# London council tax hikes set to soar above 27% amid Labour-led funding overhaul



Londoners are being faced with the shocking prospect of council tax hikes soaring beyond 27%, a heavy-handed consequence of a Labour-led government pursuing a blatant redistribution scheme designed to punish the prosperity of southern regions like London. This politically motivated plan, championed by Deputy Prime Minister Angela Rayner, aims to overhaul the existing funding formula with the aim of redirecting resources from wealthier areas — primarily London and the South East — to less affluent northern communities. It’s another example of a government determined to implement a reckless policy that will inflate bills for London homeowners, while neglecting the importance of a fair, balanced system.

Significantly affected are affluent boroughs such as Kensington and Chelsea, which face an estimated £30.1 million shortfall in funding by 2028-29. Under these new pressures, council tax in these areas could be forced sky-high—climbling by an astonishing 27.4%—well above the usual cap of 4.99%. Instead of delivering value for residents, the government’s redistribution risks pushing up bills to unaffordable levels while forcing councils to slash essential services, undermining the very communities they serve. Other prominent London councils like Westminster, Wandsworth, Richmond, and Hammersmith and Fulham are bracing themselves for similar reductions, putting vital local services at risk and exposing the government’s failure to prioritize the financial stability and interests of Londoners.

This sweeping reform, supposedly taking £2 billion from southern England to bolster northern towns and cities, has sparked intense criticism. Many see it as a punitive redistributive fairness scheme aimed at appeasing Labour’s northern base at London’s expense, rather than a genuine attempt at reform. Officials and opposition voices fear it is a blatant attack on London’s economic vitality, as homeowners face mounting bills and councils are squeezed to breaking point. Notably, some local MPs from wealthy areas, like Julia Lopez, warn that outer London boroughs — already financially stretched — will shoulder an unfair burden and be disproportionately harmed.

London’s councils already face crippling shortfalls, with an estimated £500 million annual funding gap. Liberal Democrat MPs and critics have condemned the government’s approach for falling woefully short of London’s needs, with warnings that rising council taxes, coupled with diminishing government support, threaten to gut local services altogether. The notion that this is “fair redistribution” is simply disingenuous — it’s an outright power grab that will hit London hard.

Angela Rayner’s claims that this approach is about “fixing” local government funding are unconvincing. Instead, it reveals a government more interested in punishing success and consolidating control rather than ensuring genuine fairness. The attempt to justify this “rebalancing” by claiming it accounts for deprivation and demographic factors is just a cover for a politically motivated redistribution that will result in higher bills for London residents, especially in the wealthiest areas — a classic attack on those who pay their taxes honestly.

Critics rightly label this a stealth tax that will deepen regional inequalities instead of resolving them. While some organisations claim the reforms address systemic imbalance, the reality is that these changes will only serve to widen the gap between London and the rest of England — punishing the success stories that are the engine of the nation’s economy. The government’s promises of an “eight-week consultation” and a “funding floor” are cold comfort; experience shows these tinkering measures will do little to prevent a wave of council tax hikes and service cuts that many Londoners simply cannot afford.

