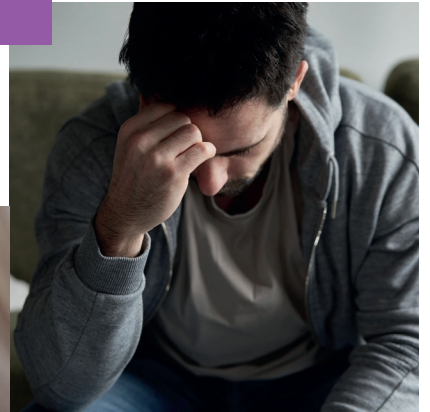




# Towards a fairer future



**SIGOMA**



# Foreword

Councils provide essential frontline services that our communities, particularly the most deprived, rely on. We are essential to welfare provision, social care, housing as well as economic development and regeneration. As we saw during the Covid pandemic – when the government needed something doing, it was Town Halls not Whitehall that made it happen.

Sadly however, the last 15 years has seen the capacity of local government undermined at a time when the demand on our vital services has been rising rapidly. We are needed more than ever but our funding level is still significantly down compared to 2010.

**“The most deprived areas have seen the biggest cuts in their funding.”**

Not only that, but the cuts have been severely disproportionate so that the most deprived areas have seen the biggest cuts in their funding. It cannot be fair that Blackpool, ranked the most deprived authority in the country, suffered real term funding cuts of almost 24% whilst Wokingham, ranked the least deprived, has received a real terms funding increase of 5%. The current finance system has simply not worked for the poorest authorities over the past 15 years.

**“Deprivation leads to lower life chances and neglect from cradle to grave.”**

Deprivation leads to lower life chances and neglect from cradle to grave. For example, healthy life expectancy at birth is more than 18 years lower for the most deprived areas compared to the least deprived, there are 3 times more looked after children, 10% more adults are economically inactive and the number of over 65's receiving long-term care is over 80% higher in deprived areas.

It is welcome then that the government have launched a major funding reform programme to conclude in time for a multi-year settlement from 2026/27. Reform is long overdue and if done fairly would lead to significantly more funding being targeted at our poorest and most deprived communities – those that need it the most.

**“We know it is not an easy fix, but we are pleased with the government's current direction of travel.”**

As the government state themselves, ‘the link between spending needs and funding has been broken’, and the sooner this is corrected the better. SIGOMA have been calling for a fundamental reform of local authority funding distribution for years.

We know it is not an easy fix, but we are pleased with the government's current direction of travel. The introduction of a new Recovery Grant targeted at our most deprived authorities in the 2025/26 settlement and the indication from the first consultation that heavier emphasis will be placed on deprivation are welcome signs for SIGOMA authorities.

