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# Restoration & Resilience

BUILDING CAPACITY AND CAPABILITY TO  
DELIVER LOCAL SERVICES IN THE SOUTH EAST

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By Callin McLinden



# About Localis

## Who we are

We are a leading, independent think tank that was established in 2001. Our work promotes neo-localist ideas through research, events and commentary, covering a range of local and national domestic policy issues.

## Neo-localism

Our research and policy programme is guided by the concept of neo-localism. Neo-localism is about giving places and people more control over the effects of globalisation. It is positive about promoting economic prosperity, but also enhancing other aspects of people's lives such as family and culture. It is not anti-globalisation, but wants to bend the mainstream of social and economic policy so that place is put at the centre of political thinking.

In particular our work is focused on four areas:

- **Decentralising political economy.** Developing and differentiating regional economies and an accompanying devolution of democratic leadership.
- **Empowering local leadership.** Elevating the role and responsibilities of local leaders in shaping and directing their place.
- **Extending local civil capacity.** The mission of the strategic authority as a convener of civil society; from private to charity sector, household to community.
- **Reforming public services.** Ideas to help save the public services and institutions upon which many in society depend.

## What we do

We publish research throughout the year, from extensive reports to shorter pamphlets, on a diverse range of policy areas. We run a broad events programme, including roundtable discussions, panel events and an extensive party conference programme. We also run a membership network of local authorities and corporate fellows.

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Any error or omissions remain our own.

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## Roundtable participants

Localis held three research roundtables and a series of interviews to support this research. We would like to thank the participants, listed below, for their time and input.

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- Amardeep Gill, National Head of Public Sector, Trowers & Hamlins
- James Gleave, Transport Strategy Manager, Transport for the South East
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- Sarah Keyes, Service Director HR & OD, Buckinghamshire Council
- Nick Adams-King, Chair, South East Councils
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- Charlie Stewart, Executive Director, Reading Borough Council
- Luke West, Senior Consultant, Coast 2 Capital LEP
- Abigail Witting, People & Culture Manager, South Oxfordshire and Vale of White Horse District Councils

## Executive summary

The South East is statistically the most affluent region in England, yet there are persistent and deepening challenges that demand further, urgent attention. The South East is an economically fragmented and politically complex region, experiencing significant local disparities, particularly in financial sustainability and services, that are often overlooked due to this relative prosperity. A decade's worth of local authority austerity measures has led to a serious decline in the capacity to deliver dependable and effective services to South East residents and communities – with moves towards minimum statutory service provision becoming all too common across the region. Once oversimplified as an 'overheated' economic monolith, the region now requires a more nuanced approach to service delivery.

In 2024, the imperative for councils in the South East is not just to maintain their contribution to the government's national missions, but to ensure that services are saved from the brink of crisis and geared towards long-term improvements, resilience, and sustainability. This report delves further into the current challenges facing local government in the South East, advocating for a renewed sense of political maturity, a commitment to collaborative governance solutions, openness to enhanced devolution, and extension of the necessary fiscal headroom and powers to enable the South East to continue driving national renewal while addressing the complex service needs of its residents and communities.

### Key steps to a resilient South East

#### 1. Intelligent, strategic capacity-building

Local authorities in the South East must harness their strategic capacity – and be supported in building it by central government – to influence and implement national missions, particularly by aligning local expertise with central government investment vehicles. As funding has contracted, local authorities have turned to commercial activities and innovative revenue-raising measures like capital receipts and community bonds. However, there is a need for councils to carefully manage these ventures, aligning them with long-term financial sustainability and bolstering strategic capacity in risk management and public sector commercial expertise. This will involve financial governance roles evolving from purely administrative to necessarily strategic, requiring a renewed professional development and robust succession planning within councils – matters councils in the South East have struggled with.

Strategic workforce planning is therefore going to prove crucial for the region, particularly in response to an ageing workforce. Succession planning within councils will entail a focus on knowledge transfer and developing talent internally, ensuring authorities are equipped to fill key leadership and strategic positions as experienced staff leave or retire. The use of workforce analytics and other advanced data technologies to assess skill gaps, predict risks, and inform recruitment with detail will also become essential for local authorities. By adopting such tools, authorities can develop more targeted workforce initiatives that align with both immediate needs and long-term strategic goals.

This capacity-building must take place in the context of a shift from reactive, crisis-driven service provision towards data-driven, preventative approaches. Increasing strategic capacity can lead to more opportunities for councils to anticipate and address emerging issues before they escalate, using advanced data analytics and now widely-available AI tools to proactively target high-risk individuals and services towards preventing service demand spikes.

Strategic commissioning is a key mechanism for building intelligent capacity whilst designing and delivering more holistic services. By embedding social value and long-term community benefits into contracts, South East authorities can ensure that service delivery not only meets immediate needs but also contributes to long-term, broader social, economic, and environmental strategic goals. A determined shift towards such a model would instigate a renewal of local authority back-office capacity, if managed well.

## 2. Mature, cross-boundary and multi-tier partnership working

The South East's fragmented political landscape and uneven economic distribution necessitates local authority collaboration across geographical boundaries and party lines. Such frameworks and partnerships are essential for negotiating bespoke devolution deals and ensuring cohesive regional strategies that reflect the diverse needs of the South East's urban, sub-urban, and rural communities. Irrespective of devolution, however, collaborative regional governance is important, particularly in strategic areas such as transport, housing, and other infrastructure. For example, integrated planning frameworks are a crucial mechanism for maximising the impact of regional investments and improving local services.

There is also a need for South East local authorities to jointly manage financial pressures through coordinated approaches, especially on cross-boundary issues like social care. Councils can benefit from working together to reinstate more robust, shared oversight mechanisms, helping to address risks of financial mismanagement



as a shared issue that impacts services region-wide. Likewise, there is great potential in inter-council collaboration to address local government workforce shortages by pooling resources and sharing proficiencies. Establishing consortia or regional partnerships for negotiating with external providers could standardise training, reduce costs, and improve efficiency. By centralising key functions such as workforce training, councils in the South East can reduce their reliance on temporary staff and build a more resilient, permanent workforce.

The current state of provision heightens the need for integrated service models that break down long-standing silos between local authorities and service providers, advocating for collaboration on a sub to full-regional basis across sectors. Integrated Care Systems (ICSs) and similar public sector frameworks, while far from perfect, represent important steps on the journey to fostering efficiency, resilience, and responsiveness in addressing the unique service challenges faced by South East councils and residents. Strategic partnerships, especially between councils, third-sector organisations, and, in some appropriate cases, educational institutions are critical to workforce development and long-term planning of service provision. By formalising the pooling of expertise and resources, such partnerships can enhance strategic governance across boundaries and ultimately improve the performance of local public services.

### 3. Devolution that builds on the region's strengths

The South East requires a bespoke approach to devolution that leverages the region's unique economic strengths. New powers in key areas such as skills funding, recruitment, and fiscal autonomy, can enable local authorities to address acute workforce shortages by strategically managing housing and transport planning in a way that reflects the region's economic and social conditions. By building on the region's strengths and collectively advocating for devolution deals that recognise the distinct pressures of the South East's sub-regions and their constituent local authorities, the case for more control over fiscal matters in the future grows stronger.

Greater devolution of fiscal powers, including the ability to adjust council tax rates and introduce innovative local taxes, could enable councils to generate revenue in ways that reflect local economic realities, bolstering resilience and reducing the reliance on volatile government grants in the long-term. A flexible, tailored devolution framework must be put forward, which looks to enhance fiscal resilience through the devolution of more locally adjustable taxation, such as a tourism tax, while maintaining the South East's competitive edge. Such a devolution model would build on the region's high employment rates and thriving business sectors to take pressure off local services and develop long-term financial sustainability.

Devolution deals are a strategic opportunity for local authorities to identify and address regional disparities by gaining greater control over matters of local economy, skills, and infrastructure planning. New models, such as combined county authorities, can be expanded upon to align local economic growth with community-defined objectives, reinforcing the principle of subsidiarity in service provision. The region's particular challenges — housing affordability, social care gaps, and infrastructure deficiencies — can be addressed within a context of leveraging devolved powers to pursue locally tailored solutions. These solutions must be primed by a more open and mature approach to collaboration across the region, to strengthen governance structures and the leveraging of localised knowledge to tackle service delivery inequalities. Both central and local government must view this as the ultimate end goal of devolution and not become distracted by attempts to reach a subjective 'ideal type' of governance.

Granting local authorities more power over tailoring public sector recruitment policies, including setting more competitive regional pay scales, could allow councils in the South East to better attract and retain talent. Devolution of powers related to skills funding, including more control over the apprenticeship levy, would enable South East authorities to design and fund local training schemes that directly address regional workforce shortages. By allowing councils to retain and reallocate unused levy funds, or levy an administration fee to cover training costs, they could invest in areas that are critical to meeting local service demands and strategic goals.

## Recommendations

### Recommendations to local government

- Local authorities in the South East should **strengthen financial governance and strategic leadership**.
  - Councillors should deepen their understanding of legal frameworks underpinning financial governance, ensuring full support for Section 151 officers.
  - Financial officers should embed ethical principles into their financial decision-making and adopt robust conflict of interest management and transparency protocols.
  - Officers should utilise data-driven insights, enabling councils to balance immediate demands with long-term sustainability.
- Local authorities in the South East should **strengthen commercial practices and diversify revenues**.
  - Commercial activity must be balanced with robust risk management – including clear risk appetites early on in any commercialisation process to safeguard against the dangers of high-risk ventures.
  - Councils should adopt comprehensive models to assess commercial maturity, ensuring that commercial strategies remain fundamentally aligned with strategic goals.
  - Local authorities should also consider CMLs and other bond-related options to finance projects such as infrastructure upgrades, renewable energy installations, and urban developments.
- South East local authorities must **collaborate in managing public service contracts**.
  - Councils should work closely with partners to derive a broader concept of value-for-money from contracts, particularly by leveraging the provisions of the upcoming Procurement Act.
  - By working alongside other local authorities, councils can pool resources and achieve economies of scale in procurement and service delivery.

- South East local authorities must **engage in comprehensive, collaborative, and data-driven strategic workforce planning.**
  - Local authorities should undertake regular assessments of their workforce’s age distribution, skillsets, and projected retirements.
  - Local authorities should formalise regional partnerships to deliver bespoke training programmes, with county councils well-positioned to manage these initiatives.
  - Local authorities should explore a shared staffing framework modelled after WMTemps to reduce their dependency on agency staff and improve workforce stability.
  - Given the ageing workforce in local government, councils should develop structured succession plans for senior roles, including identifying potential internal candidates for leadership positions and setting up structured mentoring programmes.
  - Local authorities should work across the region to develop outplacement programmes to mitigate the impact of job losses in some councils whilst also addressing skills gaps in other areas.
- South East local authorities should **work towards revitalising apprenticeships and training.**
  - Local authorities should advocate for a more unified approach to streamline apprenticeship schemes and make them more accessible.
  - Councils should collaborate with local businesses and educational institutions to create green apprenticeship programmes as well as those focused on service resilience.
- Councils must begin to **prioritise integrated, resilient, and preventative service models.**
  - Expand integration efforts by continuing to form cross-body, boundary and sectoral teams to plan, share resources, and deliver services collaboratively.
  - Engage communities proactively through local surveys, forums, and partnerships with parish councils and community organisations to gather insights into emerging trends in real time.
  - Use data analytics to predict service demands, enabling early interventions that prevent escalation.



- Local authorities in the South East must **collaborate on infrastructure and housing delivery**.
  - Foster cross-boundary collaborations on strategic planning to ensure unified development across boundaries.
  - Create local housing and infrastructure funds by establishing housing trusts, developing affordable and social housing, and coordinating with central authorities.
  - Align local investments with climate resilience goals by forming cross-council partnerships with bodies such as the Environment Agency, focusing on flood defences, coastal retreat strategies, and retrofitting.
  - Pursue collaborative, cross-authority infrastructure planning, pooling resources and developing regional cooperation frameworks to produce regional and sub-regional infrastructure plans.

### Recommendations to central government

- Central government must **push on with and accelerate reform of social care funding**.
  - Government must expedite its plans for a National Care Service, with clear funding mechanisms to alleviate local authority burdens. Integrating health and social care services, alongside implementing a cap on care costs, will help councils manage growing financial pressures.
  - Central government should create a long-term funding stream for social care to allow councils to better allocate resources to other critical areas.
- Government should **expedite the review of funding formulae and reset business rates**.
  - The revised funding formula must work towards ensuring that funding allocations reflect present-day service pressures rather than outdated population and economic models.
  - A comprehensive reset of business rates is necessary to address disparities in spending power across regions, particularly in the South East where the current system disadvantages many councils in unique ways.

- The new MHCLG Workforce Development group must be empowered to **provide support measures to address the staffing crisis in local government**.
  - The Apprenticeship Levy should be reformed, allowing councils to charge an administration fee and streamlining funding and support mechanisms.
  - Government should invest in regional employment hubs to help scale up efforts to support councils to coordinate workforce planning.
  - The impact of employer national insurance contribution rises on council recruitment capacity must also be examined, with targeted discounts and exemptions considered.
- The Spending Review, the English Devolution Bill and the Planning and Infrastructure Bill must work in tandem to **establish and fund mechanisms for cross-boundary spatial planning**.
  - Capital funds should be made available to consortia of councils that can produce plans for the provision of social and truly affordable housing.
  - Investment vehicles for local infrastructure provision should be supported through central government match funding.

## Introduction

Surveying the evolving landscape of local governance in the South East of England, it is clear that the region's role as a net contributor to the Exchequer and a cornerstone of the national economy remains crucial. However, beneath this relative prosperity, there are persistent and deepening challenges that demand further, urgent attention, particularly in coastal and deprived areas. The South East, once oversimplified as an 'overheated' economic monolith, now requires a more nuanced approach to service delivery, one that recognises the importance of intra-regional disparities and the need for targeted investment and tailored support. In 2024, the imperative for councils in the South East is not just to maintain their contribution to the government's national missions, but to ensure that services are saved from the brink of crisis and geared towards long-term improvements, resilience, and sustainability.

Despite the South East being the most affluent region in England statistically, it experiences significant local disparities, particularly in financial sustainability and service provision, that are often overlooked due to this relative prosperity. The South East is an economically fragmented and politically complex region. Although the region boasts a higher economic activity rate compared to any other region in the UK, this overall picture has persistently masked notable intra-regional differences<sup>1</sup>. Similarly, while certain areas experience high levels of affluence, others, particularly coastal towns and 'left-behind' neighbourhoods, grapple with deprivation, poverty, and some of the worst service performance in the country.

These disparities extend beyond economic indicators. While the region scores well on average in indices of deprivation, it contains pockets of poverty comparable to the most deprived areas in the country<sup>2</sup>. Furthermore, issues such as congestion, inadequate infrastructure, housing prices, and strained public services are felt even in the most affluent of areas in the South East. This internal inequality is often overlooked in national discussions, policy and funding structures around regional disparities – a dynamic that was particularly perfunctory in the context of the previous government's Levelling Up agenda. The narrow focus on regional, rather than local, differences resulted in a perception of the South East as uniformly prosperous, leading to a lack of policy attention directed towards these local disparities.

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1 John et al. (2002) – England's Problem Region: Regionalism in the South East

2 MHCLG (2019) – English indices of deprivation 2019

Thus, the capacity of South East local authorities to meet the needs of residents has been significantly impacted by these financial pressures and local disparities. This had led to difficult, untenable decisions about service provision across a range of areas. Moreover, over a decade's worth of ongoing austerity measures, a lack of inter-authority collaboration, and continually unaddressed local disparities have led to a serious decline in the capacity to deliver dependable and effective services to South East residents and communities – with moves towards minimum statutory service provision becoming all too common across the region.

This report delves further into the current challenges facing local government in the South East, advocating for a renewed sense of political maturity, a commitment to collaborative governance solutions, openness to enhanced devolution, and extension of the necessary fiscal headroom and powers to enable the South East to continue driving national renewal while addressing the complex service needs of its residents and communities.



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**CHAPTER ONE**

# Financial sustainability

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The financial sustainability of local authorities across the South East has been severely weakened by over a decade of austerity measures and funding restructures. These cuts have left many councils on the verge of collapse, struggling to deliver essential services while managing constant financial crises. The abolition of the Audit Commission has further exacerbated this by reducing independent oversight and public accountability, leading to governance weaknesses, higher audit costs and backlogs, and a decline in strategic capacity.

