

# WBG submission - Local authority funding reform: objectives and principles

## **About Us**

The UK Women's Budget Group (WBG) is a feminist think tank that provides evidence and capacity building on women's economic position and that proposes policy alternatives for a gender-equal economy.

## **Consultation Questions**

**Question 1:** Do you agree with the government's objective to allocate grant and retained business rates income in a way which accounts for differences between local authorities in demand for services, the cost of delivering them and ability to raise Council Tax locally?

## **Agree**

Local government represents the front line of many key public services, including children's and adults' services and social care, public health, libraries, youth and leisure services and highways maintenance. It is therefore critical that individual local authorities are properly funded, in a manner that enables them to respond as efficiently and effectively as possible to the range and level of needs of all their residents and the workforces within their localities.

Service needs identified by councils should reflect those arising from the composition of their populations, in terms of gender, race, age, disability and the protected characteristics within the Equality Act 2010. Those needs must also reflect key indicators such as location (urban/rural/liable to flooding), levels of deprivation, quality of the housing stock, access to transport and poverty.

Identification of everyday needs through specific reference to local population, NHS and other timely data is critical. It is not enough to consider the needs of 'residents' as an undifferentiated category, with uniform needs. This is especially important for women whose lives are likely to differ in many respects from those of most men and who are more likely to rely regularly on local public services.

Women are more likely to have the main responsibility for unpaid care for young children, adolescents and older relatives within their families and are more likely to work and spend time within their local communities in family-related activities than men. Many Black, Asian and ethnic minority women, pregnant, older and Disabled women will have additional and more specific needs.

Local government is also a key provider of employment for women- and along with the NHS – is often the main source of women's jobs within a local authority area. 78% of local government workers are women – most of them part-time and many low paid. Women's employment in local government is also critical to the vibrancy of the local economy. For every £1 earned, 65 pence is spent locally<sup>1</sup>. The level and means of allocation of funding are therefore critical to women's ability to earn and ensure the well-being of themselves and their family members. They must reflect the demographics and circumstances – including the revenue-raising ability - of the local authority within which they live.

Local authorities have a unique role as public service providers and are closest to the daily lives of service users. They must be empowered to act as 'stewards of place' and use their general power of competence to respond to the specific range of local needs within their own councils as effectively and efficiently as possible.

**Question 2:** In addition to the areas included in this consultation, are there elements of the local government finance system that are not fit for purpose and require improvement and reform? If so, please provide information on what reforms are required and why.

#### **Comment**

The Women's Budget Group (WBG) has made several submissions on the impact of recent local government finance settlements on women and researched the gender impact of austerity in local government. See, for example:

- [Local government and gender: Briefing for a new government \(2024\)](#)
- [Spring Budget 2023: Local government and gender \(2023\)](#)
- [Triple Whammy: the impact of local government cuts on women \(2019\)](#)

These have highlighted the reduction in some core areas of service provision which have a direct and deleterious impact on women's lives, such as youth services, libraries and domestic violence support and the under-provision of vital services such as SEND and adult social care for their family members. Widespread redundancies and cuts to local government pay and conditions have also been highlighted.

We recognise that the 2025/26 local government settlement represents the first step by the Government towards a desired level and system of funding which we hope will eventually enable local government to genuinely meet local needs and improve service delivery. This year's increase in cash terms of 4.3% after inflation is welcome, as are the larger uplifts for councils with social care responsibilities and compensation for increases in NICS. Nonetheless, core funding levels will

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<sup>1</sup> APSE, CLES, ILGS (2008) [Creating resilient local economies: exploring the economic footprint of public services](#)

remain 9% below 2010/11 levels, district councils will have less funding than in 2024/25 and Council Tax revenue will represent 55% of overall funding<sup>2</sup>.

The Local Government Information Unit (LGIU)'s report on 'The State of Local Government Finance in England 2024'<sup>3</sup> raises some very serious concerns which must be addressed if there is to be the improvement we all wish to see. Based on 160 responses from local authority leaders, chief executives and senior officers from 128 English councils, it starts by noting "how widespread councils' desperate funding situation is", with 50% likely to declare bankruptcy in the next five years and 9% in 2025/26. They add, "That there is a structural funding issue is now impossible to deny...The situation is catastrophic and is posing an existential threat to local government".

Only 8% of respondents in LGIU's survey were happy with the Government's performance on the consideration of local government when making wider policy decisions, 6% with its understanding of the scale of the problem facing council finances, 4% with it making transparent decisions about local government finance, just 3% felt that there was enough clarity to allow councils to plan their finances and only 1% considered that the Government was delivering a sustainable funding system.

91% of councils in LGIU's survey are planning to raise Council Tax and 89% to increase fees and charges in 2025/26, placing increasing costs on local taxpayers. Despite this, 65% of them still plan to cut services, 66% are using up reserves and 20% are increasing borrowing. Children's social care was cited as the most urgent short-term pressure and both adults' and children's social care the most urgent long-term strain on council budgets.