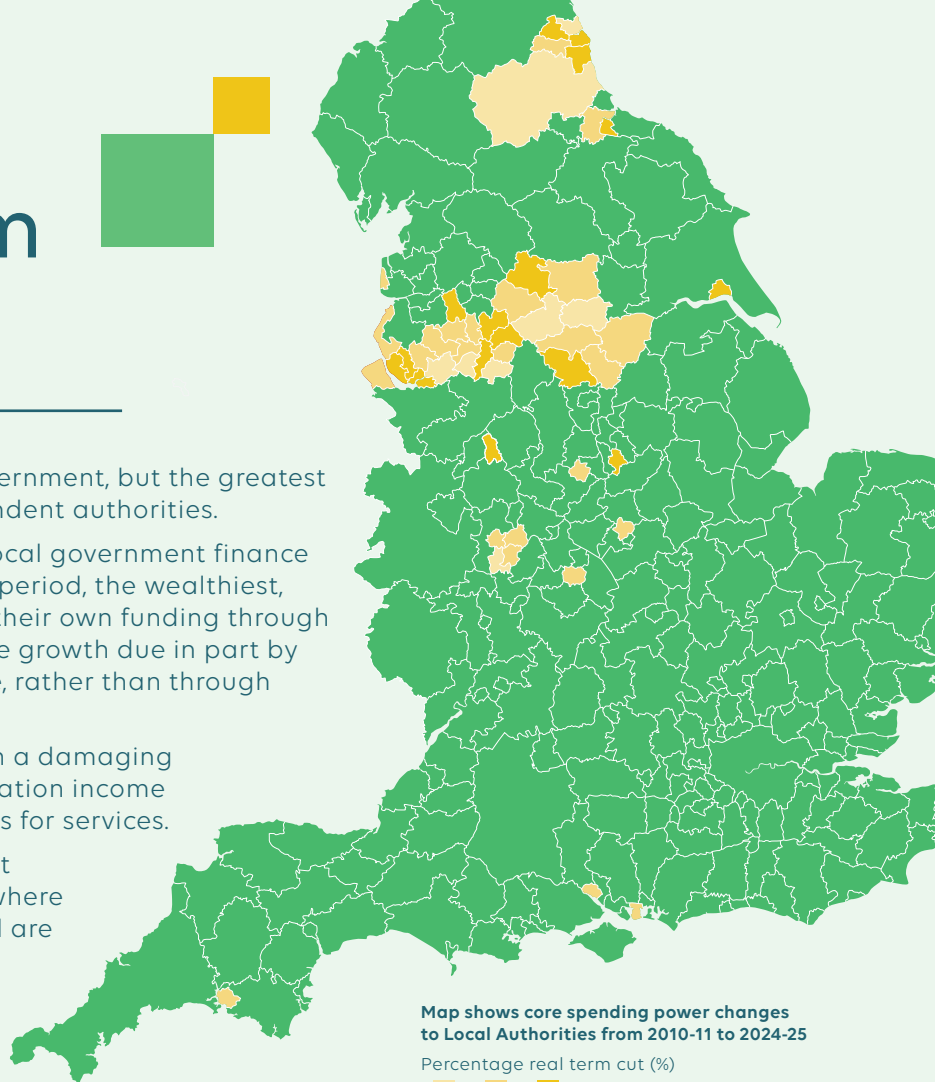
In exchange for a fairer share of funding, SIGOMA authorities will also be better placed to assist the delivery of the government's agenda and missions.

SIGOMA is grateful for the government's interventions so far and we look forward to playing a full part in the consultation process over the rest of this year to ensure we have a fairer and sustainable system, so that once again, funding can go to where it is needed the most.



**Cllr Sir Stephen Houghton CBE,**  
Chair of SIGOMA

# Why is this funding reform so important?



Map shows core spending power changes to Local Authorities from 2010-11 to 2024-25

Percentage real term cut (%)

15-20 20-25 25-30

Austerity imposed savage cuts on local government, but the greatest impact has been on the poorer grant dependent authorities.

It has been more than a decade since the local government finance system was brought up to date. During this period, the wealthiest, less needier areas have been able to grow their own funding through local taxation as a result of greater tax base growth due in part by virtue of being more desirable places to live, rather than through any policy interventions.

The most deprived, needier areas have seen a damaging cocktail of grant cuts and low growth in taxation income combined with significantly higher demands for services.

This means that there has been a significant misalignment between funding and need, where the more affluent areas have got richer and are able to deliver better outcomes for people compared to more deprived areas where people have greater needs but suffer from worse outcomes.

Therefore, this long-awaited funding reform is so important because the government can return fairness to the system by inputting an up-to-date calculation of how much local income (taxation) an area can raise and making sure deprivation and service need are both properly considered in the new funding formulas. These changes would deliver a significant uplift in the funding available to the most deprived places.

We need your help to support our campaign to instigate a fairer funding model and bridge the funding gaps that have occurred over the past decade. Only then can we properly provide the range of services our underfunded communities so desperately need – both now and in the future.

.....  
**“Many SIGOMA authorities have been left behind.”**  
 .....



**25**

More children in care (per 10,000) in SIGOMA than England



**3.8%**

More adults economically inactive in SIGOMA than England



**4 years**

Less healthy life expectancy at birth in SIGOMA than England



**15.5%**

More receiving long-term care in SIGOMA than England



# A tale of two Boroughs



## The poorest have become poorer

Perversely, deprived authorities have been cut the most. **The 10% most deprived local authorities had a real terms cut of 26.6%** compared to the 10% least deprived councils who were cut by only 7%. The scale of the financial reductions, inevitably leading to service cutbacks, are most keenly felt by the poorest communities that are most reliant on council services.

A stark contrast is the most deprived authority in England, Blackpool, with the least deprived, Wokingham. From 2010-2024 Blackpool suffered a funding cut of 23.5% whilst Wokingham had a funding increase of 5.1% and these reflect the disparity in outcomes as a result.