Without significant intervention — such as the reinstatement of robust audit mechanisms and long-term financial relief — and more cross-sectoral, inter-authority collaboration, local authorities will remain unable to meet statutory obligations, let alone pursue growth or fulfil broader national missions. The recent rise in issuance of Section 114 notices highlights the escalating financial distress facing councils in the South East, and continued cuts or continuation of the status quo will only worsen this untenable situation.

## Key points

- In the context of extreme revenue pressures, there is a need for South East local authorities to jointly manage financial pressures through coordinated approaches, especially on cross-boundary issues like social care.
- The gap left by the abolition of the Audit Commission and subsequent governance weaknesses point to the need for stronger, cross-tier local accountability frameworks. Councils can benefit from working together to reinstate more robust, shared oversight mechanisms, helping to address risks of financial mismanagement as a shared issue that impacts services region-wide.
- With councils turning to commercial activities and innovative revenue-raising measures like capital receipts and community bonds, there is a need for councils to carefully manage these ventures, aligning them with long-term financial sustainability and bolstering strategic capacity in risk management and public sector commercial expertise.
- Greater devolution of fiscal powers, including the ability to adjust council tax rates and introduce local taxes, could enable councils to generate revenue in ways that reflect local economic realities, bolstering resilience and reducing the reliance on volatile government grants long-term.

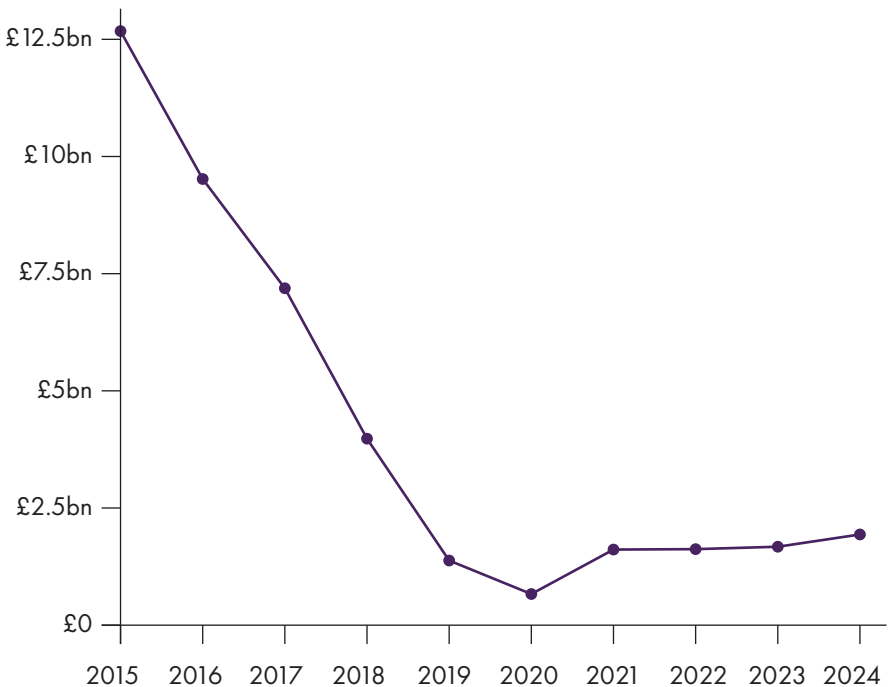
## 1.1 Revenue and expenditure pressures

The revenue landscape for councils in the South East exhibits significant instability, with capacity greatly depleted from pre-austerity levels. Many authorities have seen pronounced changes in their spending power, highlighting a volatile fiscal environment that necessitates adaptive financial strategies. In contrast, other councils within the region have managed to maintain relatively stable revenue trends, a testament to potentially more robust economic conditions, funding reliability, or superior fiscal management practices. However, the inconsistency in reporting, particularly around business rates, has complicated efforts to conduct thorough trend analyses, making it challenging to predict future revenue flows with confidence. Nonetheless, trends are indicative of an unsustainable financial landscape for local authorities in the South East.

Fees and charges — a critical revenue component — are set to rise, according to 90 percent of respondents in the SEC 1000 regional monitor survey<sup>3</sup>. This upward trend in fees and charges reflects a reactive, yet necessary, measure to compensate for declining government funding and to preserve essential service delivery amidst mounting financial pressures, sentiments that were shared by participants at our research roundtables.

### Figure 1. Revenue support grant

Impact on net current expenditure for English councils, 2015-2024



Source: LGInform/MHCLG

3 South East Councils (2024) – South East 1,000: Regional monitor

This growing reliance on locally sourced revenue is further evidenced by the significant increase in council tax across the South East, which saw a per capita rise of approximately 23 percent from 2018/19 to 2023/24<sup>4</sup>. This surge underscores a shift by local authorities towards council tax as a primary revenue stream, driven by the drastic reduction in government grants, most notably the Revenue Support Grant, which fell by around 32 percent between 2017 and 2023 for councils in the region on average<sup>5</sup>. The steepest decline occurred between 2017/18 and 2018/19, with some stabilisation observed during the lockdown years from 2020/21 to 2022/23, albeit at a markedly lower level than in years before austerity.

Additionally, the sharp 56 percent decrease in collection fund surpluses and deficits for council tax points to heightened volatility and reduced surplus margins, contextualised by austerity, and likely exacerbated by broader economic challenges such as shifts in employment rates, income levels, service demand, and the sustained rise in cost of living. These trends, echoed anecdotally by participants at our three roundtable evidence sessions, indicate a precarious financial future for councils in the South East, with the need for strategic, sustainable, and supplemented revenue generation more critical than ever.

### Alternative funding sources

<b>Borrowing</b>	<ul style="list-style-type: none"> <li>Local authorities are exploring borrowing to fund capital projects, but debt servicing costs pose ongoing revenue pressures.</li> <li>Borrowing for revenue purposes is generally prohibited due to fiscal sustainability concerns. Nonetheless, recent flexibilities have been allowed and some councils have been backed into such practices.</li> <li>Excessive borrowing, without supplementary sound management and strategy, can and has lead to serious financial vulnerabilities.</li> </ul>
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4 LG Inform (2024) – Council tax collected per head of population in South East

5 LG Inform (2024) – Revenue Support Grant (RS) in South East



<b>Capital receipts</b>	<ul style="list-style-type: none"> <li>• Capital receipts from asset sales are increasingly being used to fund revenues across the South East – with flexibility on this extended until 2025.</li> <li>• Commonly used in “invest-to-save” projects, e.g., selling surplus properties to reduce operating costs.</li> <li>• Capital receipts are ultimately finite and can only be used once, seriously limiting and risking long-term sustainability.</li> <li>• Asset sales do have the potential to reduce future revenue-generating potential and risk neglecting local needs.</li> </ul>
<b>Commercialism</b>	<ul style="list-style-type: none"> <li>• Councils have also been investing in commercial properties to offset reductions in traditional funding since 2010.</li> <li>• South East councils are leaders in commercial property investment (substantial portion of £6.6bn in acquisitions between 2016-2019)<sup>6</sup>.</li> <li>• Commercial activity carries inherent risks, such as borrowing to fund investments and skills deficits in commercial management – which many councils in the South East lack the strategic capacity to properly manage as is.</li> </ul>
<b>Use of reserves</b>	<ul style="list-style-type: none"> <li>• Increased use of reserves by councils to cover budget shortfalls due to austerity, inflation, and rising service demands.</li> <li>• Councils across England withdrew £2.3bn from reserves in 2022/23, with projections of an additional £4bn in the next financial years<sup>7</sup>.</li> <li>• Ultimately, reserves are finite and should only ideally be used for well-managed capital projects and known, long-term risks to services, not operational deficits.</li> <li>• Prolonged reserve use by councils in the South East risks future investments and emergency responses, seriously jeopardising financial stability.</li> </ul>

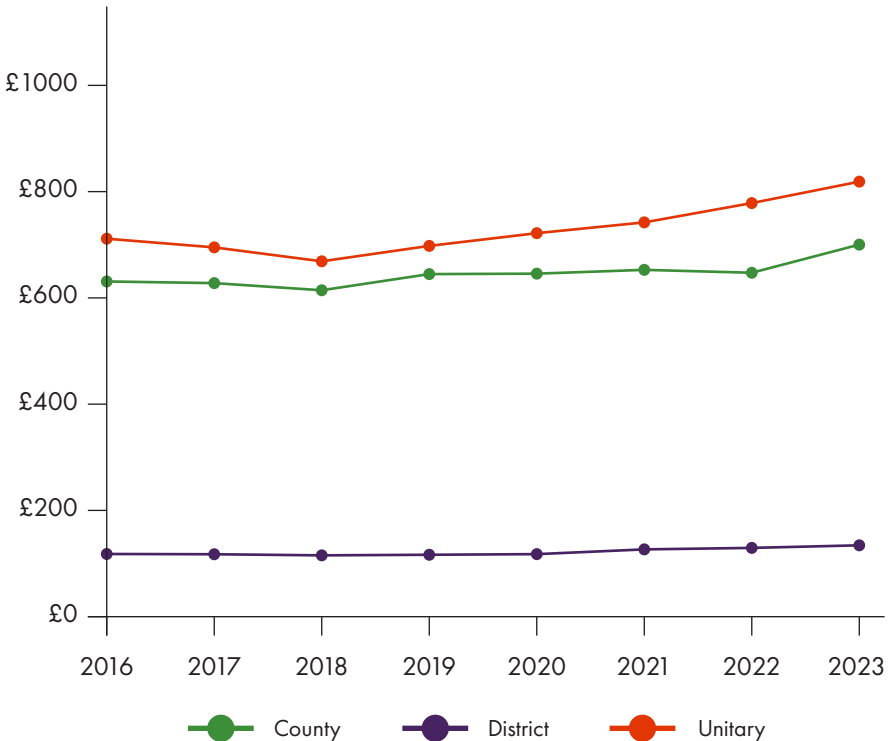
6 National Audit Office (2020) – [Local authority investment in commercial property](#)

7 Local Government Association – [Save local services: Council reserves are not the solution](#)

Despite the global reduction in inflation, the South East continues to experience elevated consumer prices, driven in part by firms maintaining higher prices to recoup losses from the COVID-19 pandemic and the subsequent energy crisis in Europe. This prolonged inflationary environment, coupled with delayed government subsidies and persistent wage demands, has further strained local authority budgets.

**Figure 2.** Net revenue expenditure per head of South East councils

Average by authority type, 2016-2023

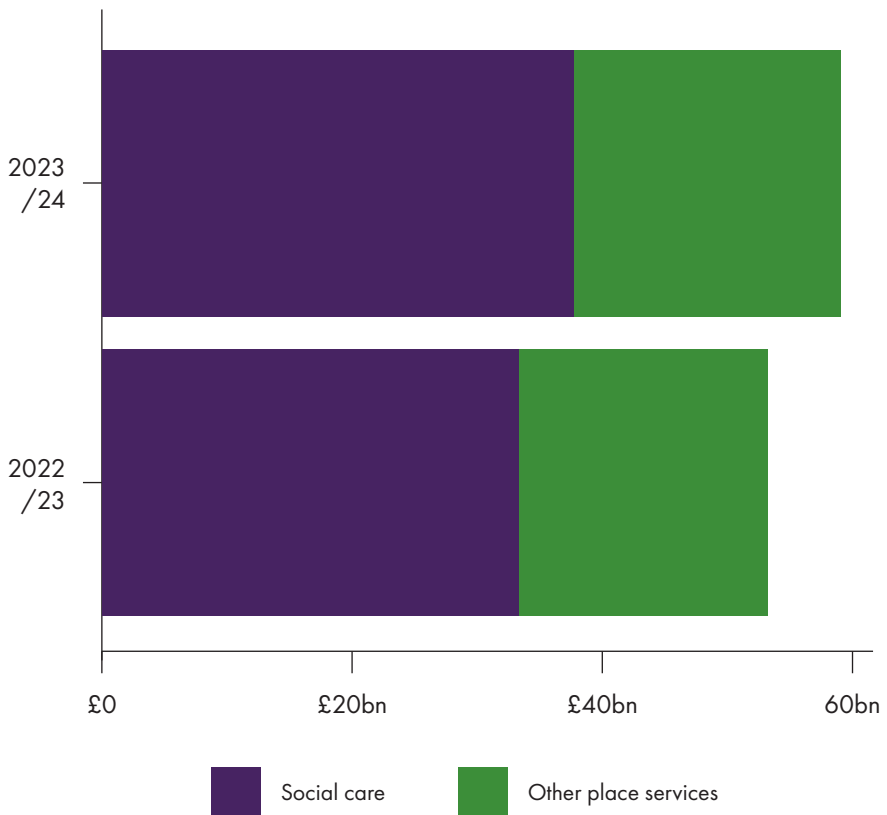


Source: LGInform/MHCLG/ONS population estimates

The urgency of these budgetary pressures is evident in the rising demand for social care services, driven by the region's ageing population, and the need for infrastructure maintenance. For most councils, significant portions of annual budgets are allocated to essential services, with social care, education support and housing provision dominating the vast majority of local authority budgets in the South East and across the country.

**Figure 3.** Local authority revenue expenditure, England

Social care vs other place services 2022-2024



Place services defined as highways (exc. GLA), planning, culture, environmental and public health services Source: MHCLG

Interview and roundtable evidence from this research indicates that councils are increasingly concerned about the potential for cuts to crucial services. These include reductions in care services for older and disabled individuals, support for low-income households, and the scaling back of vital infrastructure projects. The expectation of further reductions in council services is prevalent among 74 percent of council respondents in the South East, highlighting the widespread anxiety about the future of public service provision in the region<sup>8</sup>.

**Table 1:** Local authorities in the South East and S.114 notices (December 2023);

Authority	Financial position
Eastleigh	Best value notice issued by DLUHC
Runnymede	Best value notice issued by DLUHC
Slough	Has issued a section 114 notice
Woking	Has issued a section 114 notice
Dover	May issue a section 114 notice
Hastings	May issue a section 114 notice
Medway	May issue a section 114 notice
Southampton	May issue a section 114 notice
Windsor and Maidenhead	May issue a section 114 notice

Source: <https://www.newstatesman.com/spotlight/economic-growth/regional-development/2024/01/council-bankruptcy-tracker-local-government-authorities-finances>

The financial and budgetary problems of councils in the South East are further compounded by the region's proximity to London. The socio-economic pressures emanating from London, including housing shortages and high living costs, have led to a spillover effect into neighbouring counties and areas, increasing the demand for local services such as housing, healthcare, and education. The South East is particularly affected by rising homelessness and the need for temporary accommodation, which places additional strain on already stretched budgets. Moreover, the cost of living in the South East, elevated by the proximity and access to London, makes it increasingly difficult for local authorities to provide services at sustainable costs.

In the context of these pressures, local authorities are often forced to prioritise immediate needs over long-term economic development. Budget constraints have led to a focus on cost-cutting and a tendency to evaluate procurement decisions based on the lowest price rather than social value or innovation. This approach, while understandable given the financial constraints, stifles the potential for local economic growth and innovation. Some councils have managed to navigate these challenges successfully, but the broader trend points to a significant risk that financial constraints will hamper the region's ability to build long-term financial sustainability, meaningful economic growth, or the strategic capacity to deliver national missions at the local level.

## 1.2 Strategising for fiscal sustainability

In the context of austerity, subsequent economic shocks, and a new government, the role of local government officers with financial responsibilities is as pivotal as ever to ensuring the long-term viability and resilience of councils in the South East. While the overall impact of the Autumn Budget 2024 – the first budget of the new Labour government – is an increase in public spending, the spending forecast for local government will not undo the damage of austerity and cumulative increase in service demand. Likewise, although the return to multi-year settlements and consolidation of grant funding is welcome, transformative change to the funding structure of councils seems unlikely. Therefore, councils in the South East must proactively build financial sustainability through strategic internal measures and the use of their collective voice.

A clear and comprehensive understanding of their role in financial governance is paramount for local government officers. Their role is to be the custodians of local public funds and, therefore, they have a duty to ensure that finances are managed efficiently and effectively. Where local authorities in the South East must navigate the manifold challenges of shrinking budgets, skills gaps, and rising demand for services, financial governance has in many ways shifted from a job of pure administration and bureaucracy to one of the upmost strategic importance.

