# Rising emergency bailouts reveal fundamental flaws in local government finance system



Emergency bailouts for local councils on the verge of financial collapse have become alarmingly routine, signalling a broken funding system that urgently needs reform, according to warnings ahead of the forthcoming Autumn budget. The Local Government Association (LGA) has urged Chancellor Jeremy Hunt to address what it describes as a systemic failure in council finance, as rising demand and costs continue to outstrip resources across vital public services.

The LGA’s recent letter to the Chancellor highlights that in the current year, 29 councils—including nearly one in six authorities responsible for social care—have required Exceptional Financial Support (EFS) agreements. This marks a significant increase from 18 councils needing such emergency support last year, underscoring growing financial strain. The EFS mechanism allows councils to borrow, sell assets, or raise council tax above national limits to maintain essential services, notably in children’s social care. However, the LGA argues this has ceased to be an exceptional measure, reflecting a chronic and unsustainable reliance on emergency funding for day-to-day operations.

Since its introduction in 2020/21, over 42 councils have accessed more than £5 billion through these bailouts, often repeatedly, suggesting that current financial frameworks are inadequate. The LGA cautions that this 'normalisation' of emergency measures is not a viable long-term solution. The association calls for a comprehensive review of the existing financial support arrangements to ensure that they effectively promote councils' return to financial health rather than perpetuating dependency on temporary fixes.

Louise Gittins, chairwoman of the LGA, emphasised the escalating pressures on local authorities, pointing to soaring costs and demand in children’s and adult social care, homelessness, and home-to-school transport for children with special educational needs and disabilities (SEND). She warned that these mounting pressures are forcing councils to reduce investment in preventative services and neighbourhood provisions, exacerbating vulnerabilities for those most dependent on local support. "When a system relies on emergency bailouts to function, it is fundamentally broken," she said. Gittins underlined the pivotal role councils play in delivering national priorities and economic growth, insisting that they need a stable and fair financial base to succeed.

Financial data compiled by the LGA paints a stark picture of the challenges ahead. Although budgets for adult social care, children’s social care, and SEND transport have increased significantly—projected rises of 9%, 10%, and 25% respectively in 2025/26—the risk of overspending remains high. In fact, councils have consistently overspent in recent years, on average by 5% in adult social care and as much as 52% on homelessness services. The LGA warns that this trend could force councils into more emergency measures, including in-year service cuts and exhausting reserves, without urgent reform.

The LGA welcomed government promises of reforming local government finance, such as multi-year funding settlements, reducing dependency on ring-fenced grants, and replacing competitive bidding with more straightforward allocations. A key aspect of these proposals involves overhauling the grant allocation formula to better support deprived areas. Nonetheless, the association calls for robust transitional arrangements to safeguard all councils from financial shock during these changes.

An ongoing concern remains the estimated £5 billion deficit in SEND budgets. While councils are legally bound to produce balanced budgets annually, some overspends are currently allowed under special arrangements. The LGA supports government plans permitting councils to keep these deficits off their main balance sheets until 2028/29, calling this a helpful short-term relief. However, it warns that without a long-term strategy, these mounting deficits represent a serious existential threat, as they generate considerable cash flow costs and interest burdens due to the way they are financed. The LGA suggests that writing off these accumulated SEND debts as part of broader reforms would enable councils and schools to focus on improving care and education rather than financial firefighting.

Local government reorganisation, which will replace two-tier systems with unitary authorities, also poses financial challenges. The LGA insists the government must cover these costs to avoid exacerbating existing fiscal pressures. Sir Geoffrey Clifton-Brown, chairman of the Commons Public Account Committee, echoed these concerns, cautioning that reorganisation amid financial strain risks deepening councils' difficulties.

Political voices from across the spectrum support calls for urgent action. Labour’s Rachel Reeves, shadow Chancellor, is expected to detail her plans for addressing these issues in the Autumn budget. Deputy Prime Minister Angela Rayner recently announced the removal of what she described as a "punitive" premium previously charged on bailout funds, likening it to a “payday loan” fee, with 18 councils having already received financial injections for balancing their 2024-25 budgets. Liberal Democrat spokesperson Zoe Franklin criticised repeated financial strains, urging the government to engage in cross-party efforts to reform social care and improve the SEND system.

Meanwhile, additional pleas emphasize the importance of extending support measures such as the Household Support Fund, which provides vital help for residents facing financial hardship. Local government leaders have warned that ending the fund in March 2024 could trigger a sudden increase in hardship and service demand, further pressuring councils already struggling with their budgets.

The LGA and a coalition of councils, charities, and campaigners have also called on the Chancellor to ensure adequate funding for children's social care, warning that without immediate investment, councils may be unable to maintain essential support for vulnerable children.

