset, reviewed and reformed to better incentivise growth (including all areas offered the same 100% business rates retention deals as the trailblazer areas); and London and other areas should be given single departmental-style settlements to spend public money in a more joined up and coherent way across an area. In the long term, we continue to call for full devolution of business rates and council tax to local authorities and to explore the assignment of a proportion of national taxes, such as income tax and VAT, so that local government funding is more balanced and less reliant on any one funding source.

Responses to specific questions

Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2024-25?

50. London Councils agrees with the proposed approach to distributing Revenue Support Grant (RSG). The proposal to continue to eliminate negative RSG is welcome for those London boroughs who receive it, although its very existence continues to show why overall SFA funding distribution formula is in need of reform.

Question 2: Do you agree with the Government's proposals to roll grants into the local government finance settlement in 2024-25?

51. We welcome the Government's intention to simplify the funding environment and agree with its approach to rolling in grants in 2024-25.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2024-25?

52. We urge the Government to consider whether imposing greater council tax increases are feasible in light of the current cost-of-living crisis. Moreover, the assumption that council tax will be increased to the referendum limits provides a false expectation of how much additional funding is actually being provided.

53. London Councils continues to oppose hypothecation of council tax through the ASC Precept. Council tax is the only locally determined tax and local authorities should have full control in how it is used as well as how it is set that strikes the appropriate balance between local needs and local resources. The ASC Precept not

only represents unnecessary central government control over local taxation, but it fails to deliver funding where it is needed most, while placing the greatest burden on those who can least afford it. We urge the Government to reconsider its plans to continue the precept beyond 2024-25, so it does not become a permanent hypothecation of council tax.

54. Regarding the “bespoke additional council tax flexibility of up to £20 on band D bills for the Greater London Authority, as requested by the Mayor of London,” the [Written Ministerial Statement](#) that accompanied the settlement stated that regarding the council tax increase for Transport for London (TfL) “it is disappointing that London taxpayers are having to foot the bill.” It is important to recognise that London residents will have to pay more even though the TfL network is used by many more people than those who live in London, including tourists, commuters, and other non-London residents.

Question 4: Do you agree with the government’s proposals to maintain the Funding Guarantee for 2024-25?

55. London Councils understands the rationale behind the funding guarantee although we oppose the fact that it is being funded by cutting the Services Grant. The Services Grant provides much-needed support and flexibility to counteract pressures associated with social care, homelessness, temporary accommodation and general cost inflation. Any funding guarantee should be funded from net new resources.

Question 5: Do you agree with the government’s proposals on funding for social care as part of the local government finance settlement in 2024-25?

56. As stated above, while we welcome the increase in Social Care Grant, the methodology for distributing the SCG based solely on the ASC Relative Needs Formula (RNF) is illogical and increasingly inequitable. If the intention is for this funding to alleviate pressure on both adult and children’s social care, its distribution should reflect relative levels of need in both services. The proposed approach significantly disadvantages London boroughs, whose aggregate share of the ASC RNF is roughly 15% while their aggregate share of the children’s social care RNF is roughly 25%. We estimate boroughs would receive £179m more from the SCG in 2024-25 if the formula reflected children’s and adult social care needs equally. We estimate London boroughs have been deprived of £593m of funding as a result of this decision since the grant began in 2017-18. We ask that the Government explains its decision to only use adult social care needs to distribute the SCG and strongly urge it to reconsider the distribution at the final settlement.

57. Previously, the Government set out the rationale for using only the ASC formula as it was more up to date than the CSC one. We believe it is illogical to use a formula that is specifically designed for one service area for a funding allocation that is meant to fund two service areas. Even if the ASC formula was more up to date than the CSC formula, an out-of-date CSC formula still better reflects the need for children’s social care than an updated adult social care formula. We strongly urge the Government to reconsider the distribution at the final settlement.

Question 6: Do you agree with the government’s proposals for New Homes Bonus in 2024-25?

58. London Councils is disappointed in the continued diminution of this funding stream, and the continued uncertainty around its future. This is the fifth year the existing scheme has been rolled forward and almost three years since the Government consulted on options for reforming the grant. A permanent solution is required to provide longer term certainty. We urge the Government to confirm its long-term intentions for the NHB as soon as possible. We believe the grant must be reformed to better incentivise house building in areas of the country facing the greatest housing pressures, such as London.

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2024-25?

59. No. London Councils continues to question why the additional funding allocated to meet unique challenges in rural areas through Rural Services Delivery Grant is not mirrored by a comparable grant funding stream to address unique challenges in urban areas. While there are likely to be higher costs for delivering a few services in rural areas, there is more evidence of higher delivery costs in urban areas. This has not been equally recognised through bespoke additional grant funding. Since its introduction in 2015-16, rural areas have received £754m from this funding stream. If the Government is minded to further recognise some of the financial pressure on rural authorities, London Councils believes that it is reasonable to expect further consideration to be given to the unique pressures faced by urban areas, particularly the impact of population underestimation, daytime visitors and temporary accommodation costs.

Question 8: Do you agree with the Government's proposals for Services Grant in 2024-25?

60. No. The significant 84% cut to Services Grant is alarming, especially in light of last year's 43% cut. Funding went from £822m in 2022-23 down to £77m for 2024-25. The scale of the reduction is greater than many boroughs anticipated and will severely impact boroughs' ability to counteract pressures associated with social care, homelessness, temporary accommodation and general cost inflation. This demonstrates why far earlier certainty over the settlement is required and why greater transparency over its calculation is necessary. It is also unclear why some of the funding has been held back as contingency, and we urge the Government to distribute this fully – as Services Grant - in the final settlement.

Question 9: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

61. We have no comments on this question.

Question 10: Do you have any views about the government using levers in future local government finance settlements (those occurring after 2024-25) to disincentivise the '4 day working week' and equivalent arrangements of part time work for full time pay?

62. London Councils would be very concerned with the use of levers in future local government finance settlements to disincentivise the 4 day working week. This fundamentally challenges local authorities' autonomy and democratic accountability and would represent an unacceptable level of central government interference in local administration. In this specific instance, a local authority has made a decision it is legitimately allowed to make. If its residents do not want the council to have a four-day working week, they have the power to vote for new leaders who could modify those policies.

63. Fundamentally questions regarding the appropriate compensation of employees and the level of service provided by local councils should be made locally. Rather than dismiss a policy option a local authority is testing and studying in order to solve problems around staff recruitment and retention, the Government should support councils to identify innovative solutions to very real staffing retention and retainment challenges.

64. This is a good example of how the overly centralisation in local government prevents local authorities from innovating and testing ideas that could lead to growth. Local authorities in other countries, which enjoy more autonomy, budget resources and long-term funding certainty, help promote innovation and scalable opportunities that benefit their entire country. The UK would benefit by moving towards more local autonomy, not away from it.