Thus, officers should look to be acutely aware of the legal and ethical frameworks that govern their responsibilities. The legal responsibilities of local government officers are deeply rooted in statutory requirements, particularly those outlined in the Local Government Finance Act 1988. Under this Act, Section 151 officers are charged with ensuring their local authority makes 'lawful financial decisions' and mains 'sound financial management practices'.

The Chartered Institute of Public Finance and Accountancy (CIPFA) are an organisation who produce a wealth of authoritative good governance guidance and their recent collaboration with Lawyers in Local Government and Solace has produced a Code of

Practice on Good Governance for local authority statutory officers<sup>9</sup>. They, along with many local government stakeholders, have advocated for the 1988 Act to be updated with more robust accountability, ethics, and risk management arrangements – and their guidance can aid South East local authority financial teams in getting ahead of the curve to this end<sup>10</sup>.

In the current climate, where austerity has left many South East councils on the brink of financial collapse, it is crucial for officers to act with acumen, integrity, and efficiency. Acting with acumen entails making informed decisions that consider both immediate needs and long-term impacts, ideally identified and collated through the use of data and relevant analytics. Particularly in the context of increased commercialisation and diversified revenue streams, acumen will require officers to balance competing priorities and intersecting risks.

Furthermore, and even more so when acting commercially, ethical behaviour is of utmost importance. This becomes particularly vital in a time of fiscal constraint, where the public's scrutiny of financial decisions is heightened and set against an increasingly high cost of living. Any perception of mismanagement could further erode trust and undermine the council's ability to function or deliver effectively and with political continuity.

A critical aspect of resilience is succession planning, and this should be of particular note to South East local authorities given their ageing workforce and increased early retirements since the pandemic (as reported many times by participants at our three roundtables). Senior officers must cultivate a strong unit of junior deputies by openly sharing knowledge and providing experience to younger, less qualified officers to develop them to become well-trained and capable of stepping into leadership roles when necessary. This will not only better ensure the continuity of operations in the event of unexpected absences or departures but will also foster a culture of knowledge-sharing and professional development within the council, with the collaborative potential to spread across councils as a means of workforce development.

Additionally, the continuous professional development for all financial officers, irrespective of experience, is crucial. The financial landscape is constantly evolving, with new regulations, technologies, and practices emerging that will require officers to stay informed of these changes to remain effective and incorporate their implications

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<sup>9</sup> CIPFA, LLG, & Solace (2024) – Code of practice on good governance for local authority statutory officers

<sup>10</sup> Local Government Lawyer (2024) – Boost local government accountability through governance, ethical, and risk management improvements: CIPFA

into their roles and responsibilities. By investing in training and development, from providing formal training to steps as simple as setting up an internally accessible newsfeed of financial governance related news, South East councils can ensure that their financial teams are not only competent but also forward-thinking—a crucial characteristic of financial sustainability.

### 1.3 Diversifying council revenue

Relying heavily on central government grants, whatever their size or structure may be, or traditional revenue sources like council tax is an unsustainable strategy for local authorities in the South East. South East Councils encourages councils to explore innovative revenue-raising measures as a means to alleviate financial pressures and diversify revenue streams. The organisation supports the idea that councils should be proactive in finding new ways to generate income locally, moving away from reliance on traditional funding models that may no longer be sufficient given current economic conditions.

One approach is to leverage council-owned assets for commercial purposes, such as through asset and property development. Through collaboration, conscious commercial management, and the use of robust frameworks, local authorities in the South East can increase their revenue while ensuring that financial sustainability is safeguarded. This begins with clearly defining and widely communicating a cohesive vision that aligns with the council's and region's overarching purposes and values. By setting out a well-defined policy statement or strategic document that encapsulates this vision, councils can effectively communicate their objectives to officers, partners, and the public, ensuring that every involved is aware of what they must work to deliver.

Crucially, local authorities should seek to establish and agree upon a risk appetite that is communicated early and consistently — essentially seeking to prevent the pitfalls of high-risk, high-reward commercial activities that have in some cases jeopardised financial sustainability. A balance between encouraging innovation and maintaining fiscal prudence is key to building resilience and ensuring that commercial activities contribute positively to the council's financial health and that residents and communities benefit as a result.

Moreover, working closely with partners to extract more value from contracts will prove essential. By leveraging social value and making good use of the reforms in the Procurement Act 2023 as a means to enhance public value, councils in the region can maximise the benefits obtained from their supply chains in ways that may otherwise strain budgets. Thus, rigorous contract management and collaboration with strategic partners and other local authorities can further enhance a council's capacity to deliver on its strategic goals and take the pressure off budgets.

A regular self-assessment of commercial maturity using a structured model, akin to one Localis proposed within The Commercial Edge<sup>11</sup>, can help authorities identify areas for improvement and ensure commercial activity continues to align with overarching strategic goals and local stewardship. Such a systematic approach to self-evaluation can ensure that commercial strategies remain focused on delivering sustainable financial outcomes for the sake of overall sustainability.

Councils are increasingly leveraging Community Municipal Investments (CMIs) and other municipal bonds to fund large-scale social and green infrastructure projects. These financial instruments enable local authorities to diversify their borrowing sources while addressing regional infrastructure needs. The model, if managed well with a collaborative spirit, provides a dual benefit: a reliable revenue stream for councils and direct investment in projects that improve quality of life, support sustainable growth, and reduce service pressures long-term.

For example, West Berkshire Council was the first in the UK to launch a CMI in July 2020, raising £1m to support a range of green infrastructure projects. The initiative aimed to address the council's climate emergency declaration by funding projects such as rooftop solar installations on schools and council buildings, LED street lighting upgrades, and urban tree planting. This scheme allowed local residents and other across the UK to invest as little as £5, providing a low-risk return of 1.2 percent annually over a five-year period<sup>12</sup>. The council saved approximately £15,000 compared to traditional borrowing sources like the PWLB, and about 23 percent of the investment came from local residents, reflecting strong civic and community engagement.

## 1.4 Negotiating with central government

The South East holds considerable strategic leverage due to its economic importance, global assets, and proximity to London. This presents both opportunities and challenges for councils in the region when approaching financial sustainability strategically. On the one hand, the South East can exert significant influence when acting collectively, particularly in advocacy and negotiations with central government. On the other hand, the region's relative affluence has masked the severe financial pressures faced by its local authorities, making the argument for additional funding challenging to make.

The situation calls for urgent reform and the development of tailored financial strategies that reflect the unique circumstances of each council. Without such interventions, the

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11 Localis & Human Engine (2021) – The Commercial Edge: Renewing the case for the local investment state

12 UK:100 (2022) – West Berkshire: Climate Change Bond



financial sustainability of local authorities in the South East will remain at risk, with potentially severe consequences for the provision of essential public services. To lay the foundations for the long-term financial sustainability of local authorities in the South East and beyond, the government should seek to implement strategic reforms that address the systemic issues faced by local authorities alongside multi-year financial settlements. This must include systemic reform to areas such as social care provision, as well as Special Educational Needs and Disability (SEND) education.

Equally important is the updating of funding formula to councils, mooted since the Fair Funding Review of the previous government faded into the background. Such reform is essential to correcting the disparities in spending power across councils, a dynamic that is notably prevalent in the South East, ensuring that funding allocations are based on current needs rather than outdated models from yesteryear. The announcement of revised and consolidated grant allocation to councils in the Autumn Budget is therefore welcome. By consolidating grants into fewer, more substantial funding streams, the government will reduce administrative and bureaucratic burdens on local authority workforces, while allowing councils to attract investment and respond more strategically to local needs.

To truly fix the foundations of council finance, however, such efforts must be coupled with increased fiscal flexibility, such as greater local autonomy in setting council tax rates and the ability to introduce innovative local taxes, would empower councils to generate revenue in a manner that reflects their unique economic environments and shields them from commercial risks.

In terms of audit and financial governance, the current system is clearly ineffective, with just one percent of councils and other local bodies publishing accounts on time in 2023<sup>13</sup>. The government have committed to reform, which presents an opportunity to properly strengthen audit and develop effective local accountability mechanisms. Moving to such a system was part of the justification for the abolition of the Audit Commission in 2010, however a lack of investment in capacity has hampered that effort. Going forward, government must work with the sector to develop a new model. Examining ideas such as local or regional Public Accounts Committees<sup>14,15</sup>, as well as reviewing and strengthening the peer reviews overseen by the Local Government Association, are steps that can be taken in this Parliament to close the audit gap and strengthen accountability.

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13 [Civil Service World \(2024\) – Minister sets timeline for clearing council audit backlog](#)

14 [Centre for Governance and Scrutiny \(2013\) – Regional Public Accounts Committees](#)

15 [John Denham and David Liddington \(2024\) – The Local Governance of England](#)

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**CHAPTER TWO**

# Local government workforce & recruitment in the South East

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The local government workforce across England, particularly in the South East, is facing a profound and unsustainable crisis. Since 2010, local government in England has seen its workforce shrink by over a third, with more than 550,000 jobs lost<sup>16,17</sup>. This stark decline, exacerbated by budget cuts and economic shocks, has left the sector struggling to maintain the capacity needed to meet rising service demands. In the South East, where the impacts of Brexit on the workforce have been especially pronounced, the remaining workforce is not only stretched thin but also ageing, with an increasing number of early retirements depleting the ranks of experienced and skilled workers at the top strategic levels of government. The pandemic served as a catalyst, intensifying pre-existing vulnerabilities in the workforce while simultaneously introducing new complexities that councils are ill-equipped to handle without substantial intervention and support to approach such issues with strategic acumen.

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16 PWC & CCN (2024) – [Workforce of the Future: Future of Local Government](#)

17 Johnstone (2013) – [Local government workforce 'has shrunk by 380,000 since 2010'](#)

### Key points

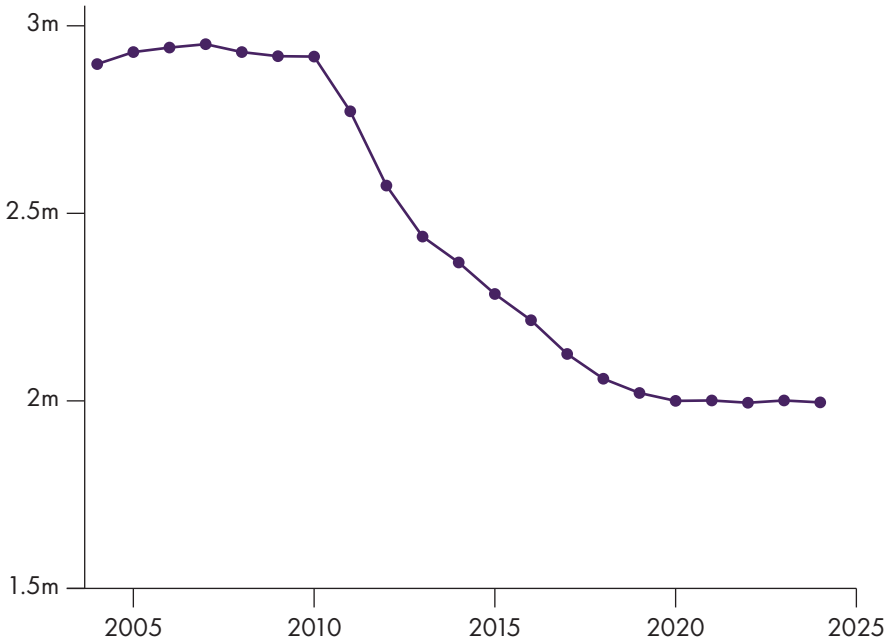
- With a major workforce crisis developing, South East councils could benefit from joint training programmes and sub-regional partnerships, enhancing the collective capacity to address skills gaps in key areas such as planning, legal services, and social care.
- By centralising key functions such as workforce training, councils in the South East could reduce their reliance on temporary staff and build a more resilient, permanent workforce.
- Strategic workforce planning and the use of workforce analytics and other advanced data technologies to assess skill gaps will become essential for local authorities to develop more targeted workforce initiatives that align with both immediate needs and long-term strategic goals.
- Devolution of powers related to skills funding and granting local authorities more power over tailoring public sector recruitment policies would enable South East authorities to design and fund local training schemes that directly address regional workforce shortages.

## 2.1 Recruitment, retention and skills

Recruitment and retention have become critical pain points, with 94 percent of local authorities in the South East reportedly facing significant challenges in attracting skilled professionals—recruitment challenges are most acute in key professional areas such as planning, legal services, and finance, as well as on-the-ground workers such as care workers, drivers, and waste crews. These roles are essential to the functioning of local government and their delivery of services, yet the region struggles to offer competitive incentives compared to London, which can provide better pay and has already better adapted to the culture shift in flexible working post-pandemic. The struggle of South East local authorities to keep pace with these changes has led to a workforce that is increasingly strained and overburdened, unable to recruit to relieve such pressure.

**Figure 4.** Local public sector employment in the UK

2004-2024



Source: ONS

Throughout the research interviews and roundtables for this project, participants stressed how marketisation of services has further eroded the ability of local authorities to nurture and develop talent within their ranks. The shift towards outsourcing and privatisation has stripped the public sector of the effective opportunities to grow and retain a skilled workforce, leaving it vulnerable to external competition. This has made recruitment and retention difficulties endemic, creating a vicious cycle where the loss of skilled workers only deepens the crisis. Local government generally struggles to compete in the labour market, with workers seeing the real value of their wages fall by 27.5 percent since 2010<sup>18</sup>. This decline in pay standards, coupled with escalating

service demands, has made local government roles increasingly unattractive, further straining workforce capacity.

A key issue is the South East's ageing workforce; the pandemic prompted a noticeable shift in labour market behaviour, with many individuals in their late fifties opting for early retirement, fundamentally altering the composition of the workforce. This exodus has left South East councils grappling with a shrinking pool of experienced staff, exacerbating the pressures on remaining staff and increasing the difficulty of service provision and thinking strategically. The 2022 Local Government Workforce Survey highlights that despite efforts to bolster recruitment through apprenticeships, more than half of local authorities reported no substantial change in staff levels from 2021 to 2022<sup>19</sup>. This stagnation suggests a severe bottleneck in workforce development, as the demand for skilled personnel continues to seriously outpace supply.

Moreover, and in many ways at the heart of the issue, is a relentless competition for talent, not only with the private sector but also within the broader public sector. The allure of better compensation is drawing away local authority accountants, lawyers, and managerial staff, creating a talent drain which the current pay structures within local authorities are ill-equipped to counter. The pay gap has become massive, with local authorities increasingly unable to offer competitive wages that would attract new employees or retain their best staff.

The rise in employer National Insurance contributions announced by the chancellor at the Autumn budget, while understandable in the context of wider government financial pressures, will further hamper the ability of local authorities to offer competitive wages. While the government is expected to provide support to local authorities and the wider public sector, the exact nature and extent remains nebulous<sup>20</sup>. This last issue is compounded by the rise in the national living wage, which pushes against the lower end of local authority pay scales, restricting room to manoeuvre.

Participants at our roundtables noted that this has produced a particularly acute issue in the South East, with local government workers leaving their roles for better pay, only to return as an agency worker with a higher pay rate. This revolving door phenomenon not only inflates costs due to hefty agency fees but also breeds a deep sense of unfairness among the workforce, inevitably serving as a further push factor. Regular staff, who witness their former colleagues earning more for the same work, are inevitably left feeling demotivated and undervalued. This perception of inequity

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19 Local Government Association (2022) – [Local Government Workforce Survey 2022](#)

20 Local Government Chronicle (2024) – [Concern as national insurance compensation yet to be confirmed](#)

will severely undermine morale and productivity, accelerating the vicious cycle of perpetual retention challenges.

The situation is particularly dire in the realm of environmental sustainability, where a glaring lack of green skills is emerging as a critical bottleneck. With 42 percent of councils reporting an absence of the skills required for future-proofing services against climate change, the region faces an uphill battle in meeting its net zero targets<sup>21</sup>. Essential competencies in areas like hydrogen and electric vehicle maintenance, sustainable construction, and carbon reduction are in short supply, leaving local authorities vulnerable to the risk of falling behind in the national effort to combat climate change, with the knock-on effect of England falling behind on the world stage. The urgency of this skills gap is underscored by the fact that traditional roles, such as vehicle maintenance technicians, are already hard to fill, let alone those required for green technologies.

