# Local councils warn reforms fail to address core funding crisis amid rising disparities



The Local Government Association’s alarm bells about the state of council funding highlight a disturbing trend – the system is beyond repair and in urgent need of a complete overhaul. Yet, rather than addressing the root causes, the government’s proposed reforms continue to fall short, risking only superficial fixes that leave councils vulnerable and underfunded. The recent figures, showing an increase from 18 to 29 councils requiring exceptional financial support, lay bare the failure of successive governments to deliver a sustainable funding model that truly serves local communities.

Calls from the LGA for the Chancellor to prioritise “fair” funding reforms ring hollow when the core issues are ignored. These so-called reforms aim to redistribute resources more fairly, yet the reality is that rising housing costs, especially in places like London, remain inadequately accounted for. Campaigners and local leaders rightly warn that without proper recognition of local housing poverty, many councils will remain underfunded, unable to sustain vital services. The promise of overhaul sounds more like window dressing than genuine commitment to fixing systemic inequities.

Despite government claims to streamline funding with a new multi-year, place-based formula, critics argue that these measures continue to overlook the true costs faced by urban councils, particularly regarding housing and social care. The so-called “simplification” risks masking deeper disparities, allowing socialist-style redistribution to mask the failures of free-market policies that have driven up housing costs and placed additional burdens on local authorities. Such superficial reforms do little to address the fundamental financial fragility many councils face, leaving them dependent on uncertain central government handouts.

The IFS’s analysis shedding light on targeted increases for the most deprived councils provides a glimmer of what might be an attempt at fairness, but it also exposes the deep divide across regions. A paltry 0.3% rise for wealthier areas versus nearly 6% for deprived councils offers a stark reminder that disparities persist. It’s a clear indication that the current system still rewards councils based on need that is often artificially inflated by government housing policies rather than genuine local effort or economic vitality.

Parliamentary debates on funding reforms hint at further tinkering, including resets of business rates and transitional arrangements, but these are mere band-aids on a fractured system. Phased transitions starting in 2026-27 are unlikely to preserve the vital local services under the strain of ongoing financial pressure. Councils still face an uncertain future, hamstrung by reforms that are more about window dressing than meaningful change, and which risk leaving communities – especially in formerly prosperous areas – with crumbling infrastructure and failing public services.

The overarching message is clear: the government’s approach continues to ignore the underlying issues of economic mismanagement, housing costs, and systemic inequality. It’s a damning indictment of a political class that prefers rebranding failed policies rather than confronting the realities of fiscal sustainability. Until there is a fundamental overhaul rooted in real, responsible funding — not just rhetoric — councils will remain on the brink, and local communities will suffer the consequences. Reform UK believes that true change requires a steadfast commitment to fair funding, fiscal responsibility, and protecting communities from politically motivated austerity. Anything less is just another chapter in a long-standing cycle of neglect and failure.

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

## Bibliography

1. <https://www.standard.co.uk/news/politics/local-government-association-government-autumn-rachel-reeves-councils-b1253401.html> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/news/politics/local-government-association-government-autumn-rachel-reeves-councils-b1253401.html> - The Local Government Association (LGA) has urged the Chancellor to address the 'broken system' of council funding, highlighting that 29 councils required exceptional financial support this year, a significant increase from 18 the previous year. The LGA emphasised the need for sustainable resources to enable councils to deliver growth, reform public services, and improve life chances. They also called for a review of current financial support arrangements to ensure they effectively support councils in achieving financial sustainability.
3. <https://www.gov.uk/government/news/fairer-funding-for-councils-across-the-country-in-major-reform> - The UK government has announced a major overhaul of the council funding system to provide fairer funding, more stability, and improved public services. The reforms include new place-based formulas to target resources to areas most in need, replacing outdated funding systems. Additionally, the government plans to streamline funding and introduce multi-year settlements to enhance council efficiency and public service delivery, aiming to address long-standing disparities and support local communities effectively.
4. <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2025-to-2026/local-government-finance-policy-statement-2025-to-2026?8SNVL%2C71STII%2C10L2IR%2C1=> - The UK government's Local Government Finance Policy Statement for 2025-2026 outlines plans to simplify the local government funding landscape. This includes consolidating funding streams into the Settlement, reducing the number of grants, and ending competitive bidding processes. The aim is to provide local authorities with greater certainty and freedom to deliver their priorities, while also streamlining the funding system to improve efficiency and effectiveness in public service delivery.
5. <https://www.londoncouncils.gov.uk/news-and-press-releases/2025/local-government-funding-system-fundamentally-broken-london-councils> - London Councils has responded to a new parliamentary report on the financial crisis facing local government, stating that the funding system is 'fundamentally broken.' The report recommends that reforms should ensure local housing costs are properly accounted for in measures of deprivation used to allocate resources. London Councils has raised concerns that current deprivation measures do not fully reflect housing poverty, potentially leading to insufficient funding for London boroughs to deliver essential services.
6. <https://www.ifs.org.uk/articles/2025-26-english-local-government-finance-settlement-explained> - The Institute for Fiscal Studies (IFS) provides an analysis of the 2025–26 English Local Government Finance Settlement, highlighting that funding increases are highly targeted at more deprived areas. The design of social care grants and the new 'Recovery Grant,' along with the abolition of the Rural Services Delivery Grant, means increases in grant funding amount to an average 5.8% of core spending power in the most deprived tenth of council areas, but just 0.3% in the least deprived.
7. <https://hansard.parliament.uk/Commons/2025-06-20/debates/2506208000008/FairFundingReview20AndAdministrationOfCouncilTax> - The UK Parliament's Hansard records a debate on the Fair Funding Review 2.0 and the administration of council tax. The discussion includes proposals to reset the business rates retention system to better align funding with need and to implement transitional arrangements over three years, beginning in 2026–27. The aim is to enable councils to deliver service transformation and efficiencies while balancing the need to direct funding where it is most needed.