## SIGOMA authorities hit the hardest

Austerity and government cuts have seen **£13 billion slashed from local authority budgets** between 2010/11 and 2024/25 and many authorities are on their knees with a growing number issuing bankruptcy (i.e. Section 114) notices or applying for exceptional financial support from the government.

SIGOMA's real terms funding cut was 5% worse than the English average and 16% worse than shire counties.



### 3%

Number of SIGOMA authorities confident of delivering their 2025/26 budgets.



### £3.2 billion

SIGOMA authorities would be better off if they had been cut at the same rate as counties.



### 5.7x

More children in care in Blackpool than Wokingham.



### 2.3x

More children achieving 9-5 in English and Maths in Wokingham than Blackpool.



### 1.8x

More adults economically inactive in Blackpool than Wokingham.



### 18 years

Less healthy life expectancy at birth for women in Blackpool than Wokingham.

# The link between funding and needs has broken

## The model needs urgently updating

The local government finance system uses a “relative needs and resource” model which provides grant income to local areas based on their level of service need and their ability to raise local income.

However, because there has not been an update since 2013/14, the model is still using data from more than a decade ago. This means that affluent areas with less need that have experienced higher levels of growth are still receiving more grant funding than they require, while low growth areas with high levels of demand are not receiving the level of funding they deserve.

.....

**“If the NHS was funded on the basis of how many businesses you’ve got in your area, there’d be a national outcry. So, why are we doing that with children services, adult services and so on, which are just as vital for people’s lives?”**

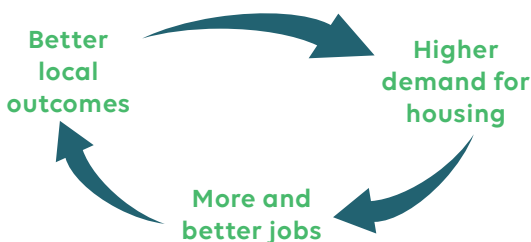
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CLlr Sir Stephen Houghton CBE,  
Leader of Barnsley Council

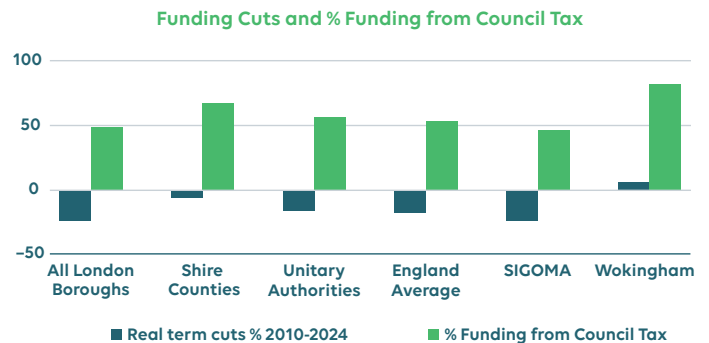
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## The most deprived authorities struggle to grow

The ability to grow your local tax base primarily relates to historic structural and locational advantages, rather than local policy decisions. The most deprived areas simply cannot increase their tax base as fast as the most affluent areas, due to their local circumstances. The wealthiest areas benefit from a virtuous cycle which includes benefiting from retaining a higher level of business rates growth.



Normally, this has been accounted for with regular updates to the system, but the decade wait has created a huge and widening gap between richer and poorer areas.



## Growth not redistributed since 2013/14

Billions of pounds of business rates and Council Tax growth have been accumulated by authorities since 2013/14. All of this has been kept by authorities and none of it redistributed through the funding model through changes in grant funding to reflect the huge variation in growth levels councils have experienced. This has massively benefitted high growth authorities who have effectively been getting windfall income since the last reset without any assessment of their needs.

.....

**“Affluent authorities have been receiving windfall income.”**

.....

Resetting the system updates the available resources for spending needs. In 2013/14, the model included Council Tax income at £16 billion. Projected Council Tax receipts for 2025/26 are £38 billion which means £22 billion more for spending needs. It is absolutely crucial that all this resource (known as full Council Tax equalisation) is included in the model to address the funding discrepancies over the past 15 years.