As these damaging reforms unfold, London homeowners and families will bear the brunt of a politically motivated redistribution — a reckless move that threatens to destabilize local services and further destabilize London’s place as the economic hub of the UK. This is capitalism punished, not rebalanced, and it reveals a government more interested in political posturing than in responsible governance. The anger from Londoners and Conservatives alike should serve as a wake-up call: the march towards financial disarray and regional division is being led from the top.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.express.co.uk/news/uk/2079425/council-tax-london-rise-more> - Please view link - unable to able to access data
2. <https://www.ft.com/content/289106a3-f081-4b28-bb0f-10e07a2fa02b> - The UK Labour government, under Prime Minister Sir Keir Starmer, has proposed a £2 billion redistribution of local government funding, shifting resources from wealthier southern English councils to poorer northern ones. This reallocation aims to address outdated funding formulas and provide greater support to high-need areas historically underfunded during 14 years of Conservative rule. Local Government Minister Jim McMahon highlighted the need for funding reforms that recognize current service demands and socioeconomic inequalities. The move is likely to benefit Labour-led northern councils while impacting traditionally Conservative southern authorities, potentially forcing them to raise council tax to compensate. A consultation on these changes will run for eight weeks, and ministers promise a 'funding floor' to limit sudden financial losses for councils. Additionally, the reform will review the business rates retention system. Reactions have been mixed: while organizations like the Northern Powerhouse Partnership and Institute for Fiscal Studies welcome the overdue changes, critics label the shift as a stealth tax and fear increased local levies. The Local Government Association called for a careful transition to avoid disrupting essential services.
3. <https://www.mpamag.com/uk/news/general/raynors-new-tax-proposal-could-be-tipping-point-for-buyers-says-mortgage-pro/539887> - Labour’s plan to overhaul council tax funding could leave southern homeowners facing higher bills, triggering concern among brokers about affordability and fairness. The proposed changes, led by Deputy Prime Minister Angela Rayner, aim to redirect government grants based on population, poverty and age—a formula designed to benefit underfunded councils in the North. But critics warn the reforms would shift the burden onto London and the South East, where many councils may be forced to raise taxes or cut services. Brokers are already expressing concern over the potential impact on buyers in the South, with some warning that the proposed council tax reforms could be a tipping point for many buyers in the region.
4. <https://www.theguardian.com/society/2024/nov/28/council-funding-redirected-rich-areas-most-deprived-england-local-government> - Ministers have said they will redirect cash from wealthy areas to England’s most deprived towns and cities, reversing a trend established during a decade of austerity in a shake-up of local government funding. The government also said it would consider 'on a case-by-case basis' requests from cash-strapped councils who wanted to balance their books by raising council tax above the current threshold of 5% for upper-tier authorities and 3% for districts. A new £600m recovery grant will be targeted at England’s most deprived towns and cities, mainly in the north and Midlands, alongside longer-term 'fair funding' plans intended to rebalance council funding away from the more affluent south-east. The changes, announced on Thursday, were billed by ministers as an attempt to 'fix the foundations' of local government and make funding more effective by ensuring councils with high needs in adult social care and child protection get a fairer share of funds.
5. <https://www.julialopez.co.uk/news/havering-risk-losing-out-government-eyes-funding-shift-north-warns-local-mp> - Havering could face further financial strain under new Government plans to shift council funding from the South to the North of England, according to Hornchurch and Upminster MP, Julia Lopez. In a letter sent to the Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government, Angela Rayner MP, Mrs Lopez raised concerns that proposals to redistribute local authority funding risk disadvantaging outer London boroughs like Havering even more than the status quo. According to reports in The Times, the Government is preparing to overhaul the formula by which Whitehall allocates money to local councils, with a view to directing more resources to areas in the North and Midlands. While the changes aim to address inequality, there are growing fears that boroughs in London and the Southeast will see reductions in their grant funding at a time when many, including Havering, are already struggling to balance the books.
6. <https://www.standard.co.uk/news/politics/council-tax-rise-london-angela-rayner-funding-b1234806.html> - Angela Rayner was challenged over a local government funding shake-up which could see council tax rising by more than five per cent in London. The Deputy Prime Minister was warned that London town halls already face a £500 million-a-year shortfall. She was further grilled in the Commons by Sarah Olney, Liberal Democrat MP for Richmond Park, who stressed that the funding allocated in the recent Spending Review was 35 per cent short of what was being demanded by London Councils. Ministers unveiled reforms last week to local government funding which leading economists warned would mean less central government funding for 'suburban, leafy' council areas in London and the wider South, which could further damage their financial positions. Ms Olney, Lib-Dem business spokesperson, emphasised: 'Under the government’s changes to local authority funding, the two councils in my constituency, Richmond and Kingston, are set to lose out even more, while the cost of funding local services continues to rise. Is it the government’s policy that London residents should continue to receive ever-increasing council tax bills while their local authorities have less and less money to spend?'
7. <https://www.independent.co.uk/independentpremium/politics-explained/why-is-angela-rayner-shifting-the-council-tax-burden-from-north-to-south-b2774002.html> - When Angela Rayner took over her department, the first thing she did was to delete 'levelling up' from its name. But she insisted that she was committed to the idea behind the phrase, and now she is about to announce a change in local government funding to prove it. The new funding formula is expected to allocate money from central government according to local needs, including population, poverty and age, with extra weighting for rural and coastal areas with higher transport costs. The effect will be to force local councils in London and the home counties to put up council tax. Many of them are expected to increase tax by the maximum 5 per cent a year for several years, and more than before will ask Rayner for permission to hold a local referendum on an increase greater than 5 per cent. Councils in the north, the Midlands and east London, on the other hand, may be able to cut their council tax, or at least increase it by less.