### Back-office squeeze

At the heart of this crisis is what was described at our roundtable sessions as a “strategic back-office squeeze”. Local authorities are facing fundamental capacity problems that, if left unaddressed, will inevitably cripple their ability to deliver on both locally defined goals and broader national missions, such as the government’s proposed policy agenda. This squeeze is not merely a symptom of workforce shortages but a direct consequence of the lack of investment in skills development and succession planning. With no new generation of professionals entering key roles, the existing workforce is stretched thin, leading to burnout, increased turnover, and an overreliance on costly temporary solutions.

The strategic back-office squeeze also highlights the short-sightedness of current training approaches. There is a pervasive tendency to respond to staff feedback on insufficient training by rolling out broad, generic programmes that fail to align with the specific needs and goals of the organisation. This disconnect between training initiatives and strategic direction only serves to exacerbate the workforce crisis, as it leaves employees ill-prepared for the evolving demands of public service.

## 2.2 Inter-council collaboration

Collaboration, examples of which are already proving effective across the region, has great potential for the challenges facing the local government workforce in the

South East. By pooling resources, sharing expertise, and centralising key functions, councils can create a more resilient, efficient, and effective workforce capable of meeting the region's diverse needs and delivering on strategic goals. This will also strengthen the collective voice of the South East when advocating and working with central government on devolution and reforms.

One of the promising avenues for the South East to expand upon lies in the development and delivery of joint training and workshare programmes. Local authorities, each with varying levels of expertise in different areas, can collectively create comprehensive and high-quality training programmes that might otherwise be out of reach—county councils are particularly well-poised to administrate and manage such programmes. Additionally, the establishment of regional training hubs as centres of skill development and inter-council networking to facilitate the sharing of institutional knowledge and best practices. This approach will allow South East councils to maximise the impact of their budgets, working towards a more holistic and mutually beneficial system of training and development across local government in the region.

### The West Midlands's agency of agencies<sup>22, 23</sup>

The West Midlands also recognised agency workers as a strain on both local authority finances and workforces and worked to develop WMTemps, an innovative regional framework designed to streamline and enhance temporary recruitment across multiple local authorities in the region. The initiative has been set up as part of a broader strategy to stabilise the local government workforce in the region by reducing dependency on temporary workers long-term and facilitating smoother transitions to permanent roles.

Importantly, WMTemps has already achieved significant cost savings and operational efficiencies for participating councils. For instance, one council reported a 69 percent decrease in active temporary workers, with many of those workers transitioning to permanent roles, highlighting the framework's success in reducing reliance on agency staff.

22 [WMTemps – What we do](#)

23 [Opus People Solutions \(2023\) – One year of WMTemps: what has been achieved?](#)

This model of collaboration not only addresses the immediate needs of councils, as well as alleviating some financial pressure, but also contributes to the long-term sustainability of the local government workforce. By centralising the administration and management of temporary staffing, councils in the West Midlands have been better able to respond to regional and local workforce demands, ensuring that staffing levels and skills gaps are addressed with a view towards efficiency and sustainability.

For councils in the South East, this offers a compelling model for addressing the region's own challenges associated with agency work. This approach can not only streamline the hiring process but also enhance the collective bargaining power of councils, enabling them to negotiate more favourable terms with agencies and their staff. Moreover, a central agency can be more responsive to regional workforce needs, effectively allocating staff and training where it is needed most and reducing the reliance on costly interim solutions.

Furthermore, councils in the South East could benefit from forming consortia or regional partnerships to negotiate better deals with external training providers. Joint procurement initiatives can lead to significant cost savings, enabling local authorities to stretch their training budgets further access more specialised services, with an emphasis on social value to enhance outcomes. This could also allow for the standardising of training programmes across multiple councils to ensure consistency in quality and content, allowing for a more seamless transfer and retention of skills and knowledge due to familiarity across the region.

In a context of constrained budgets causing contraction of council workforces, there is also potential for inter-council collaboration on outplacement. A frustrating reality of the local government recruitment crisis is that even as it persists, some councils are having to cut jobs due to financial pressures. Better cross-regional engagement could help place staff who have been made redundant at one council into new roles while also addressing skills shortages in nearby local authorities.

To put these collaborative ideas into practice, strong governance structures will be essential. Local authorities must seek to establish clear agreements on cost-sharing, responsibilities, and decision-making that are fair, equitable and ensure effective coordination and regional resource management. It will also be crucial to navigate the differences in organisational culture, priorities, and working methods between councils—a rural district council workforce is inevitably going to have different needs than an urban borough, for example. Finding common, mutually assured ground that facilitates productive collaboration while respecting local autonomy and capacity.



### Collaboration in Oxfordshire<sup>24</sup>

Oxfordshire's councils have exemplified the potential of collaborative governance in improving workforce capacity through strategic integration and resource sharing. The county's councils, led by Oxfordshire County Council, have aligned their strategic priorities and pooled resources to address critical staffing needs. The comprehensive strategic plan for 2023-25 emphasises partnerships to create a more efficient and resilient local government structure. This includes targeted investments such as the additional £500,000<sup>25</sup> for SEND staffing and the establishment of community hubs to decentralise support services, thereby enhancing the effectiveness of respective workforces. Moreover, a clearer delineation of responsibilities between county and district councils has facilitated a more efficient utilisation of resources and workforce deployment across essential services like social care, education, and transport.

A collaborative approach such as this not only helps in addressing immediate staffing pressures but also builds a sustainable framework for future capacity needs, demonstrating a more robust and resilient model of integrated local governance. Oxfordshire's experience highlights the benefits of joint service structures in enhancing workforce capacity, providing a valuable template for other counties in the South East aiming to optimise their local government operations irrespective of central government funding or reform.

## 2.3 Strategic workforce planning and innovation

Given the aforementioned issues and future workforce needs, strategic workforce planning is now an imperative task for all local authorities in the South East—and the capacity to do so must be supported by regional bodies and central government. A comprehensive approach to workforce planning will enable authorities to align their capabilities with both operational and strategic goals, with a view towards targeted development.

However, the ability to engage in such planning varies significantly across the region, primarily due to disparities in existing strategic capacity and the uneven distribution of necessary skills and personnel. The tier of governance at which a local authority operates further impacts its relative capacity to undertake meaningful strategic workforce planning, making it crucial for region-wide capacity building initiatives, ideally led or facilitated by

24 Oxfordshire County Council (2022) – Strategic Plan 2023-2025

25 Oxford Mail (2023) – Oxfordshire County Council budget change: What it means for you

central government. These efforts must then be complemented by localised strategies that account for the unique circumstances of each authority, and how authorities in the region can mutually benefit one another in their workforce planning needs.

A foundational step for councils is to conduct a thorough assessment of their current workforce's age distribution and skill sets. Understanding the demographic profile and existing capabilities of respective workforces provides a clearer picture of potential gaps, both present and future. This assessment should be closely linked to and structured around the ongoing operational and strategic goals of the authority and should cross-reference other strategic documents a council has produced. By cross-referencing service delivery and placemaking needs and aspirations with these goals, and incorporating external trends such as economic trends and policy changes, local authorities in the South East can better forecast future demands. Retirement projections, in particular, will be a critical component of this analysis, given the South East's ageing local government workforce.

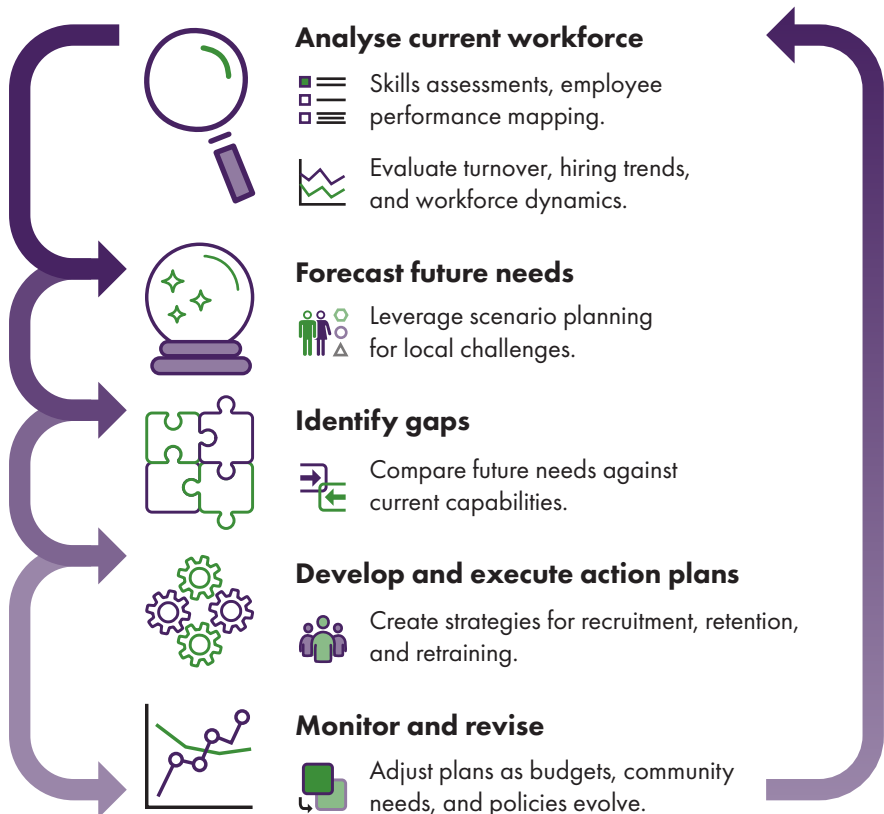
With this analysis in hand, councils should then turn their focus to detailed workforce planning, where succession planning emerged as a critical priority for participants at all three of our roundtables. Given the ageing local government workforce in the South East, it is vital to ensure that key positions are poised to be filled by qualified individuals who are retained and prepared to step into these roles as needed. This will require a strategic, organisation-wide approach to identifying key senior officer and leadership positions, assessing the readiness of their teams, and establishing training and development processes to prepare them for more senior, future responsibilities. Knowledge transfer becomes a critical process in this context, ensuring that critical institutional knowledge can be preserved and passed on in a proactive and well-managed fashion, thus maintaining continuity in strategic approach and service quality whilst fostering innovation from younger, retained talent.

To these innovative ends, job redesign and workforce flexibility are increasingly vital components of such a strategic approach to workforce planning, particularly given local authorities struggle to attract talent and compete in talent pools with the private and wider, more appealing public sector. Councils should consider bespoke role consideration and the potential for process automation to improve the operational efficiency and flexibility of job offers. Further embracing workforce flexibility, such as always allowing remote work and promoting cross-functional or cross-boundary teamwork or training, can lead to more efficient allocation of capacity, enabling councils to respond more nimbly to changing demands and skills needs.

Implementing working hour reforms should also be considered as a potential way of growing the workforce and improving productivity. The early success of the South Cambridgeshire District Council four-day week trial, in which officers completed '100 percent of their work, in 80 percent of the time, for 100 percent of their pay,' is

instructive. Following an initial trial period, an independent review undertaken by the Bennett Institute for Public Policy summarised that while seven out of sixteen service areas either saw no change or some decline in productivity, nine saw substantial improvement<sup>26</sup>. Significantly for the longevity of the trial, there was no substantial concern in any of the areas that showed decline. Meanwhile, the Council made savings of £434,000 from recruiting ten agency employees on a permanent basis.

## Strategic workforce planning



26 Bennett Institute for Public Policy (2023) – South Cambridgeshire District Council four-day work week trial: insights from a focus group study with management and elected members

Such innovation depends on effective use of strategic data. The utilisation of workforce analytics, especially with the growing accessibility of artificial intelligence and advanced data analytics tools, has great potential for local councils in the South East. By collecting and analysing key workforce metrics, local authorities can gain detailed insights into current workforce dynamics, predict risks, identify skills gaps, and forecast future needs based on current service demand and supply trends. This data-driven approach to decision-making has long been advocated for and now stands as key to informed and strategic workforce planning moving forward, given its great potential when utilised and managed well.

To successfully implement such a strategic approach, workforce planning must become wholesale and integrated across all departments within a local authority, with representation of these interests developed at the county level too. To this end, structures and mechanisms associated with more streamlined workforce planning processes should be part of any upcoming devolution talks for the region and its local authorities.

Rather than isolating workforce issues within HR departments, all departments should seek to contribute and align with a centralised workforce strategy. Regular input from department heads regarding their current and future staffing needs, skill requirements, and potential gaps will be essential to meeting skills needs as they arise, and working proactively to meet future workforce demands—particularly those concerning digital, technological, and green skills. Such a collaborative strategy should include cross-training programme, leadership development initiatives, and succession planning to ensure that talent is developed within the sector.

## **2.4 Training, recruitment and retention**

A key strategy to address the growing skills gaps in the South East local government workforce is the revitalisation of apprenticeship and training programmes.

Apprenticeships, with their focus on practical, on-the-job training, offer a tangible solution to the skills shortages plaguing local government in the region if managed well. However, these programmes are underutilised due to the financial burdens they place on local authorities, particularly the need to pay salaries during training periods.

Local authorities in the South East should advocate and organise for a unified procurement approach to make apprenticeship schemes more accessible and cost-effective. This could involve establishing partnerships with education institutions and leveraging collective bargaining power to negotiate better terms for apprenticeship funding and support from central government and other providers.

Moreover, the development of green apprenticeship schemes tailored to the specific needs of the regional and local economy and net zero ambitions is vital. Councils

and regional stakeholders should collaborate with local businesses, further education colleges, and technical schools to create programmes in renewable energy, sustainable construction and electric vehicle maintenance. These initiatives can not only address immediate skills shortages but also align with local and broader national missions to achieve net-zero emissions. By embedding mentorship and hands-on experience into these programmes, local authorities can ensure that green skills are introduced and integrated into the region's local government workforce and are well-equipped to address the environmental challenges faced by local government.

Beyond apprenticeships, recruitment remains a significant pain point for the local government workforce writ large, with local authorities struggling to attract skilled professionals due to uncompetitive pay and slow, bureaucratic hiring processes. To compete effectively with the private sector and wider public sector, local authorities must streamline their recruitment processes, ensuring they are agile, responsive and do not let talent pass the sector by, even if an individual is not a perfect fit for a specific role within a specific local authority. By expanding the recruitment pool to a regional level and adopting more streamlined recruitment practices, local authorities can reduce the time-to-hire and prevent the loss of top candidates to other sectors.

South East councils should also consider placing more of an emphasis on their branding as employers. Potential candidates are increasingly researching and evaluating employers well before applying, often based on their communications and online presence, making it essential for local authorities to think and act proactively to showcase their values, organisational culture, and work benefits. A strategic online presence, particularly on council websites and platforms like LinkedIn, can play a crucial role in attracting talent.

Part of this focus on branding must be placing an emphasis on the public service ethos and social impact of working in local government. Employment in a council presents an opportunity to work in an environment dedicated to local public service, giving employees a chance to make a positive and tangible difference to their own area. This is particularly relevant to young people, and local government must ensure that, as a sector, sufficient emphasis is placed on civic outreach. This argument forms the basis of the LGA's new "Make a difference" campaign to boost recruitment, which also involves a new jobs portal<sup>27</sup>. As is so often the case however, a lack of capital investment could hamper efforts, and individual authorities must work to make sure that the LGA efforts are backed up with local campaigning and specific targeting of young people.

The workforce shortages in the South East are particularly severe in sectors like social care, planning, and environmental sustainability. To address these gaps, councils must invest in targeted training and development programmes that align with both immediate needs and long-term strategic goals. This requires moving away from generic training initiatives and instead focusing on bespoke programmes that build the specific skills required for future service provision.

Central government, complementary to its efforts to deliver a set of seven national missions, should seek to prioritise the development of professional and strategic skills that will prove crucial to the revival of local government and its capacity to deliver for residents and communities. Such skills development could be facilitated through the establishment of national training programmes or partnerships with education institutions—of which the South East can play a very important part in administrating, managing, and delivering proactively.

Collaboration with higher education and vocational institutions is crucial in this regard. By partnering with universities and technical schools, councils can develop specialised courses and certifications in areas like green technologies and sustainable practices. These collaborations could also involve joint research projects or work placements, providing practical experience for students while simultaneously addressing local government's skills gaps.