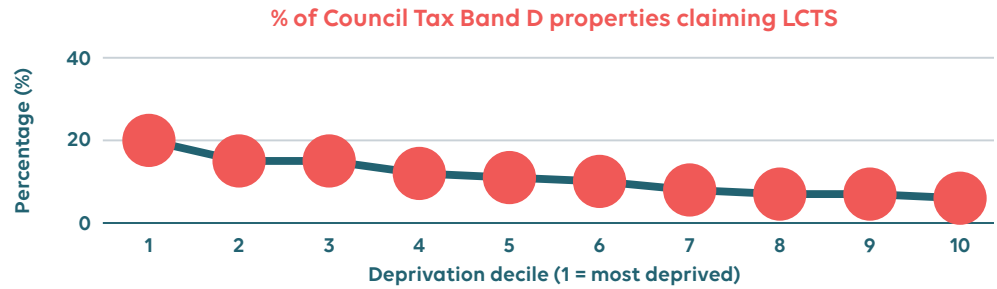
**up to £22 billion**

**More available for spending needs if 100% of Council Tax receipts (as at 2025/26) are included in the 2026/27 model reset.**

# We need a level playing field

## Wealth is key to Council Tax growth

Housing demand is higher in more affluent areas and drives up housing growth and higher priced housing. This increases the Council Tax base. Equally the poorest areas have more Local Council Tax Support (LCTS) claimants which reduces the Council Tax base.



## Regional and inter regional differences

The funding disparity is broadly regional with London and the South East seeing the biggest increases compared to lower increases in the North and Midlands, but there are also considerable differences within regions.

Hull and East Riding are neighbouring authorities and the leading authorities for the proposed Hull & East Yorkshire devolution deal. However,

their capacity to gain from the current system is very different.

As a result of the funding inequalities in the system, Hull has had a funding cut of 25.9% over the past 15 years compared to East Riding's cut of just 13.7%, and these areas have vastly different funding and spending needs.

Authority	Band A-C	Band D-E	Band F-H	% LCTS claimants	Income per dwelling
East Riding	54%	33%	13%	8.2%	£1,724
Kingston upon Hull	90%	9%	1%	16.8%	£1,135
England	65%	25%	10%	11.2%	£1,668
<b>SIGOMA</b>	<b>84%</b>	<b>13%</b>	<b>3%</b>	<b>14.7%</b>	<b>£1,380</b>

 <p><b>2.2x</b></p> <p>More children in care in Hull than East Riding.</p>	 <p><b>5.1%</b></p> <p>More adults economically inactive in Hull than East Riding.</p>	 <p><b>7 years</b></p> <p>Less healthy life expectancy at birth for women in Hull than East Riding.</p>	 <p><b>75%</b></p> <p>Higher mortality rates for preventable cardiovascular disease in Hull than East Riding.</p>
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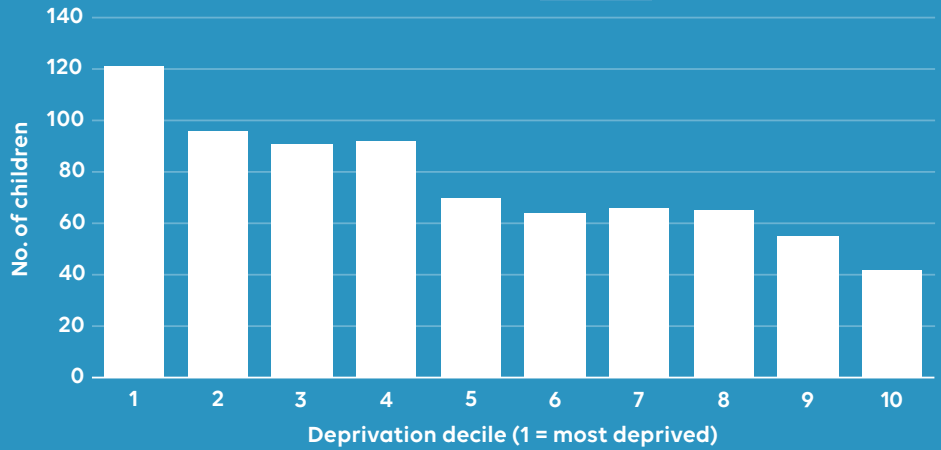
# Demand is rising faster in more deprived areas

