

Councils to get exceptional financial support to balance books

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This follows the confirmation of £78 billion for councils through the settlement, helping them restore public services for communities and tackle deprivation.

Councils struggling to balance the books will today (23 February) be granted financial flexibility by the government to ensure vital services communities rely on will continue running.

A number of local authorities will be issued with support, subject to meeting conditions, through a process known as Exceptional Financial Support allowing them to use their capital funding – including receipts from sales and borrowing – to cover day-to-day costs.

The Exceptional Financial Support process has existed since 2020 to help councils facing financial failure set balanced budgets. This government is committed to going further than before and will support councils to transform services and move towards sustainable recovery.

The need for councils to apply for this support reflects the worst of an outdated funding system which the government is taking steps to tackle. £78 billion is being made available to local authorities in the first multi-year funding settlement in over a decade, enabling more councils to restore local services.

The record-breaking package also marked a turning point in the way local government is funded, using a new evidence-based approach – including the latest Indices of Multiple Deprivation – that properly recognises local need and the true costs of providing services in deprived areas.

Minister for Local Government and Homelessness, Alison McGovern said:

“People in deprived areas have been let down for too long, with councils in the poorest areas left on their knees and services cut back as a result.

“The support we’re announcing is critical for the councils, and we are doing everything we can to ensure councils can balance the books, including by making £78 billion available through the first multi-year settlement in a decade.”

These flexibilities provided to councils will be subject to rigorous conditions, including a complete assessment of the council’s financial position.

These assessments can cover a range of issues considered necessary to supporting councils to recover and become more efficient, and the government will seek any further engagement or assurances it needs to ensure that councils have secure finances.

This government is determined to begin to break the cycle of increasing numbers of councils entering Exceptional Financial Support through its funding reforms

With more financial stability as a result of the changes the government has brought in, local authorities will be able to focus on the priorities for local people including high quality services, proper support for the most deprived communities, better outcomes for their communities.

<https://www.gov.uk/government/news/councils-to-get-exceptional-financial-support-to-balance-books>