Within the context of the overall deterioration in local government funding, there remains widespread inequality. Councils with less revenue-raising potential – often those with the most deprived communities – are having to raise Council Tax, while those with a high proportion of higher band Council Taxpayers can keep levels low: London Borough Westminster Council Tax, based on Band D, is £914 per annum, while the average is now £2,065. 100% of North East and Yorks and Humberside councils in LGIU's survey intend to raise Council Tax this year, with all North East councils also intending to increase charges and sales.

With councils' spending power reduced by 50% between 2010/11 and 2020/2, "Liability and need has become uncoupled from financial provision", according to LGIU. While the Government's current consultation and review is expected to deliver some improvement, the overall quantum of local government funding cannot be overlooked. With the ongoing cost-of-living crisis and high inflation, Council Tax increases cannot continue indefinitely to place the funding burden on local Council Tax payers.

The Government should consider increasing the proportion of central taxation made available to councils to increase the quantum funding available and recognise that councils are the front-line of much service delivery and play a vital role in the health and wellbeing of local communities.

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<sup>2</sup> House of Commons Library (2025) [Local Government Finance Settlement 2025/26](#)

<sup>3</sup> LGiU (2024) [The State of Local Government Finance in England 2024](#)

**Question 3:** Do you agree that the suggested principles should inform our approach to updating local authority funding allocations?

### **Agree**

The Government's suggested principles are sound, but we would recommend adding an additional principle of equity or equality. Local government funding, services and employment have been worst affected by austerity. The principle of equity should apply to the quantum available, the funding allocation between council activities and the elements within it, as well as access to services, within an England-wide framework established by the Government.

**Question 4:** Do you agree with our proposal to use the best available evidence and most up-to-date data in the assessment of need, including using the most recent census data?

### **Agree**

The needs of local communities should be assessed by the most up-to-date data available, including Census data. However, given the uncertainty surrounding the production of future Censuses and population-wide data collection, the Government and local authorities may need to consider other means of local data collection to ensuring that there is sufficient and adequate data for the assessment of local needs. We would urge the Government to ensure the continuation of censuses as an invaluable source of population wide and local data.

It would be wise to adopt a 'total place' approach to data analysis, drawing on data available to other local public services where appropriate. This might encourage greater collaboration and effectiveness in service delivery.

Above all, all available data should be carefully analysed by sex, age, race/ethnicity, disability, number and age of children and official data should be supplemented at local level where necessary to ascertain the needs of more marginalised groups – such as unpaid carers and victim/survivors of male violence.

**Question 5:** Do you agree with our proposal to simplify the assessment by reducing the number of Relative Needs Formulae? If you disagree, please explain why and which service areas you are concerned about.

### **Neither agree nor disagree**

In principle, we believe that the Local Government Financial Assessment should be as simple as possible for both Government and local authorities. To that extent, a reduction in the number of Relative Needs Formulae would be welcome. The 'fixed costs' element and historic debt should be excluded from the future distribution system.

However, there are several services of vital importance to women and their family members, such as youth services, libraries and leisure facilities which have been badly hit by austerity and are in danger of disappearing in some councils. Formulae for them should be continued.

While we believe that there should be a high degree of autonomy within which local authorities make their own decisions for their communities, it is essential that the needs of groups with less voice and power – such as social security recipients, children and young people, Black, Asian and ethnic minority residents, women subjected to abuse and with young children- are scrutinised. This cannot be assured given the current composition of elected members, chief executives and senior managers in local government.

Women account for just 17% of Leaders, 33% of chief executives and 41% of councillors, while making up 78% of the local authority workforce<sup>4</sup> and 51% of the population. In essence, those making decisions are not generally representative of the communities they represent and serve.

Previous work by WBG and others<sup>5</sup> has also highlighted that a majority of councils are not routinely undertaking equality impact assessment to identify the policy impacts of budget processes. Where they do, there is often a 'tick box' approach to the exercise which means that opportunities to meet the needs of all sections of the local community are missed. In that context, keeping a focus on services important to women's lives through the Relative Needs Formulae and other technical means is important – as is genuine cultural change.

**Question 6:** For the children, young people and family services formula, do you agree that the variables set out are the right ones to consider in an assessment of relative need? If you recommend the addition or removal of variables, please provide supporting evidence and recommend a suitable dataset.

Agree

With the possible addition of school attendance/home schooling at child level, given the possible association of home schooling with child abuse.

**Question 7:** Do you agree that the government should consider updating the data in the fire and rescue services Relative Needs Formula?

No view

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<sup>4</sup> House of Commons Library (2024) [Women in Politics and Public Life](#)

<sup>5</sup> WBG (2021) [Equality impact assessments and equality-responsiveness of budgets in English local authorities](#)

**Question 8:** Do you agree we should assess differences in cost using an Area Cost Adjustment based on the structure of 2024 ACA? If not, please provide evidence for alternative approaches.

### **Agree**

The Area Cost Adjustment needs to be reassessed to ensure that it is accurate and allows for genuine cost differences to be reflected in funding allocations.