## Spending needs have grown for the most deprived

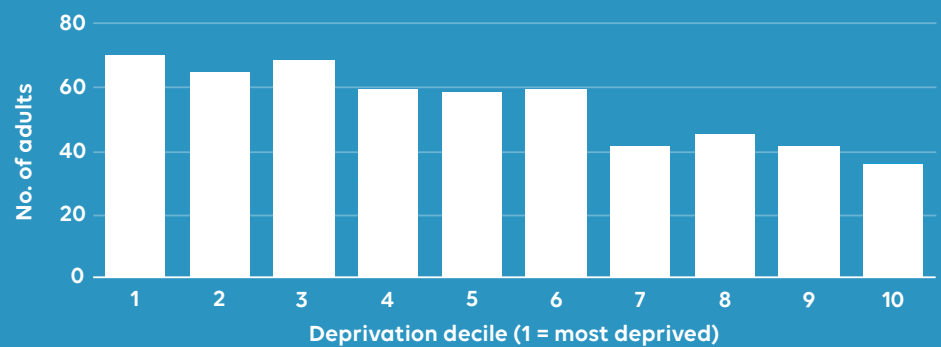
Since there hasn't been an update to the model since 2013/14, spending needs haven't been reviewed either. Service demand has changed significantly over this period including significant events such as the cost-of-living crisis and Covid pandemic, which have both had a greater impact on poorer areas.

As the government has stated, 'there is a strong argument that local authorities with high levels of deprivation see more demand for their services'. Our analysis in relation to social care supports the government's claim.

Children looked after rate, per 10,000 children, aged under 18



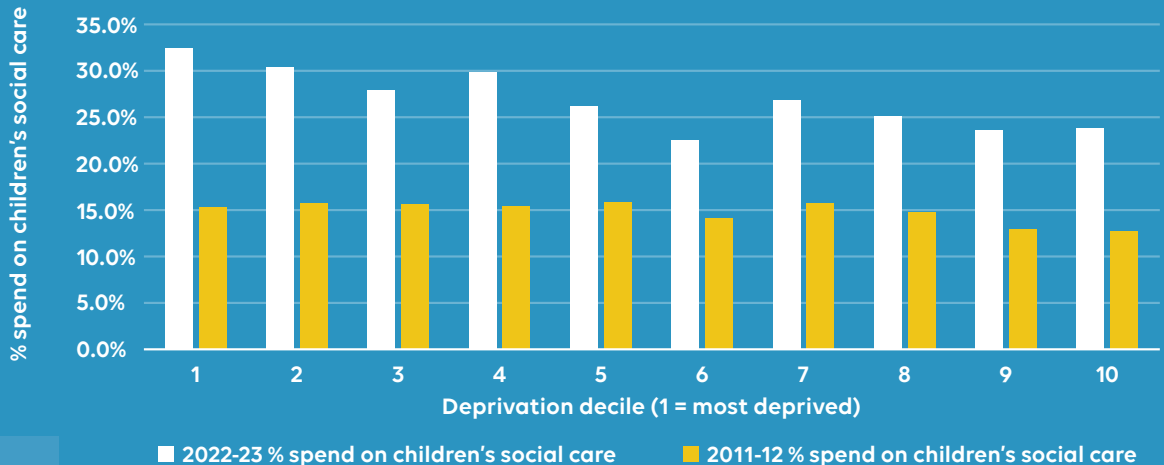
Average aged 65+ receiving long-term care (per 1,000 adults)



Children's social care placements are particularly expensive and placements costing more than £10,000 per week are creating huge spending pressures for the poorest authorities. Increasingly, the more deprived authorities are concentrating

more of their budgets on acute statutory functions meaning preventative services have suffered. This leads to a vicious circle of rising demand and costs which is difficult to reverse.

Children's social care spend by deprivation decile



# Poorer taxpayers are subsidising wealthier ones

The government has stated that the taxpayer is not getting value for money in the most deprived areas. We agree.

The overall share of funding that comes from Council Tax has increased significantly over the last decade, replacing needs-based grant funding. The growing importance of Council Tax as an income source has benefitted affluent areas that are desirable places to live. These areas have seen buoyant growth in their local tax base due to their local circumstances.