## **2.5 Central government support and reform**

For councils in the South East to effectively grapple with ongoing workforce issues whilst delivering local and national strategic goals, they will need an upskilled and readily adaptable workforce. Achieving this will require robust support and policy reform from the government. The announcement by the Deputy Prime Minister of a new MHCLG-coordinated Workforce Development Group, aimed at addressing staffing challenges, at the 2024 Local Government Association Conference represents a positive step in this direction. A primary concern for this group must be to review the impact of the National Insurance rise on councils and explore with the Treasury options to mitigate the effects on council hiring power. Beyond the obvious need for financial support to pay wages, there are a range of acute interventions which central government can make to improve the situation.

A critical area where central government can make a significant difference is in the creation and maintenance of career pipelines and programmes for skilled local officers. The government could also look to bolster and scale up programmes run by regional employment offices, reinvigorate the local audit system to be proactive in its data reporting and governance guidance, and ensuring that councils are

well-equipped with funding and the tools to forecast and address workforce needs effectively.

One of the most pressing issues undermining the effectiveness of local apprenticeship programmes, as reported by many participants in this research, is the flawed structure of the apprenticeship levy. Despite its good intentions, the levy has not lived up to its promise, largely due to its complexity and the administrative burden it imposes on already stretched local authority teams. The new Labour government must acknowledge that the levy in its current form fails to meet the needs of local government as employers and is not effective in addressing the skills gaps found across the sector.

A key reform would be to allow councils to levy an administration fee against the apprenticeship levy. This charge could alleviate the significant administrative burden associated with managing apprenticeships, enabling local authorities to better utilise these funds to expand apprenticeship and work experience opportunities, particularly in hard-to-fill roles across the South East such as in social care and environmental services. Moreover, by allowing for an administration fee, central government would directly address one of the main barriers that prevent councils from making best use of apprenticeships to their fullest potential.

The South East's engagements with Skills England have sought to align local skills development with employer needs, particularly through Local Skills Improvement Plans (LSIPs), with reforms to the apprenticeship levy being a common topic of conversation according to several of our roundtable participants. LSIPs encourage partnerships between employers and education providers to address regional skills gaps and improve workforce responsiveness. Given the shortage of council staff, it is crucial that LSIPs – private-sector led by design – take into account the needs of the local public sector and seek to address critical skill shortages. Taking such a joined-up approach could be facilitated in Buckinghamshire and Surrey, those areas of the South East which will soon receive control of their adult education budget (AEB) as part of their level two devolution deals. AEB control gives councils greater power over commissioning for skills, with the LGA making the case for LSIPs to consider the role of community and adult learning in an area's "talent pipeline"<sup>28</sup>.

Scotland's approach to local government workforce issues was referenced in our research discussions, particularly its distinct policies towards greening services and setting higher carbon ambitions, were referenced, and brought up many times by participants at our roundtable sessions. Local Heat and Energy Efficiency Strategies, documents on how each Scottish local authority plans to meet key environmental goals set by the Scottish Parliament, could be replicated in the South East to help bring green skills into the local government workforce and create a market for the training and development of such skills. Central government should consider how similar policies could be adapted and implemented in the South East, where there are a wealth of opportunities to drive sustainable development of the workforce—with a great deal of pioneering assets and institutions already structured and working towards similar environmental goals.



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**CHAPTER THREE**

# Local services in the South East

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Local authorities across the South East face several ongoing public service challenges, including deepening disparities, cost-of-living pressures, labour market issues, and long-term care concerns. The shift towards minimal service provision in the South East among some local authorities, driven by fiscal constraints and inequalities, presents significant risks to the region's relative prosperity and social cohesion. As services are reduced to their most basic levels, the accessibility and quality of these services decline, leading to a postcode lottery where disparities in service provision exacerbate existing inequalities and risk producing new ones. Additionally, outright commitment to the reduction of services could erode civic and community trust and engagement, leading to increased local tensions, social fragmentation, and potential political instability.

### Key points

- The South East faces particularly acute service delivery challenges due to longstanding issues with infrastructure, increasingly challenging demographics and a major housing affordability and availability crisis.
- Strategic partnerships are critical to long-term planning of service provision in this constrained context. By formalising the pooling of expertise and resources, such partnerships can enhance strategic governance across boundaries towards the goal of improving services. Related to this, strategic commissioning is highlighted as a key mechanism for building intelligent capacity whilst designing and delivering more holistic services.
- By embedding social value and long-term community benefits into contracts, South East authorities can ensure that service delivery not only meets immediate needs but also contributes to long-term, broader social, economic, and environmental strategic goals.
- The region's particular challenges — housing affordability, social care gaps, and infrastructure deficiencies — call for a more open and mature approach to collaboration across the region, to strengthen governance structures and the leveraging of localised knowledge to tackle service delivery inequalities.

## 3.1 Service pressures

### Infrastructure

Persistent delays and cancellations to key infrastructure projects, such as school maintenance, road construction, and other essential aspects of economic, social, and environmental infrastructure, further exacerbate these challenges. The RAAC crisis has caused numerous school building maintenance and repair projects, including essential structural work, to be delayed or suspended, exacerbating the backlog of needed repairs. Although not recent, the cancellations of projects under the BSF programme had long-lasting impacts, especially where subsequent funding and maintenance efforts have not filled the gap. South East schools that were due for significant refurbishment or rebuilds under this programme have also seen delayed or cancelled maintenance projects.

Transport infrastructure in the South East is marked by several challenges that underscore the region's need for targeted investment and strategic planning<sup>29</sup>. The push for decarbonisation has exposed critical gaps in sustainable transport options, with insufficient infrastructure for public transport and limited active travel networks. Persistent inequalities in transport access, particularly in rural and deprived urban areas, highlights the disparities that continue to limit opportunities for employment and education whilst further increasing demand for other services.

Additionally, underdeveloped east-west corridors and inefficient links to European and global gateways are hampering growth in the region, while urban transport systems lack the integration needed for affordable and efficient mobility between the region's metropolises. The region's rail network is prohibitively expensive, and the quality of bus services declines markedly the further out of London one gets.

Social infrastructure across the region has also suffered significantly under austerity and bid-based funding, and the understanding and provision of relevant services and maintenance of key hubs such as libraries, parks, and community has seriously diminished. Since 2010, libraries across the UK have decreased by more than 17 percent, with those remaining open facing reduced opening hours, staff cuts, and diminished resources, parks and green spaces have seen reduced maintenance leading to deteriorating conditions, and community centres and other public gathering spaces have seen widespread closures and reduced functionality<sup>30</sup>.

These spaces, once thriving as critical hubs for inclusion, learning, and social support, are being sacrificed to cover the costs of rising demand for legally mandated services across the region. This has only served to deepen service needs with a cascade effect, as the support networks and community cohesion of social infrastructure fall through without investment and maintenance of the physical spaces where residents and communities connect and organise socially. This decline also undermines local identity, social networks, and civic participation, which have been demonstrated as essential for the resilience and prosperity of communities long-term<sup>31</sup>.

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29 Transport for the South East (2023) – [A Strategic Investment Plan for the South East](#)

30 Kelly (2023) – [Battle to save Britain's libraries as budget cuts, closures and austerity leaves future uncertain](#)

31 Bennett Institute for Public Policy (2021) – [Townscapes: The Value of Social Infrastructure](#)

## Housing

Housing affordability remains a critical issue across the South East, with temporary accommodation and homelessness services continuing to place increasingly severe strain on certain local authority budgets in the region. Economic pressures, coupled with an inadequate supply of affordable housing, particularly in coastal authorities where short-term lets are prevalent, have created significant challenges. This situation is reflective across broader regional trends, where rough sleeping and homelessness have sharply increased. Nearly half of all rough sleepers in England are now concentrated in London and the South East<sup>32</sup>, and the number of children in temporary accommodation is at its highest since records began<sup>33</sup>, with far-reaching implications for the health, education, and social wellbeing of affected people and the further strain this causes to services.

Local authorities, such as Epsom & Ewell, are facing unprecedented demand, with the average cost of accommodating a small family in temporary housing soaring to £23,000 annually in 2024, a nearly 20 percent increase on the previous year<sup>34</sup>. This financial strain is compounded by a 15 percent increase in rental costs and a chronic shortage of available social housing, forcing many families into extended stays in costly, often unsuitable, nightly paid accommodation. Despite notable local initiatives, such as efforts to increase the Local Housing Allowance for particularly hard-hit authorities, such measures have only managed to mitigate the crisis rather than resolve it, leaving many councils struggling to meet statutory obligations and steering dangerously close to minimum service provision.

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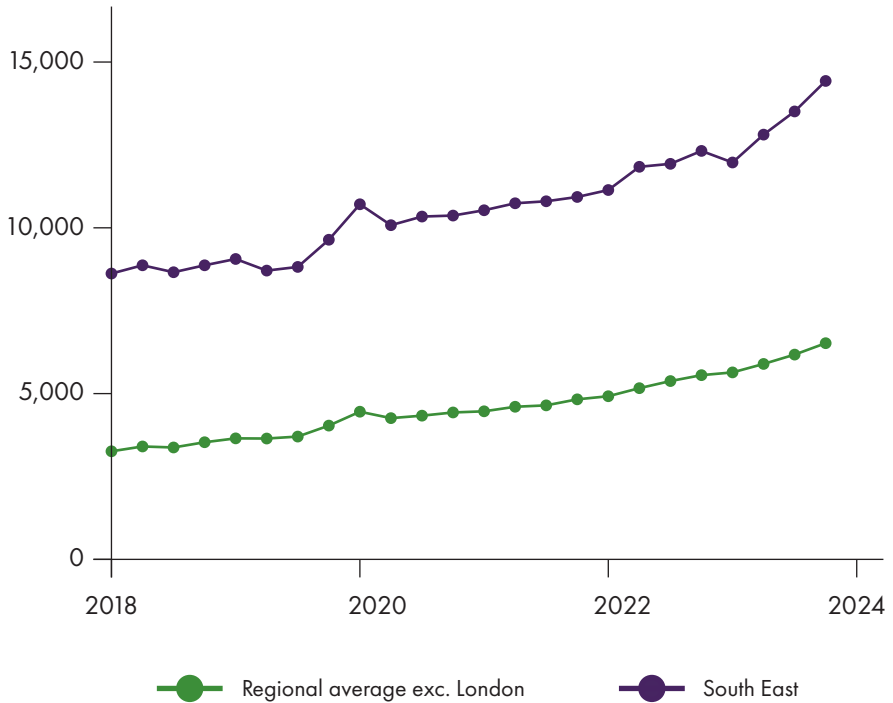
32 [Shelter \(2024\) – Rough sleeping soars by 27% while number of homeless children in temporary accommodation hits another record high](#)

33 [Shelter \(2024\) – Record 145,800 children in temporary accommodation—up 15% in a year](#)

34 [Epsom & Ewell Borough Council \(2024\) – Housing pressures and homelessness: How we're tackling a national issue to help support residents in need](#)

**Figure 5.** Number of households in temporary accommodation

South East vs. English regional average (exc. London), quarterly 2018-2024



Source: LGINform/MHCLG

The experiences of one participant at our research roundtable illustrated how pressures on temporary accommodation and homelessness services can dwarf other critical services, forcing the local authority to consider cutting the vast majority of discretionary services in order to meet their statutory obligations. The overwhelming demand for homelessness services, exacerbated by the current economic climate and state of public funds, necessitates significant budget allocations that inevitably crowd out investment in preventative measures and broader placemaking initiatives.

The most recent South East 1000 regional monitor highlights the tension between the demand for new housing and the preservation of rural and coastal areas, revealing a political tension to housing provision and services<sup>35</sup>. While there is significant support for building new homes among council leaders, there is also considerable resistance from rural communities, creating a complex challenge for councils attempting to meet both local housing demands and national housebuilding targets.

### Health and social care

Health and social care services in the South East are under severe strain due to a combination of factors, including a drained workforce, high demand, low wages, and stretched local authority budgets. The region's ageing population, coupled with the rising incidence of chronic health conditions, has presented a uniquely South East complication on the national challenge of local government meeting social care demands. Moreover, local authorities are facing a substantial funding shortfall, with an estimated £5.4bn needed this year alone to meet the growing demand for adult social care and cover rising costs, including a mandated increase in the national living wage<sup>36</sup>.

Many care providers are struggling to maintain services as staff leave for better-paid roles, both within the NHS and in other sectors—typically within London or elsewhere in Europe. This has led to a reduction in the availability of care, with nearly half of providers in the region considering exiting the market due to financial pressures and unsustainable working conditions<sup>37</sup>.

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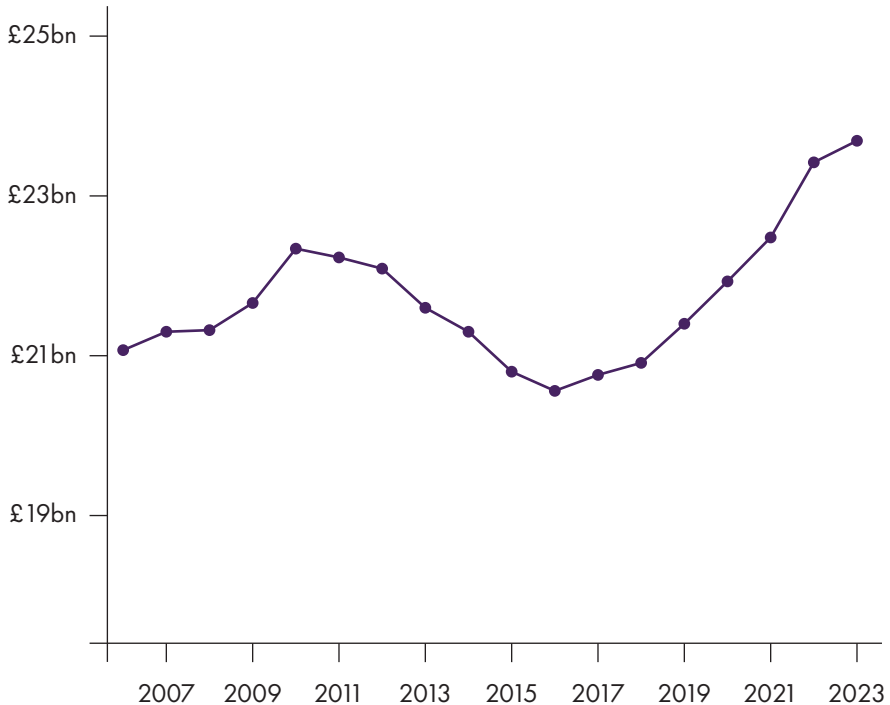
35 South East Councils (2024) – [South East 1,000: Regional monitor](#)

36 The Health Foundation (2023) – [Adult social care funding pressures: Estimated costs to meet growing demand and improve services in England](#)

37 Care England (2022) – [Concerns over the stability of the adult social care sector in the South East as nearly half of providers consider exiting the market](#)

**Figure 6.** Local authority social care spend

Gross current expenditure, 2006-2023 (2022 prices)



Source: NHS Digital

The South East 1000 regional monitor from February 2024 expresses deep concerns over potential cuts to these services due to ongoing financial constraints, which could severely impact vulnerable populations, the disparities of which would see some local areas much worse affected than others<sup>38</sup>. For instance, residents in the most deprived areas of the South East are considerably more likely to suffer from chronic conditions,

further burdening an already overstretched health and social care system<sup>39</sup>.

Despite challenges, a majority of council respondents believed that local authorities should have the primary responsibility for social care in the region<sup>40</sup>. However, there is a clear tension between this responsibility and the lack of adequate funding, resources, and workforce needed to meet the growing demands of social care in the region – and collaboration efforts to this end have had a frustrating tendency to falter.

### 3.2 Towards resilient service models

To mitigate these risks, local authorities must prioritise resilient, adaptable service models that balance efficiency with the needs of the community, guided by the principles of localism and subsidiarity. Shifting the focus from reactive to **preventative** public services is a critical long-term opportunity for better public service outcomes, particularly in health, social care, and relevant labour markets. This involves identifying and addressing issues before they escalate into more significant problems, thus reducing long-term costs and improving overall service efficiency.