Government officials have been approached for comment. The evolving crisis in local government finance presents a formidable test for the upcoming Autumn budget, highlighting the critical need for sustainable solutions to empower councils and safeguard the public services on which millions rely.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[2]](https://www.local.gov.uk/about/news/council-emergency-bailout-deals-risk-becoming-normalised-budget-overspends-continue-rise)
* Paragraph 2 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[5]](https://www.gov.uk/government/collections/exceptional-financial-support-for-local-authorities), [[7]](https://www.standard.co.uk/news/politics/angela-rayner-government-local-government-whitehall-conservative-b1189918.html)
* Paragraph 3 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[3]](https://www.local.gov.uk/about/campaigns/spending-review-2025/spending-review-2025-submission-letter-chancellor)
* Paragraph 4 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[3]](https://www.local.gov.uk/about/campaigns/spending-review-2025/spending-review-2025-submission-letter-chancellor)
* Paragraph 5 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[3]](https://www.local.gov.uk/about/campaigns/spending-review-2025/spending-review-2025-submission-letter-chancellor)
* Paragraph 6 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[3]](https://www.local.gov.uk/about/campaigns/spending-review-2025/spending-review-2025-submission-letter-chancellor)
* Paragraph 7 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/)
* Paragraph 8 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[7]](https://www.standard.co.uk/news/politics/angela-rayner-government-local-government-whitehall-conservative-b1189918.html)
* Paragraph 9 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[4]](https://www.local.gov.uk/open-letter-chancellor-council-leaders-call-household-support-fund-be-extended)
* Paragraph 10 – [[1]](https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/), [[6]](https://www.local.gov.uk/about/news/autumn-statement-coalition-urges-chancellor-open-letter-fund-childrens-social-care)

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## Bibliography

1. <https://www.irishnews.com/news/uk/chancellor-urged-to-fix-broken-system-as-council-bailouts-normalised-OOBHZMMJHJPMNCXLWDHPYVBZLA/> - Please view link - unable to able to access data
2. <https://www.local.gov.uk/about/news/council-emergency-bailout-deals-risk-becoming-normalised-budget-overspends-continue-rise> - The Local Government Association (LGA) warns that emergency government bailout agreements for councils are at risk of becoming 'normalised' as costs continue to outstrip available resources, pushing many to the financial brink. The LGA highlights that 29 councils, including nearly one in six with social care duties, required Exceptional Financial Support (EFS) agreements this year, a substantial increase from the previous year. This trend indicates systemic failure and the need for a review of current financial support arrangements to ensure they help councils return to financial sustainability.
3. <https://www.local.gov.uk/about/campaigns/spending-review-2025/spending-review-2025-submission-letter-chancellor> - The Local Government Association (LGA) submits evidence to inform Phase 2 of the Spending Review, highlighting the central role of local government in bolstering growth and realising the Government’s Plan for Change. The submission calls for a sustained increase in funding to address growing cost pressures in adult and children’s social care, services for children with special educational needs and disabilities (SEND), home-to-school transport, and temporary accommodation. It also advocates for a cross-party review of local government funding, including council tax and business rates, and consideration of alternative funding sources.
4. <https://www.local.gov.uk/open-letter-chancellor-council-leaders-call-household-support-fund-be-extended> - Local government leaders urge Chancellor Jeremy Hunt to extend the Household Support Fund beyond March 2024 for a minimum of a year. The fund has been vital in providing a safety net for residents facing financial crises. Ending the fund would create a 'cliff-edge' in provision, potentially leading to more households falling into financial crisis and increasing pressure on public services. The letter calls for urgent confirmation of the fund's continuation to support residents and prevent escalating crises.
5. <https://www.gov.uk/government/collections/exceptional-financial-support-for-local-authorities> - The UK government provides Exceptional Financial Support (EFS) to local authorities facing unmanageable financial pressures, enabling them to set balanced budgets. The support is granted on an exceptional basis and may be subject to external assurance reviews. A full summary of the support agreed with authorities is available, broken down by year decisions have been taken. This initiative aims to assist councils in managing financial challenges and maintaining essential services for their communities.
6. <https://www.local.gov.uk/about/news/autumn-statement-coalition-urges-chancellor-open-letter-fund-childrens-social-care> - A coalition of councils, charities, and campaigners, including the Local Government Association (LGA), NSPCC, Barnardo’s, and others, has written an open letter to Chancellor Jeremy Hunt urging him to provide the funding that children’s social care 'desperately needs' in the upcoming Autumn Statement. The coalition warns that without this funding, councils may not be able to provide vital care and support to vulnerable children, highlighting the risk of services being pushed to the brink without immediate financial support.
7. <https://www.standard.co.uk/news/politics/angela-rayner-government-local-government-whitehall-conservative-b1189918.html> - Deputy Prime Minister Angela Rayner announces the removal of a 'punitive' premium on financial bailouts for struggling councils, likening the previous fee to a 'payday loan' charge. In February, 18 councils received an injection of money from the government to ensure they could meet their legal duty to balance their books in 2024-25. Bailouts through the Exceptional Financial Support (EFS) framework are usually provided in the form of a 'capitalisation direction', permitting authorities to use capital funds raised through borrowing or asset sales to fund day-to-day services.