The opposite is true of deprived areas which have seen low growth in their local tax base. These areas have seen big reductions in grant funding and disproportionate increases in demand for services. The poorest areas have been compelled to cut services and increase Council Tax by the maximum available amount. This means that residents in the poorest communities who are less able to pay increased bills are paying more for worse outcomes. This is in contrast to more affluent areas, who due to their lower demand for services and higher natural tax base growth, have been able to limit Council Tax increases in recent years with higher income residents paying lower bills for better outcomes. For example, Wandsworth is one of 8 councils that has been able to freeze Council Tax in 2025/26, despite the significant national pressure on council budgets.

This means that poorer taxpayers are subsidising wealthier ones. This simply is not fair.

	Council Tax area	2024/25 Band D*	% of annual earnings
Most deprived	Blackpool	£1,929	7.2%
	Liverpool	£2,045	6.9%
	Knowsley	£1,841	6.0%
	Rutland	£2,113	5.6%
Least deprived	Wokingham	£1,839	4.6%
	Windsor & Maidenhead	£1,303	3.4%

\*Excluding parish precepts

This difference is particularly acute when comparing the most deprived authorities to London authorities who generally have the largest average earnings and the highest property values in England.

Top annual earnings	2024/25 Band D*	% of annual earnings
Westminster	£504	1.1%
Wandsworth	£497	1.1%

\*Excluding parish precepts

In addition, some London boroughs have been able to keep their Council Tax levels low because they generate huge amounts of car parking and other commercial income. This income is not considered when assessing an authority's resources capacity (in the model) and has therefore 'cushioned' some London boroughs (and their taxpayers) from the worst excesses of the funding cuts. In fact, these councils are also still in receipt of grant funding where it is clear this is not needed and should have been distributed to the places that do. This 'policy choice', has not been as readily available to SIGOMA authorities.



**6.5x higher**

**Council Tax cost to the Blackpool taxpayer compared to Westminster taking into account annual earnings.**

More deprived areas generally have lower collection rates. For example, many SIGOMA authorities have a collection rate of around 90% compared to Wokingham's of almost 100%. Lower collection rates reduce an authority's income leading to a doom loop of further cuts to services and higher Council Tax bills in the future.

This is to the detriment of the local authorities and the communities and residents they serve. The current system means that the taxpayer in poorer areas is effectively subsidising the taxpayer in more affluent areas. This is unfair to the local authorities and taxpayers in poorer areas and urgently needs to change. As the government have recognised, the current allocation of funding is inefficient and poor value for money.

Once a full reset of the system has been delivered, we need to schedule regular updates to the system to ensure this situation doesn't happen again in the future.



# Supporting the government's goals

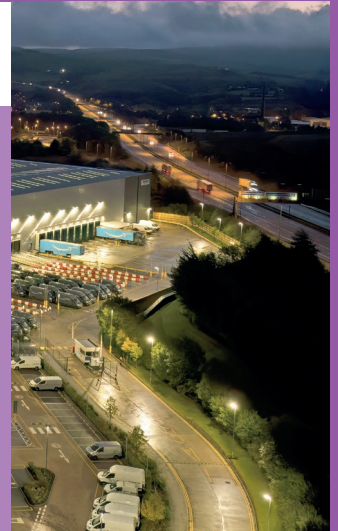
Local authorities are well placed to help the government achieve its missions, but they need the resources and funding to do so. Given the importance of local authorities in supporting a mission-led government and providing essential

services to the public, we would urge the government to continue enacting the long-term plan of reforming local government funding for a brighter, fairer future. SIGOMA authorities are already leading on many fronts to support this programme.

## Delivering economic growth GREATER MANCHESTER TRAILBLAZER DEAL

The 10-year Greater Manchester Trailblazer Devolution Deal includes all ten authorities within Greater Manchester and the Greater Manchester Combined Authority (GMCA). This landmark agreement encompasses the Integrated Settlement for the GMCA and includes the creation of two Investment Zones and three Growth Zones (Designated Areas).

The 100% pilot scheme, between April 2017 and March 2024, delivered an additional £526 million to the region. This funding was strategically invested in transport, housing, regeneration, skills and employment and the local economy. Notable examples of these investments include the development of a 155-hectare site at Victoria North to build 15,000 new homes in Manchester, significant investments in Stockport and Wigan town centres, and the advancement of Kingsway Business Park in Rochdale.