In its 2023 report 'How Much Public Spending Does Each Area Receive?'<sup>6</sup>, the Institute for Fiscal Studies showed that local government funding is less well targeted to estimated needs than funding in the NHS and other public services. Just 39 of 150 local authorities examined received funding allocations within 5% of their estimated share of spending need. In one example, Wokingham – a relatively 'wealthy' council – received 45% more funding than its estimated need, while Hounslow received 31% less. Public health funding was also poorly aligned. Slough received 35% less than it needed in 2022/23, while Kensington and Chelsea received 116% more.

The impact of privatisation on the cost of many local government services has been well documented, especially residential care. Contracting out and uncertainty about future costs must raise uncertainties about the ability to future-proof Area Cost Adjustments in major areas of expenditure like social care and children's services.

**Question 9:** Do you agree that (other than locally retained business rates) we should only adjust for Council Tax when assessing local resources? If you do not agree, please include details of what other sources of income you think should be included (if any), and how the government should adjust for them.

### **Agree**

The fairest and most transparent way to assess local resources is the level of local taxes councils raise. As set out above, there is widespread inequality between councils. Councils with less revenue-raising potential – often those with the most deprived communities – are having to raise Council Tax, while those with a high proportion of higher band Council Taxpayers can keep levels low. The funding settlement from central government should therefore be adjusted to take account of those differences.

**Question 10:** Do you agree that we should measure Council Tax income by making uniform assumptions on the Level of Council Tax charged by local authorities and factors which determine their ability to raise Council Tax?

### **Agree**

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<sup>6</sup> IFS (2023) [How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending](#)

**Question 11:** To what extent should we adjust for Council Tax when determining local authority allocations (i.e. what assumption should we make on Council Tax Level)?

Council Tax has increased as a proportion of the Local Government Settlement from around 20% to 55% over the last 30 years, meaning that local residents are paying more and more for diminishing services. Council Tax banding has not been revalued since 1991 and does not reflect the current value of properties. There should be a review of Council tax banding – albeit with adjustments for those living in areas where property prices have risen above national levels, sometimes in low income areas.

As stated elsewhere, we recommend that more funding for local authorities should come from central taxation and that Council Tax should become fairer. We would not want any perverse incentive to be built into the funding assessment system and so consider that the current system should apply until there is a wholesale review of Council Tax.

**Question 12:** Do you agree Transitional Arrangements should account for a Business Rates Reset? If not, please explain why.

**Agree**

Local authorities should be given time and assistance to adjust to any forthcoming Business Rates Reset.

**Question 13:** Do you agree or disagree we should enable and encourage local authorities to support housebuilding in their areas through the Local Government Finance Settlement? Please provide any explanation or supporting evidence for your view.

**Disagree**

Availability and cost of suitable land for housing development varies significantly across local authorities. Some councils have significant areas of land in areas vulnerable to flooding. While we acknowledge the significant need that exists for housebuilding – and wish to see much more affordable housing – we do not believe that the Local Government Finance Settlement is the appropriate vehicle through which to encourage housebuilding.

**Question 14:** What measures should we use to support local authorities to move to their updated funding allocations?

**Blend in updated allocations over several years**

**Question 15:** Do you agree we should keep funding allocations up-to-date dynamically by using the most up-to-date data possible? If so, how?

**Agree – please see responses to previous questions**

**Question 16:** What are the most excessively burdensome activities or requirements for councils, which if changed, could significantly free up local government capacity?

If you have views, please share these and any supporting explanation or evidence. (Free text)

**Question 17:** Do you agree with our proposals to reduce the number of grants and New Burdens payments issued to local government?

**Agree**

Councils should not be required to engage in time-consuming and unnecessary bidding for one-off grants for vital local services or in the reporting which usually accompanies them. The local government funding system needs to become sufficiently dynamic and responsive for occasional adjustments within vital longer-term settlements, without placing additional burdens on councils through competition for one-off grants.

**Question 18:** Do you agree or disagree that the government should provide local authorities with greater control over Sales, Fees and Charges? Please provide supporting evidence, considering specific fees where greater control would be of most benefit, and expected impacts on charge-payers.

**Agree**

Local authorities in general should have the authority and licence within the general power of competence to respond to the needs of their localities. However, we also believe that councils should not be given free rein to impose charges on new areas of activity which are likely to disadvantage lower income/vulnerable residents and add to the financial pressures upon them. Neither should fees and charges be permitted to introduce new activities which are likely to discriminate in terms of their benefits.

**Question 19:** Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

Please see our response to Question 5. Women and Black, Asian and Ethnic Minority people are under-represented at all levels of decision and policymaking in local government. Positive steps need to be taken by the Government and at local authority level to ensure that financial settlements and local policy and decision-making reflect the diverse composition of local populations and that



the needs of women and other groups with protected characteristics are reflected in the use of public money.

Heather Wakefield on behalf of UK Women's Budget Group

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Contact: [Press@wbg.org.uk](mailto:Press@wbg.org.uk)