South East local authorities can identify and address issues early on by adopting a proactive and data-driven approach. This involves engaging with communities to understand their evolving needs and priorities, achieved through various means, such as local surveys, public forums, and partnerships with parish councils and community organisations to gather insights into emerging trends and potential challenges. Analysing such data as service usage, demographic shifts, and economic indicators can help local authorities anticipate future demands and identify areas where early intervention may be necessary.

For instance, monitoring health data can reveal patterns of preventable illnesses, enabling targeted interventions and informed strategic workforce planning to develop relevant skills, efficient service delivery, and the promotion of wellbeing becoming embedded within service delivery models, ideally cross-boundary on a collaborative basis.

As noted, beyond proactive engagement, local authorities must adopt a strategic approach to workforce planning and resource allocation. This means investing in training and development programmes that equip staff with the necessary identified skills to address and manage emerging challenges. To this end, building strong partnerships with other local agencies, councils, and organisations can also help

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39 NHS England: South East – Health Inequalities

40 South East Councils (2024) – South East 1,000: Regional monitor



pool resources and expertise—training centres and universities have collaborated with local authorities in the past on this to great effect. For example, the Institute of Local Government Studies at the University of Birmingham is one of the leading academic centres and collaborates with local authorities to deliver training for council officers, particularly focusing on strategic governance and public management with research-based education.

The tendency of council officers to resort to quick fixes during periods of financial duress and intense statutory pressures should be cause for concern for the resilience and sustainability of public services in the South East long-term. These short-term solutions, often deemed necessary to meet immediate obligations, can exacerbate underlying problems, leading to a cycle of reactive measures that fail to address the root causes of service issues. This mindset has been particularly detrimental in areas like social care, housing, and health services, where delayed or superficial interventions have resulted in more costly and severe problems down the line.

The cruel irony is that by opting for quick fixes, local authorities often unwittingly increase the long-term financial and operational burdens they sought to alleviate, as unresolved issues compound over time, leading to greater demands on already stretched resources—the trends of which are beginning to manifest to worrying effect. This reactive approach undermines the principles of localism and subsidiarity, as it shifts focus away from community-driven, preventative strategies that could sustainably manage and reduce service pressures over the long term. Instead, councils must seek to challenge the quick fix approach and instead seek to build and invest in proactive, preventative frameworks, especially in the context of ongoing financial pressures, to break this myopic cycle and foster resilient, sustainable public services across the South East.

### 3.3 Integrated service delivery

Integrated service models, the most significant formulation being Integrated Care Systems and Boards (ICSs and ICBs), represent a pragmatic evolution of public service delivery under financial duress, designed to enhance efficiency, resilience, and responsiveness to local needs. These models empower local authorities and relevant service providers to collaborate across sectors to directly address the unique challenges faced by residents and communities. To this end, local authorities in the South East, particularly those with similar service challenges, should consider such models and how they could be applied in practice.

At their core, integrated service models are about dismantling the silos that have traditionally separated and ingrained inefficiencies within public services. By fostering and lending structure to collaboration among local authorities, service providers, and the third sector, these models seek to deliver a seamless, resident-centric service experience. The underlying principle is clear: local challenges require local solutions, designed and implemented by a collaboration of those who best understand the needs of residents and communities.

In practice, this would see South East authorities and relevant stakeholders forming multidisciplinary teams of local character to bring together diverse expertise to plan and deliver services efficiently and holistically. Integrated service models hinge on effective communication and information sharing between partners, with the creation of accessible shared databases and the deployment of service need navigators or 'community link workers' being critical components of these models. These elements ensure that residents can receive the right support at the right time, reducing duplication of effort and avoiding the pitfalls of fragmented, non-targeted service delivery. Such an approach can maximise the use of available resources, aligning with the broader necessities of cost-effectiveness and fiscal responsibility.

## Integrated Care Systems

The experiences of ICSs in the South East serve as compelling examples of how regional healthcare integration can both challenge and enhance service delivery across diverse communities. Since their formal establishment in July 2022, the six ICSs in this region—Buckinghamshire, Oxfordshire and Berkshire West, Frimley, Hampshire and the Isle of Wight, Kent and Medway, Surrey Heartlands, and Sussex—have each undertaken the complex task of aligning the varied priorities of local authorities, NHS bodies, and voluntary organisations. These ICSs emerged from the foundational work of Sustainability and Transformation Partnerships (STPs) and have since transitioned into statutory entities, tasked with orchestrating a more collaborative approach to health and social care. Their focus has been on fostering localism, ensuring that services are tailored to meet the specific needs of their populations, and overcoming traditional divisions within healthcare and social services.

In practical terms, the success of these ICSs has been mixed but instructive, offering valuable lessons for the broader integration agenda and other integrated models of service delivery. The Frimley and Surrey Heartlands ICSs, for example, have made significant strides in digital health innovation and community engagement, setting a benchmark for others. Meanwhile, Kent and Medway, with its complex and vast demographic, has focused on refining service coordination to address persistent health inequalities. Across the board, these systems have demonstrated the importance of strategic partnerships and long-term planning over wider local geographies.

Yet, ICSs in the region have also faced challenges, particularly in aligning the priorities of diverse stakeholders and ensuring that the integration efforts translate into improved outcomes. As these ICSs move forward, the emphasis will likely remain on enhancing workforce strategies, deepening community involvement, and refining governance structures to ensure that their integration efforts continue to be ambitious in scope and effective in delivery.

Cost-effectiveness in these models can be further achieved through strategic risk stratification and targeted interventions. Moreover, by utilising AI tools for productivity and advanced data analytics for targeting services, local authorities can identify high-risk individuals and tailor services proactively to prevent the escalation of issues, ultimately reducing long-term costs. Furthermore, the resilience of integrated service

models is bolstered by strong community engagement and the utilisation of specifically local assets. This localised approach, with the potential for county or unitary level facilitation, ensures that services can remain adaptable and responsive to changing circumstances, embedding a culture of continuous improvement and open learning.

Finally, the success of integrated service models is contingent upon robust governance structures and a commitment to continuous evaluation. These models must be underpinned by shared funding mechanisms and a clear framework for accountability, ensuring that all partners and officers remain aligned in their objectives and practical delivery of them. Regular assessment of service outcomes, informed by both qualitative and quantitative analysis, is essential to refining these models to local circumstances and scaling successful practice across localities. When executed effectively, integrated service models not only improve the quality and accessibility of services but also reinforce the principles of localism by empowering communities to play a role in defining and working towards local priorities.<sup>41</sup>

### 3.4 Strategic commissioning

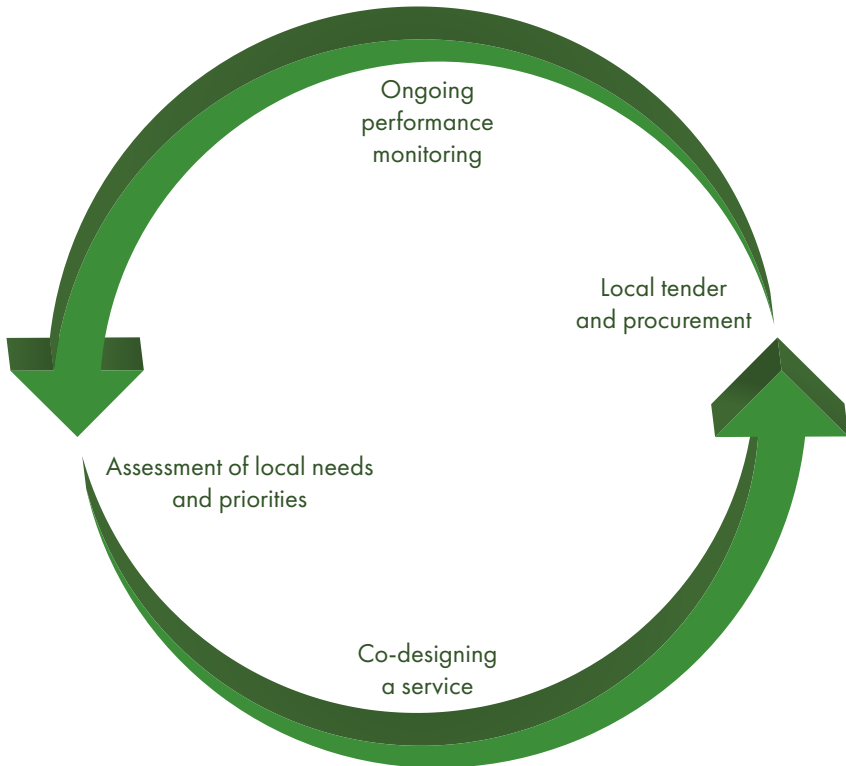
With the upcoming Procurement Act set to better reflect and consolidate in legislation a shift towards a more strategic view of public contracts, strategic commissioning in local government has become a keystone of a modernised, resilient public service framework, ensuring that services are not only cost-effective but also resonantly attuned to the needs of local communities. By embedding social value considerations—like environmental sustainability, local economic growth, and matters of social prosperity—strategic commissioning moves beyond traditional cost-saving measures towards a broader perspective of value-for-money that works towards a reassertion of public interest in commissioning decisions and fosters a mindset in all partners that improved service outcomes and broader societal benefits must take priority.

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41 [Diba et al. \(2023\) – A co-production approach to exploring an integrated service model in UK local authorities](#)

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## Basic local strategic commissioning cycle



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By fostering partnerships with third-sector organisations, local enterprises, and community groups, councils can deliver services that are both innovative and grounded in social value. Recent years have seen the beginnings of a broad shift within local government towards achieving locally defined social value through local authority service contracts. This shift has generally been driven by a desire for greater control over service quality, a more expansive and pragmatic approach to value-for-money, and the potential for cost-savings<sup>42</sup> – desires that were repeatedly expressed

by council leaders, officers, and relevant stakeholders across the South East over the course of this research.

The upcoming Procurement Act is set to significantly enhance the strategic commissioning capabilities of local authorities in the UK by introducing a streamlined, more transparent, and flexible procurement framework. The new legislation replaces the previous Public Contracts Regulations 2015 and is designed to simplify procurement processes, making them more accessible and efficient for local councils. One of the key features of the Act is its strong emphasis on transparency, requiring more accessible and comprehensive public disclosure of procurement activities, which is expected to drive better competition and allow for more informed decision-making by councils.

Notably, competition in this sense is informed by a refreshed, more holistic conception of value-for-money; the Act introduces provisions that will explicitly allow local authorities greater flexibility to incorporate social value into procurement decisions and public contracts. This aligns with the broader goals of a strategic commissioning approach, enabling local authorities to not only focus on cost-effectiveness but also to deliver wider community benefits, such as supporting local SMEs and addressing skills gaps.

Local authorities in the South East must seek to leverage this new legislative framework to strategically recalibrate their approach to service commissioning and public contracts. The Act's emphasis on flexibility and transparency presents an opportunity for councils to tailor their service commissioning and procurement strategies to prioritise not just cost-efficiency, but also local job creation and community wellbeing, ensuring that local public spending directly contributes to inclusive growth, social resilience, and the broader prosperity of local areas and the region writ large<sup>43</sup>.

Furthermore, the region's authorities should embrace early market engagement and foster collaborations with local SMEs, social enterprises, and third sector groups to ensure that their contracts are both innovative and closely aligned with local needs. This proactive approach to commissioning, coupled with a dynamic contracting strategy, can allow councils in the South East to improve their agility in adapting to evolving local circumstances while maintaining strategic oversight. By doing so, local authorities in the South East can ensure that their commissioning strategies become deeply rooted in principles of localism, stewardship, and subsidiarity, ultimately working towards the delivery of improved, resilient, and high-impact public services across the region.

## 3.5 Central government reforms and service provision

### Infrastructure & transport

On infrastructure, the government have followed up a pre-election promise of an overhaul in delivery with the creation of a National Infrastructure and Service Transformation Authority. This is intended to integrate existing organisations to define strategic infrastructure objectives while managing the design, scope, and execution of key projects. After the election, the government committed to fast-track development in key sectors, such as renewable energy and 5G connectivity, by updating national policy statements within six months of taking office. For the South East, particularly its rural communities, the extra investment announced in the Budget for Project Gigabit will be helpful.

Further to this end, Labour in opposition set out plans to increase general public sector capacity and improve community engagement by offering local benefits, like reduced energy bills, for areas hosting critical infrastructure projects<sup>44</sup>. Councils in the South East must collaborate in advocating for changes in policy to translate to on-the-ground improvements, and to hold the government to account on infrastructure whilst seeking to co-produce the details of such reforms and how they will work in practice.

Transport for the South East's (TfSE) Strategic Investment Plan outlines a comprehensive approach to improving transport connectivity, supporting economic growth, and achieving decarbonisation targets<sup>45</sup>. The plan includes nearly 300 multimodal transport projects intended to address the region's challenges by 2050. Moreover, TfSE has emphasised the importance of addressing gaps in freight and logistics infrastructure, particularly in better connecting the region's ports, airports, and international rail links to support both local and national economic growth. The organisation also highlights the need for "joined-up" thinking across various transport bodies to ensure coordinated and effective implementation of these strategies. As part of this process, councils in the South East must come together in advocating and engaging with government to ensure that TfSE's Strategic Investment Plan is taken into account and incorporated into the practical aspects of the government's transport reform agenda.

### Housing & planning

While the uplift in government funding for homelessness support and social housing provision in the 2024 Autumn Budget will be welcomed by councils, the long-term solution to the housing crisis must ultimately be one of well-managed increases in

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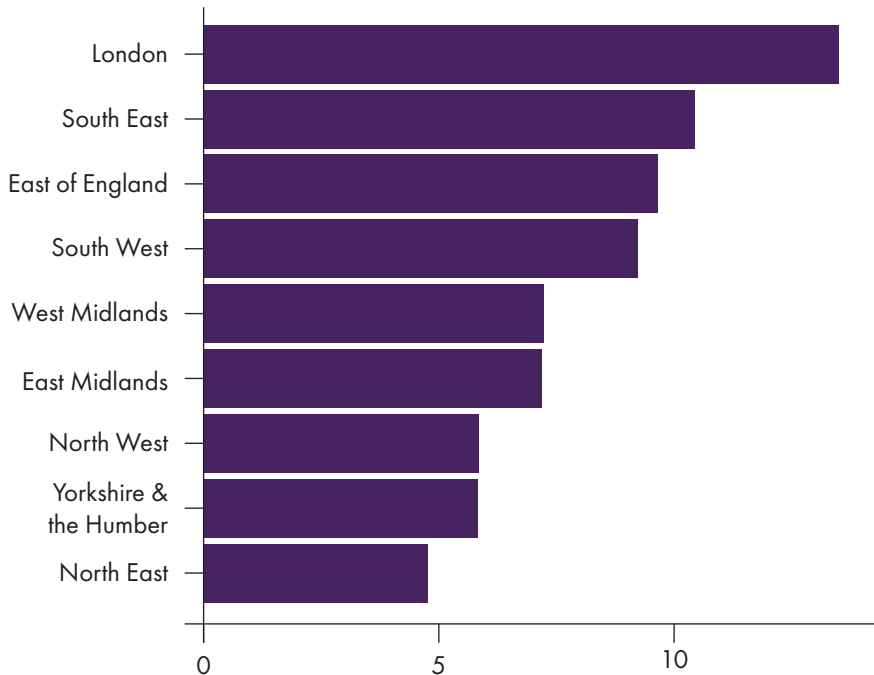
44 Institute of Civil Engineers (2024) – 5 infrastructure takeaways from the 2024 Labour Party manifesto

45 Transport for the South East (2023) – [A Strategic Investment Plan for the South East](#)

supply. The government’s national housing ambition to “build 1.5 million homes that are high-quality, well-designed and sustainable” is predicated on housing delivery across the South East<sup>46</sup>. The proposed housing targets are higher in the South East than any other region outside London, underscoring the region’s significance as a crucial strategic partner for the Government. Under the new method for calculating housing need, 17 percent (69,060) of the new 371,571 annual housing target for England would need to be delivered in the South East<sup>47</sup>. Of the average annual net additional homes, 18 percent are in the South East<sup>48</sup>.