## Preventative agenda PLYMOUTH COUNCIL'S HEALTH SUPPORT & PROMOTION

The Plymouth Alliance offers comprehensive services for individuals with multiple complex needs, such as substance misuse, homelessness, and frequent hospital admissions. Their approach focuses on early identification and support for these complexities, improving health outcomes, and exploring alternative accommodation models. For example, Plymouth has a higher opiate use (7.5 per 1,000 population) than the national average (4.6 per 1,000 population) but through its preventative programme, has a higher rate engaging in drug treatment (63%) compared to England (43%). Additionally, they promote health schemes targeted at younger individuals in their 30s and 40s, aiming for early detection of emerging health issues through peer support, thus mitigating long-term impacts. Furthermore, the Community Builders programme empowers local communities to take the lead in designing and advocating for solutions tailored to their neighbourhoods.



## Re-employing the economically inactive BARNESLEY COUNCIL'S PATHWAYS TO WORK COMMISSION

Barnsley has a higher rate of economic inactivity among its residents compared to the national average. Barnsley Council established a partnership with the South Yorkshire Mayoral Combined Authority to support more individuals, who wish to work, into employment in Barnsley and South Yorkshire through the Pathways to Work Commission.

Key aims include reducing economic inactivity from 25.5% in 2023 to below 20% by 2028/29 and improving employment rates of vulnerable groups by 25%. Barnsley Council will also commit to making 10% of its own vacancies available to those being supported to return to work with other Barnsley organisations.



# A strong start but more is needed

SIGOMA is pleased with the government's general direction of travel. **We welcome the above inflation 2025/26 finance settlement of 6% for the sector and 8.3% for SIGOMA authorities.**

The government is already implementing changes that SIGOMA has been championing for a number of years to 'fix the foundations of local government'. These measures include cutting back and re-purposing funding streams to target areas with greater levels of need and introducing the £600m Recovery Grant set aside for the most deprived authorities.

However so much more is needed to address the many inequalities that have developed over the past 15 years and stabilise the sector. These include:

## Commit to deprivation as a key factor in the formula review.

# 1

Deprivation is a significant driver of demand and so should underpin all aspects of spending needs and not be marginalised like it was in the 2018 consultation.

The Recovery Grant is based on deprivation indices and the consultation emphasises the importance of deprivation, so we hope that this is a clear sign that deprivation will be a key feature of the formula funding model.

## Commit to regular resets to ensure need is prioritised.

# 2

This is absolutely imperative. Resets, ideally, need to be every 3 years to tie in with multi-year settlements. Moreover, an independent body can oversee the model and carry out regular resets with the latest data. There does not need to be lengthy consultations each time there is a reset.



## Limit transitional arrangements to a much shorter, 3-year interval.

# 3

Transitional arrangements should not last longer than the upcoming 3-year multi-year settlement, concluding before the next model update. Authorities are still benefitting from transitional arrangements 12 years after they were put in place and some of the transitional payments are going to authorities that have benefitted the most from the current system. This cannot be right.

## Commit to full equalisation of Council Tax receipts.

# 4

Only 85% of Council Tax receipts were included in the distribution of funding in 2013/14, not the full 100%. Maximising Council Tax receipts in the model increases the amount available for spending needs. This will benefit poorer authorities whereas only including partial Council Tax receipts will help high growth authorities who have already accumulated windfall income over the past 15 years. The government needs to commit to a full equalisation of 100% Council Tax receipts at the next reset.