### Figure 7. Housing affordability in English regions

Ratio of median house price to median salary



Source: ONS

46 UK Parliament (2024) – [Building the homes we need](#)

47 GOV.UK (2024) – [Outcome of the proposed revised method](#)

48 GOV.UK (2024) – [Outcome of the proposed revised method](#)



The housing need in the region is more complicated than just supply alone, with the affordability of housing absolutely crucial to successful reform. 118,397 households were on South East local authorities' waiting lists in 2022-23 and 2018 analysis by Crisis and the National Housing Federation found that housing supply requirements in the South East were higher than any other region<sup>49,50</sup>. With housing affordability such a critical issue across the South East, the region should be a significant beneficiary of future Government investment at the Spending Review, if allocated on the basis of housing need.

On planning, the government has confirmed its intention to introduce new mechanisms for cross-boundary strategic planning to boost housing delivery<sup>51</sup>. While the model is intended to support elected Mayors in overseeing the development and agreement of Spatial Development Strategies (SDS) for their areas, the government has stated that it will "also explore the most effective arrangements for developing SDSs outside of mayoral areas, in order that we can achieve universal coverage in England, recognising that we will need to consider both the appropriate geographies to use to cover functional economic areas, and the right democratic mechanisms for securing agreement<sup>52</sup>". Councils should seize the initiative to start building these cross-boundary relationships as early as possible to address some of the significant infrastructure barriers to housing delivery.

Another crucial dimension to the government's planning changes through the proposed changes to the National Planning Policy Framework, is green belt reform and the creation of the 'grey belt'. Proposed reforms seek to reclassify green belt land where they have "little ecological value", "are inaccessible to the public", and have "little aesthetic or environmental value" to grey belt land<sup>53</sup>. With 16 percent of all land in the South East currently designated as green belt, there is likely to be a significant impact on the number of developments in, and the character of, the region<sup>54</sup>. As part of this process, councils in the South East must come together to engage their communities and government to ensure that new development secures tangible benefits to local people as well as providing the necessary preconditions for economic growth.

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49 MHCLG (2024) – [Local Authority Waiting Lists 31 March 1987 to 31 March 2023](#)

50 Bramley (2018) – [Housing supply requirements across Great Britain: for low-income households and homeless people](#)

51 UK Parliament (2024) – [Building the homes we need](#)

52 MHCLG (2023) – [Letter from the Housing Minister to stakeholders: Building the homes we need](#)

53 Ministerial Statement (2024) – [Building the homes we need](#)

54 MHCLG (2023) – [Local authority green belt: England 2022-23 – statistical release](#)

Demonstrating delivery on affordable housing, local amenities and other necessary infrastructure is crucial to secure local buy-in and acceptance of wider development.

## Social care

With regard to social care, the government must urgently seek to address funding shortfalls and workforce shortages in the social care sector. Since coming to power in July 2024, the government has outlined its ambitions for reforming social care. One of the centrepieces of their agenda in opposition was the creation of a National Care Service within ten years, aimed at ensuring more uniform standards across the country, with stronger national frameworks but nonetheless leaving local authorities responsible for service delivery.

Labour have also previously supported integrating health and social care services, which they have argued will ease hospital discharge pressures and improve overall care delivery. However, specific details on funding for such a model remain unclear, with concerns about how they will finance such reforms within tight fiscal constraints and strained public finances.

Social care continues to be the most significant strain on local budgets across the UK, and rather acutely in the South East due to the ageing population. Expediting proposed reforms and establishing a dedicated national fund or exploring insurance-based models could alleviate a great deal of financial burden on local authorities, enabling them to reallocate resources more effectively to other critical areas and become better poised for the delivery of local and national strategic goals.

Current reforms, such as the 'fair cost of care' initiatives, are expected to place additional financial pressures on local authorities, particularly in the South East, in their current form, even allowing for the £600m uplift in the budget. The scrapped Dilnot proposal to put a £86,000 cap on personal care costs was designed to prevent individuals from losing their homes to pay for care. However, this shifts a significant financial burden back onto local authorities, who would be responsible for covering costs once individuals hit the cap. This model is particularly challenging for councils in areas like the South East where property values are high, and a large proportion of elderly residents may end up qualifying for capped care costs.

Additionally, fair cost of care initiatives are just in their aim to ensure that care providers are paid sufficiently to cover the true cost of delivering care. While the principle is sound, it means councils will need to pay more to care providers, again putting additional strain on already stretched local authority budgets. Councils in the South East will thus face even higher operating costs for care services due to cost-of-living and wage differences.

Lastly, labour shortages in social care, exacerbated by already low wages, difficult working conditions, and the impacts of Brexit, have forced many local authorities to either increase wages or, as noted previously, rely on overtly expensive agency staff. Labour's Fair Pay Agreement may address this to an extent by mandating higher wages, but this too will see local authorities require more funding for a service that already dominates and represses budgets. To mitigate these pressures, the government should press urgently on with proposed reforms for a 'National Care Service' and phase the implementation of these reforms to enable an accountable and strategic approach to budgetary and workforce transitions. Additionally, significant investment in recruitment campaigns and workforce development will prove crucial to meet the increasing demand for care services regardless of what systemic and policy reforms are set to be implemented at a later date.

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## CHAPTER FOUR

# The South East in the national picture

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The South East is a critical economic engine within the UK, yet, as noted, its public services continue to face growing pressures, exacerbated by fragmented governance and uneven economic distribution across the region. As central government shifts towards mission-driven policies and introduces new investment vehicles, there is a vital opportunity for South East local authorities to harness these changes and work together in securing targeted investments and greater powers through devolution. This section examines the potential for the South East to not only seek to address long-standing infrastructure and public service deficits but to align with the government's national missions. However, success, to this end, fundamentally depends on local authorities adopting a more collaborative and cohesive approach to regional and sub-regional governance.

### Key points

- Representing an economic powerhouse yet struggling to achieve long-term sustainability, local authorities in the South East must harness their strategic capacity, and be supported in building it by central government, to influence and implement national missions, particularly by aligning local expertise with central government investment vehicles.
- With the English Devolution Bill forthcoming, government must be aware that powers in key areas such as skills funding, recruitment, and fiscal autonomy, can enable local authorities to address acute workforce shortages and strategically manage housing and transport planning in a way that reflects the region's economic and social conditions.
- The negotiation of bespoke devolution deals can help in facilitating the production of cohesive regional strategies that reflect the diverse needs of the South East's urban, sub-urban, and rural communities.
- Such a devolution model would build on the region's high employment rates and thriving sectors to strengthen and take pressure off local services and develop long-term financial sustainability.

## 4.1 Economic and political significance

The South East plays a significant role in the UK's economy as one of the most economically dynamic regions outside London, contributing substantially to the national GDP. In 2022, the South East had a GDP of approximately £315bn, making it the second-largest contributor to the UK's economy and the highest net contributor<sup>55</sup>. The South East also has a notable combination of low unemployment and high productivity overall. As of 2024, the South East's unemployment rate stands at around 4 percent, which is lower than the UK average, highlighting its strong labour market. This is coupled with a high employment rate of over 78 percent, one of the highest in the UK, indicating a job market that is robust with lower levels of economic inactivity compared to other regions<sup>56</sup>.

The region is characterised by its diverse economic base, with strengths in several high

55 [UP TO DATE STATISTICS IN FINAL DRAFT]

56 [UP TO DATE ONS STATISTICS IN FINAL DRAFT]

value sectors such as IT, life sciences, financial services and advanced manufacturing. The area is home to key industries that support the national economy, including significant hubs for research and development, such as the city of Oxford<sup>57</sup> and its surrounding clusters of activity.

Additionally, the South East sees economic benefits from its proximity to London, despite the aforementioned pressures it places on services. The capital influences the region's economy through strong commuter links into the capital, higher income levels, and a highly skilled workforce. This economic interconnection boosts sectors like real estate, professional services, and education—although this is fundamentally dependent on geographic proximity and such economic gains are by no means evenly spread across the region writ large.

Politically, the South East's significance is marked by fragmentation and a lack of cohesive governance. Unlike other regions with a more unified political voice, the South East is distinctly divided into several economically diverse sub-regions, each with its own siloed interests and priorities. This fragmentation is exacerbated by the aforementioned dominant presence of London, which often overshadows the South East in national policy and reform discussions. Additionally, the region lacks a strong regional identity and collaborative spirit, which undermines any push for greater autonomy or devolution. While there is little public or political appetite for a unified regional government, the South East still wields considerable influence over central government policy when leveraged, largely due to its aforementioned economic importance. Though, it is important to note that the South East can often benefit from "lucky" policy outcomes designed to maintain national economic competitiveness, further reinforcing the perception that the South East's success is vital for the UK as a whole<sup>58</sup>. Local authorities in the South East must take this in stride and turn luck into strategic communication to ensure that the region's interests are accounted for explicitly and in a more comprehensive manner.

The South East has also become a crucial battleground in national election, comprised of 91 constituencies, making it one of the most influential regions in determining the outcome of general elections. In the 2024 general election, the South East saw a notable shift with Labour gaining significant ground, winning 36 seats, the Conservatives retaining just 30, the Liberal Democrats 24, with other parties and independents gaining the rest. The region's political landscape, therefore, is increasingly competitive, with

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57 Oxford-Cambridge Supercluster – Policies to kickstart knowledge intensive economic growth

58 John et al. (2005) – Governing the Mega-region: Governance and Networks across London and the South East of England

suburban and rural areas showing increasingly varied political allegiances. These dynamics make the South East a focal point for national parties aiming to secure or maintain power and thus allow local authorities in the region a certain degree of leverage when advocating for positive policy change and targeted investments.

The new South East MP cohort includes a mix of first-time MPs from Labour, the Liberal Democrats, and some new Conservative faces in addition to more established members. Many of these new MPs have a history of involvement in local government or community organisations, which positions them well to advocate for local issues at the national level, as well as providing a means for existing contacts to have an ear in government.

The new intake's strong ties to local government suggest they can be strong advocates for local authorities, or at the very least have an acute understanding of the issues facing local government in the South East. They are expected to push for greater devolution of powers and resources to councils, allowing for a more tailored and effective management of local issues they previously had a role in managing themselves. Thus, there is now a greater latent potential for a stronger collective voice advocating for the needs of the South East and its constituent authorities, which could translate into more significant investments in infrastructure, services, and economic development in the region if this collective voice can be developed and strengthened at the local level and brought to government.

## 4.2 National missions, investment vehicles & devolution

The new government has committed to mission-driven government, which lends itself from the ideas of leading economist Mariana Mazzucato and existing practice found across local governments of the world, including many trailblazers within the UK. According to Mazzucato's six principles:

- Missions should set bold, audacious goals to provide a clear purpose and direction;
- Missions should focus on the long term;
- Missions should galvanise action across sectors and across society;
- Missions need active political management to build, grow and nurture a coalition of the willing;
- Missions should be based on a new approach to policy design;
- Missions should direct public and private investment in line with mission goals<sup>59</sup>.

The language of missions is compelling and in theory a renewed, more strategic approach to national policymaking presents new opportunities for local government, not just as delivery agents but as active participants and part of the “coalition of the willing”. It also presents opportunities for realignment of restrictive and ring-fenced funding frameworks that too often impede the important preventative services provided by councils that save money to the public purse over the longer term.

The 2024 Labour Party manifesto outlined the government’s approach to being mission-led, emphasising the ambition and clarity of quantifiable long-term goals to give the nation a renewed sense of direction. The approach represents a notable shift towards more coordinated, strategic governance, with the intention of devolving power to local authorities and communities being said outright on multiple occasions, even since taking office. The government’s five missions are as follows:

- kickstart economic growth;
- make Britain a clean energy superpower;
- take back our streets;
- break down barriers to opportunity and;
- build an NHS fit for the future<sup>60</sup>.

However, the detail on these missions, and the proposed political management outside the creation of mission boards and ambassadors, remains unclear. The missions, if delivered in line with Mazzucato’s six principles, could represent a powerful opportunity to harness the power of the South East, utilising the local authorities’ local expertise and knowledge and galvanising support from businesses, residents, and local communities to look holistically at public and private services afresh.

Done in partnership and effectively, it represents an opportunity to boost economic growth, support the green economy, enhance neighbourhoods and high streets, tackle health inequalities, and address other local disparities and barriers to opportunity across the region. Central government will need local government’s strategic capacity to deliver its missions effectively and meaningful devolution offers the window and scope to do this. However, the underlying principles of mission-led governance must become codified and formalised in relevant contracts and legislation, to ensure all public sector bodies and their stakeholders are held accountable for the delivery of such missions.



### 4.2.1 Labour's investment vehicles

The government's shift towards public-led investment vehicles marks a notable departure from successive Conservative government's emphasis on deregulation and private market solutions. Under the Conservatives, economic policy often relied on minimal state intervention, outsourcing, and the promotion of private investment through tax incentives and deregulation, particularly in the energy sector. The aim was to spur growth by reducing government control and allowing market forces to dictate development. However, in the case of capital projects and public services, the approach, accompanied by over a decade of ruthless austerity, has stagnated growth and caused a steady decline in public services.

In contrast, the now Labour government's new vehicles, such as 'Great British Energy' and the 'National Wealth Fund', reflect a tacit return to more active state involvement in redirecting capital and investments towards infrastructure and services. The vehicles are designed in such a way as to blend public investment with private capital to accelerate infrastructure development, with the green energy sector a key initial focus. This approach reintroduces strategic state-led investment to correct market failures, particularly where private investment alone has proven insufficient to meet national needs.

The accompanying proposals have also suggested a structural change in governance, particularly with the instillation of a National Infrastructure and Service Transformation Authority, which is set to be given the task of streamlining infrastructure project delivery and centralising administrative oversight over particularly large contracts. This again contrasts with the fragmented and semi-devolved approach of recent years, which too often resulted in slower-to-no infrastructure rollouts and inconsistent and unreliable regional investment<sup>61</sup>. Publicly administered investment vehicles represent a monumental opportunity for South East local authorities to collaborate strategically to identify, design, and propose key regional and sub-regional infrastructure projects that help improve the region's infrastructure, widen the appeal of the South East as a place to live and do business, and, in the long-term, stimulate inclusive growth and abate service pressures for local authorities.

### 4.2.2 Devolution bill and South East progress

The English Devolution Bill will set out the framework for devolution across the South East, and is expected to include enhanced powers for areas with new combined and combined county authorities over strategic planning, local transport networks, skills, and employment support<sup>62</sup>. To this end, South East devolution is still in its nascent stages. To date in the South East, just two deals have been given the green light. The Government indicated that “it is minded to progress” with a non-mayoral ‘Level 2’ Single Local Authority devolution agreements with Buckinghamshire Council and Surrey County Council, subject to “further statutory tests being met<sup>63”</sup>.

Following the government’s call for expressions of interest, it is notable that an overwhelming number of local authorities across the South East region have indicated a preference for ‘Level 2’ deals. Mirroring the fledgling deals in Buckinghamshire and Surrey; Berkshire<sup>64</sup>, East Sussex<sup>65</sup> and West Sussex<sup>66</sup> have all elected for a county deal, similar to the 1974 footprint. With the government’s unequivocal position that it sees these initial deals as a first step towards “wider and deeper”<sup>67</sup> devolution in the region rather than the final destination point, councils will need to collaborate across geographical boundaries and party lines if they are to secure greater strategic capacity and the wider accompanying powers via the English Devolution Bill.

As noted, the economic, political, and social geography across the South East is complex and it has historically proved challenging to draw meaningful administrative boundaries for wider devolution deals. This is partly due to the unpopularity of the mayoral model in the region, with a recent South East Councils survey of political and corporate leadership finding just 14 percent support<sup>68</sup>. Arriving at a devolution deal in Hampshire, for example, has previously proved complicated due to the acute mix of urban and rural authorities, and the Isle of Wight’s separation by sea. Despite such difficulties, Hampshire is demonstrating that through collaboration, strong political will, and maturity, meaningful devolution is possible for the region, submitting a joint request between Hampshire County Council, the Isle of Wight, Southampton City

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62 Cabinet Office (2024) – [King’s Speech 2024 background briefing](#)

63 MHCLG (2024) – [Major step forward in government’s devolution revolution as new powers agreed for English regions](#)

64 Local Government Chronicle (2024) – [Berkshire councils agree to pursue devo deal](#)

65 East Sussex Council (2024) – [Decisions, East Sussex Devolution Proposal](#)

66 West Sussex County Council (2024) – [West Sussex County Council submits expression of interest on devolution](#)

67 MHCLG (2024) – [Major step forward in government’s devolution revolution as new powers agreed for English regions](#)

68 South East Councils (2024) – [Devolution Survey: Autumn 2024](#)

Council and Portsmouth City Council for one of the region's most encompassing deals, with the creation of a directly-elected mayoral combined authority<sup>69</sup>.

The Autumn Budget, however, threatened such efforts by alluding to wholesale reorganisation of local government, pledging to “[work] with councils to move to simpler structures that make sense for their local areas, with efficiency savings from council reorganisation helping to meet the needs of local people”. The idea of reorganising local government, a term generally accepted to mean the abolition of the district tier and absorption of its functions into a single layer of unitary authorities, has been mooted many times by central government. The issue came up repeatedly in the run-up to the Local Recovery and English Devolution White Paper 2020, which ended up being delayed and transformed into the Levelling Up White Paper almost two years later, and has seemingly been revived for the new government's white paper on the same subject<sup>70</sup>.

With a local government composition of 13 unitary councils, six county councils, 51 non-metropolitan district councils and nearly 1,500 civil parishes across the South East, the prospect of unitarisation would represent a major transformation of governance in the region. It is important to note that the evidence for reorganisation as a means of staving off financial woes is mixed, with the identified savings representing a drop in the ocean of the current local government funding gap<sup>71</sup>. Furthermore, the lack of political or indeed any evident public desire for governance transformation must be factored into government analysis on whether the process is worth embarking on.

Yet in this context of existential threat for many of its constituent authorities, it is even more essential that local government in the South East adopts a highly collaborative and politically mature approach to building strategic capacity to ensure meaningful devolution remains achievable. As an economic powerhouse for the UK already, devolution in the South East may well look slightly different to elsewhere. It is imperative that the geographies and powers associated with any South East devolution deals continue to complement, enhance, and drive the region's economic success. Both central and local government must view this as the ultimate end goal of devolution and not become distracted by attempts to reach a subjective 'ideal mode' of governance.

Given the nascent status of the English Devolution Bill and the challenging financial environment, local authorities should engage with government openly and

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69 Andover Advertiser (2024) – [Hampshire councils' new bid for devolution that could lead to regional mayor](#)

70 The MJ (2024) – [EXCLUSIVE: Government to launch full reorganisation](#)

71 Mark Sandford (2021) – [Unitary Local Government](#)

constructively about widening and deepening their ambitions for devolution in the South East beyond the enhanced powers already under consideration. Pushes for greater fiscal devolution and accompanying capacity-building programmes should be at the forefront of such considerations. In the context of such discussions, it is reasonable for central government to make governance reform a requirement for certain powers – but the wholesale, top-down imposition of new structures would represent a time and energy sink for both sides, as well as contradicting the commitment to bottom-up devolution advocated for by the government when in opposition.

### **4.3 Targeted investments and bespoke devolved powers for the South East**

The government's national missions, investment vehicles, and emerging devolution framework represent a profound shift in the governance model of the country as a whole, and certainly a shift in the tone of central-local relations, with significant strategic implications for the South East and its sub-regions. The South East can stand at the forefront of any national growth agenda or achievement of national missions, yet its political fragmentation and uneven economic distribution have historically limited cohesive regional strategy and governance frameworks.

The government's new mission-driven approach, underpinned by state-led investment vehicles, coupled with the exciting potential for bespoke devolution agreements under the upcoming Devolution Bill, provides a real opportunity for the South East to address infrastructure deficits, galvanise services, and push for fiscal autonomy. However, the region's diverse political and economic geography necessitates a collaborative and strategically mature response from local authorities, ensuring that targeted investments align with the South East's unique needs at all tiers of governance, while leveraging its strengths to deliver on national priorities.

#### **4.3.1 Investments**

##### **Infrastructure**

Expanding and modernising the transport infrastructure of the South East is essential to enhancing regional connectivity, bolstering economic growth opportunities, and alleviating strain on overstretched services. Strategic investment should focus on key areas such as road upgrades, rail improvements, public transport, and sustainable transport solutions, including cycling networks and EV charging infrastructure. Priority must be given to regional transport hubs—major rail and bus terminals—to streamline commutes, optimise logistics for businesses, and enhance employment and start-up access.

Government-backed green bonds or targeted investments through one of the government's investment vehicles overseen by the National Infrastructure and Service Transformation Authority (Nista) should incentivise the development of low-carbon public transport solutions, such as electric buses, trams, and pedestrianised zones, particularly in areas suffering from severe air pollution or traffic congestion. Such initiatives would echo the forward-thinking analysis and goals of TfSE's Strategic Investment Plan and offer a pathway to a clear, more efficient transport system for the region and its efficacy into and out of London.

Enhancing digital connectivity in the South East will also prove pivotal for economic growth and societal resilience in both urban and rural areas. Investment in advanced digital infrastructure—particularly fibre broadband and 5G networks—can enable the region's post-COVID workforce to thrive and make more places across the region more logistically appealing for local SMEs, start-ups, and relocating businesses.

South East authorities, in collaboration with one another and central government, can play a critical role in preceding such investment by identifying underserved rural communities and co-designing targeted subsidies to incentivise telecommunication companies to expand reliable networks and supporting community initiatives where possible. A cohesive, co-designed national strategy, underpinned by targeted investment through the government's vehicles, can see digital connectivity flourish across the region, with significant service implications in the short to long-term.

The government's ambition to deliver 1.5 million high-quality, sustainable homes is inextricably linked to housing delivery in the South East, a region bearing the brunt of the national housing crisis. With 18 percent of new housing targets allocated in the region, and housing affordability at critical levels, the South East and its constituent authorities stand as pivotal strategic partners. Thus, local authorities must seize the opportunity to collaborate and direct targeted investments into affordable housing, particularly through the innovative regeneration of brownfield sites, which can curb urban sprawl while alleviating shortages.

Establishing dedicated housing funds or trusts can enable councils to purchase land or collaborate with central government's investment vehicles, private developers, and local third sector organisations and prove crucial to scaling affordable and social housing projects. Furthermore, shared ownership schemes—supported by co-investment from local councils and central government—could ease the financial burden on first time buyers, offering a sustainable pathway to homeownership while expanding housing stock.

With significant green belt land in the region, proposed reforms to create 'grey belt' zones could unlock land for development where ecological and aesthetic value is limited, providing South East authorities with additional levers to address housing needs. However, strategic cross-boundary planning and local engagement must precede such developments and will prove essential in ensuring infrastructure development is aligned with housing growth.

Specific considerations of sustainability and climate resilience must become embedded as a fundamental part of any incoming infrastructure investments. Addressing the growing challenges posed by rising sea levels, increased flooding, and unpredictable weather patterns, particularly in the South East's vulnerable coastal and low-lying regions, requires a proactive, targeted approach to climate resilience.

Strategic investments in flood defences—such as dykes, levees, and managed retreat—must be prioritised to mitigate future damage and reduce long-term, reactive costs. The Environment Agency should consider strengthening local partnerships of councils to co-design adaptive solutions in high-to-medium risk zones, ensuring resources are effectively and sustainably deployed. This could extend to retrofitting, where public buildings are more effectively fitted with energy-efficient technologies to cut emissions and lower operational costs.

With regard to modelling the funding and financing of such investments, local authorities should look to continue tapping into national government funding opportunities whenever they arise, particularly those specifically earmarked for infrastructure improvements in regions needing investment through the eventual establishment of the government's investment vehicles. These funds could be matched with local authority budgets for maximum impact. Moreover, South East local authorities could look to issue local infrastructure bonds to raise capital for infrastructure projects – such bonds can be structured to attract institutional investors by offering a stable return on long-term projects like road networks or large-scale digital infrastructure.

In terms of coordination and governance over such investments, regional cooperation frameworks between neighbouring councils to coordinate infrastructure investments, particularly in transport and housing, should be established as either a pre-cursor to an all-out devolution deal or as part of putting one into practice. By pooling resources and aligning infrastructure development goals in such a way, councils can maximise the regional impact of investments. To this end, integrated infrastructure plans should be developed that are cross-sector and combine digital, environmental, housing, and transport projects to ensure that investments are not made in isolation but contribute to broader, long-term strategic goals.

## Health and social care

To address the persistent structural funding gaps in adult social care, it is imperative to explore innovative, forward-thinking means of investment and funding mechanisms that anticipate inevitable systemic reform. Targeted investments will prove crucial in equipping local authorities with the financial resilience needed to implement 'fair cost of care' initiatives, alongside temporary fiscal support for future large-scale reforms. South East councils should consider pooling resources to establish prototyped regional funds dedicated to long-term social care which could ensure sustainable support for those with social care needs, guaranteeing continuity in transition to an eventually reformed system. Additionally, the introduction of long-term social care bonds could provide a novel route supplementing the raising of capital specifically earmarked for vital improvements to care homes and the expansion of community care infrastructure, thus fostering a more robust and equitable care system across the region.

With regard to the persistent workforce shortages and high turnover rates in the South East's health and social care sectors, strategic investments in workforce development are also critical. Targeted funding should be allocated to local authorities' healthcare providers, ideally in close collaboration with one another, to establish apprenticeship programmes focused on medium- to high-risk zones need areas. By partnering with local colleges, training centres, and universities, these programmes could facilitate fast-track qualifications and create seamless employment pathways for carers and other scarce roles in the operation of health and social care services.

The introduction of a South East-wide network of sub-regional agency collaboration could enhance resource allocation and streamline costly recruitment efforts across the region. In addition, retention bonuses and structured career progression opportunities should be targeted with funding to curb turnover and retain skilled professionals. To address immediate staffing gaps short-term, offering regional incentives to recruit skilled workers from overseas—coupled with relocation support and regulatory facilitation for their qualifications—could provide a crucial influx of staffing and talent.

### 4.3.2 Devolved powers

As noted throughout this report, the South East faces significant challenges in restoring and enhancing its public services, which necessitates the granting of bespoke devolved powers to those South East authorities who have demonstrated a willingness to collaborate and pursue sound strategic goals. Key areas where such powers would be transformative include skills funding, recruitment, fiscal autonomy, strategic planning, and health and social care integration.

Control over skills funding, particularly the apprenticeship levy, would allow councils to design local training schemes tailored to address acute workforce shortages in local sectors such as social care, green transition, and planning. Devolving the administration of unused levy funds would enable authorities to reallocate resources more effectively, while targeted green apprenticeship schemes could help meet the country's net zero ambitions. Moreover, greater authority over public sector recruitment—through region-specific pay scales and even devolved immigration policies for critical roles—would enhance South East local authorities' ability to attract and retain talent in an increasingly difficult labour market.

Fiscal autonomy is equally crucial, enabling councils with the financial and strategic acumen to adjust council tax rates and introduce local taxes that reflect regional economic conditions—such as a European-style tourism tax. This would bolster financial resilience and reduce dependency on volatile central government funding for the provision of services. In addition, strategic planning and infrastructure control—particularly over spatial planning, housing targets, and transport networks—would empower South East local authorities and TfSE as the region's key strategic transport body to holistically address critical issues like housing affordability and transport connectivity. Enhanced integration of health and social care, potentially through expanded and better proliferated ICSs, would provide a more locally responsive framework for delivering such essential services to an increasingly ageing population.

The South East's economic strength and diverse needs require a tailored approach to devolution. The region's political fragmentation also necessitates a renewed collaborative approach from the region's local authorities to ensure that devolution can be implemented effectively through governance structures designed to deliver tangible benefits. Bespoke devolved powers, of an ilk described in this section, aligned with the government's national missions and investment vehicle framework, have great potential in restoring capacity for public services across the South East, and building them to be more resilient long-term.



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CHAPTER FIVE

# Recommendations

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## Recommendations to local government

- Local authorities in the South East should **strengthen financial governance and strategic leadership**.
  - Councillors should deepen their understanding of legal frameworks underpinning financial governance, ensuring full support for Section 151 officers.
  - Financial officers should embed ethical principles into their financial decision-making and adopt robust conflict of interest management and transparency protocols.
  - Officers should utilise data-driven insights, enabling councils to balance immediate demands with long-term sustainability.
- Local authorities in the South East should **strengthen commercial practices and diversify revenues**.
  - Commercial activity must be balanced with robust risk management – including clear risk appetites early on in any commercialisation process to safeguard against the dangers of high-risk ventures.
  - Councils should adopt comprehensive models to assess commercial maturity, ensuring that commercial strategies remain fundamentally aligned with strategic goals.
  - Local authorities should also consider CMI and other bond-related options to finance projects such as infrastructure upgrades, renewable energy installations, and urban developments.
- South East local authorities must **collaborate in managing public service contracts**.
  - Councils should work closely with partners to derive a broader concept of value-for-money from contracts, particularly by leveraging the provisions of the upcoming Procurement Act.
  - By working alongside other local authorities, councils can pool resources and achieve economies of scale in procurement and service delivery.

- South East local authorities must **engage in comprehensive, collaborative, and data-driven strategic workforce planning.**
  - Local authorities should undertake regular assessments of their workforce’s age distribution, skillsets, and projected retirements.
  - Local authorities should formalise regional partnerships to deliver bespoke training programmes, with county councils well-positioned to manage these initiatives.
  - Local authorities should explore a shared staffing framework modelled after WMTemps to reduce their dependency on agency staff and improve workforce stability.
  - Given the ageing workforce in local government, councils should develop structured succession plans for senior roles, including identifying potential internal candidates for leadership positions and setting up structured mentoring programmes.
  - Local authorities should work across the region to develop outplacement programmes to mitigate the impact of job losses in some councils whilst also addressing skills gaps in other areas.
- South East local authorities should **work towards revitalising apprenticeships and training.**
  - Local authorities should advocate for a more unified approach to streamline apprenticeship schemes and make them more accessible.
  - Councils should collaborate with local businesses and educational institutions to create green apprenticeship programmes as well as those focused on service resilience.
- Councils must begin to **prioritise integrated, resilient, and preventative service models.**
  - Expand integration efforts by continuing to form cross-body, boundary and sectoral teams to plan, share resources, and deliver services collaboratively.
  - Engage communities proactively through local surveys, forums, and partnerships with parish councils and community organisations to gather insights into emerging trends in real time.
  - Use data analytics to predict service demands, enabling early interventions that prevent escalation.

- Local authorities in the South East must **collaborate on infrastructure and housing delivery**.
  - Foster cross-boundary collaborations on strategic planning to ensure unified development across boundaries.
  - Create local housing and infrastructure funds by establishing housing trusts, developing affordable and social housing, and coordinating with central authorities.
  - Align local investments with climate resilience goals by forming cross-council partnerships with bodies such as the Environment Agency, focusing on flood defences, coastal retreat strategies, and retrofitting.
  - Pursue collaborative, cross-authority infrastructure planning, pooling resources and developing regional cooperation frameworks to produce regional and sub-regional infrastructure plans.

### Recommendations to central government

- Central government must **push on with and accelerate reform of social care funding**.
  - Government must expedite its plans for a National Care Service, with clear funding mechanisms to alleviate local authority burdens. Integrating health and social care services, alongside implementing a cap on care costs, will help councils manage growing financial pressures.
  - Central government should create a long-term funding stream for social care to allow councils to better allocate resources to other critical areas.
- Government should **expedite the review of funding formulae and reset business rates**.
  - The revised funding formula must work towards ensuring that funding allocations reflect present-day service pressures rather than outdated population and economic models.
  - A comprehensive reset of business rates is necessary to address disparities in spending power across regions, particularly in the South East where the current system disadvantages many councils in unique ways.

- The new MHCLG Workforce Development group must be empowered to **provide support measures to address the staffing crisis in local government**.
  - The Apprenticeship Levy should be reformed, allowing councils to charge an administration fee and streamlining funding and support mechanisms.
  - Government should invest in regional employment hubs to help scale up efforts to support councils to coordinate workforce planning.
  - The impact of employer national insurance contribution rises on council recruitment capacity must also be examined, with targeted discounts and exemptions considered.
- The Spending Review, the English Devolution Bill and the Planning and Infrastructure Bill must work in tandem to **establish and fund mechanisms for cross-boundary spatial planning**.
  - Capital funds should be made available to consortia of councils that can produce plans for the provision of social and truly affordable housing.
  - Investment vehicles for local infrastructure provision should be supported through central government match funding.









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