## Commit to more sustainable investment into LG sector.

# 5

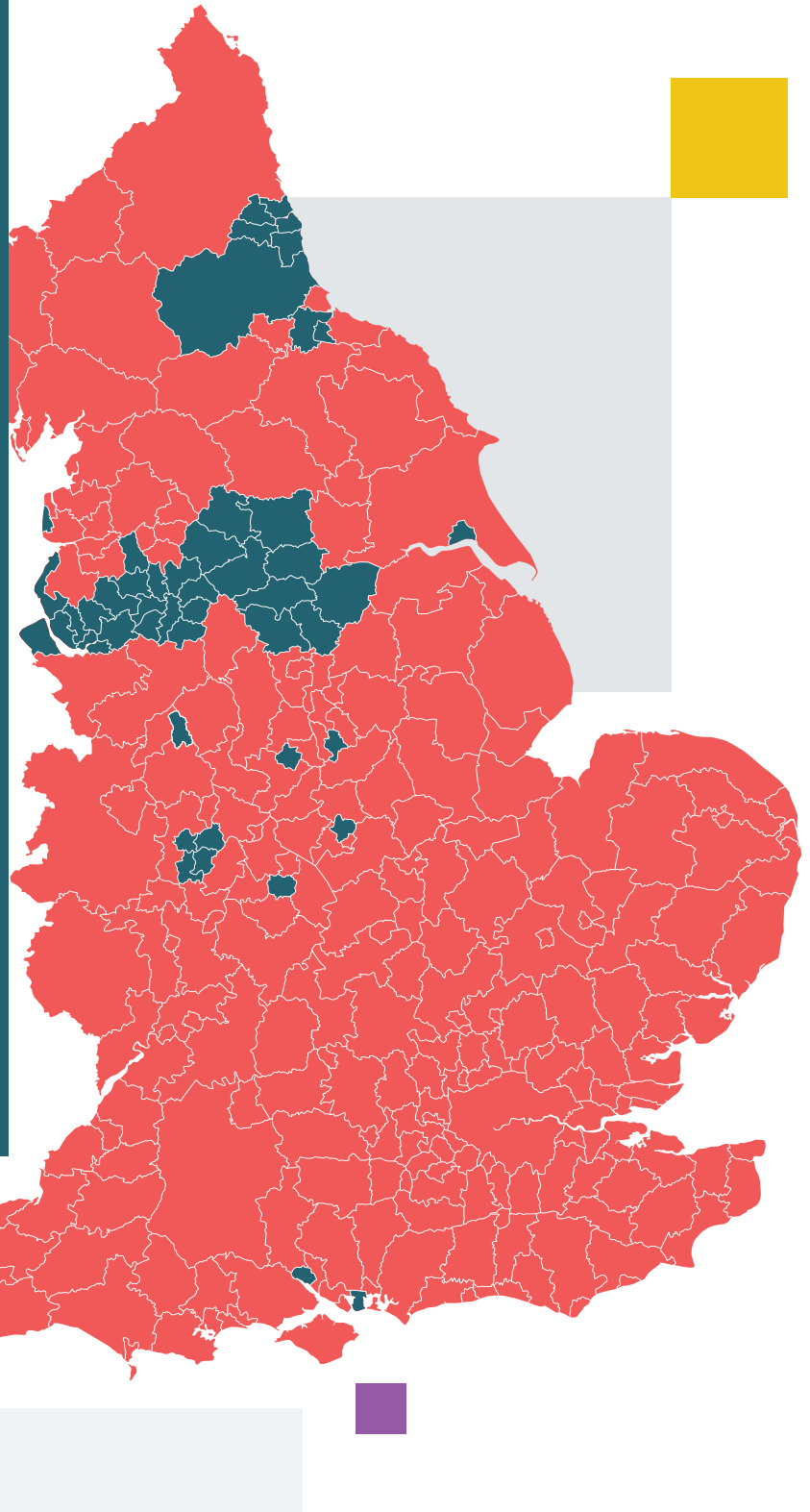
We appreciate the government's financial inheritance but the whole sector badly needs more investment to make up for the underfunding during the austerity years and plug the Local Government Association's estimate of a £8 billion black hole by 2028/29.

# Who we are

SIGOMA (the Special Interest Group of Municipal Authorities) welcomes the opportunity to comment on this crucial reform. SIGOMA represents metropolitan and unitary authorities outside London, from the Southern Ports, the East Midlands, West Midlands, North West, North East and Yorkshire & Humber. The 49 SIGOMA councils are home to 15 million people and represent around 25% of council funding.

We represent large urban cities and many of the surrounding towns. Our authorities typically represent areas that have suffered most during post-industrial decline and benefitted least from policy linking funding to local prosperity.

Deprivation continues to blight the prospects of many of our authorities. 45 of our 49 authorities are in the lower half of the 2019 Index of Multiple Deprivation (IMD) ranking, with 13 of the most deprived decile being SIGOMA members, including the top 6 most deprived.



Any enquiries regarding this publication, including the data used, should be directed to the SIGOMA office at [SigomaEnquiries@barnsley.gov.uk](mailto:SigomaEnquiries@barnsley.gov.uk)

Please visit our website for more information about SIGOMA: [sigoma.gov.uk](http://sigoma.gov.uk)

