

Unite's Submission to The Fair Funding Review 2.0

1. Introduction – Fair Funding Review

1.1 This submission is made on behalf of Unite the Union—the largest trade union in the United Kingdom and Ireland, representing over 1.3 million members across both the private and public sectors. Among these, approximately 80,000 members work directly for local authorities or in roles funded by local government. A further 50,000 are employed in voluntary and community organisations, many of which depend heavily on local authority contracts and grants.

1.2 Unite welcomes this important review of the fairness of local government funding. At the centre of this review remains the simple fact that local government funding is insufficient. There is an urgent need to tackle the ongoing crisis in local government resourcing which is leaving many councils near to breaking point.

1.3 Previous governments since 2010 did enormous damage to the basic principle of local government funding being based on need. Instead, they sought cynically to prioritise those areas of the country that supported their politics and transfer the political fallout for central government decisions onto local authority administrations that were compelled to implement their cruel cuts agenda.

1.4 This prolonged austerity, systemic underinvestment, and flawed funding structures have had severe consequences on local authority workers, the services they deliver, and the communities they serve.

2. Proposals under consultation

2.1 The proposals under consultation are therefore welcome.

2.2 It is crucial that the Government re-introduces a fair funding formula that sustainably addresses the significant extra demands on authorities in deprived areas and makes sure that resources reach the areas of highest social need.

2.3 This can only be part of the solution however, and must not be another case of transferring funding from one area at the expense of cuts in another. Councils in all parts of the country urgently need more funding to deliver the services that our communities rely on.

2.4 Unite believes that the plans set out in this consultation will provide England with a much more rational system of local government finance once more. Rolling multiple small grants into fewer, larger grants will simplify funding arrangements for councils allowing them more flexibility to tackle the issues their communities face, and free up resources from bureaucratic bidding processes.

2.5 By providing multi-year budgets for the first time in several years, the new system will also help councils better plan their services and investments. Reassuringly many of the proposals in the consultation will bring the English funding system into line with standard practice in other OECD and EU countries too.

2.6 That stated, Unite is concerned that the proposals under consultation need to be clearer about the impact that they will have. The consultation goes into great detail over the new formulas being introduced but does not provide clarity on the implications for specific councils. Given the unequal impact of the changes, local authorities should be able to see draft funding allocations as part of the consultation. MHCLG has not explained why it has chosen not to publish indicative funding allocations alongside the consultation, instead leaving it to the sector to model the potential outcome.

2.7 Redistribution is welcome but by not increasing the size of the overall pot it will not solve the funding crisis affecting those councils with higher need, while simultaneously leading to substantial cuts to other council areas where the new system downgrades their need.

2.8 The reforms are designed to mean a significant redistribution of grant funding towards areas that are more deprived, and away from areas that are less deprived. That should mean poorer urban areas, especially in the North and Midlands, which saw their funding fall most in the 2010s, will typically see increased central government funding.

2.9 There appears however to still be some flaws in the proposed assumptions used for poverty and deprivation. This is particularly important when related to housing costs, which in turn downplays the levels of poverty in areas such as London where housing costs are the most significant contributing factor to poverty and

deprivation. Unite believes that the government must look again at this crucial factor to prevent funding cuts from some of the most deprived areas of the country.

3. Business rates reform – reset

3.1 Unite welcomes the proposed reset of business rates income. Unite expressed serious concerns about the introduction of the business rates incentive system and the delinking of funding from service need when they were introduced.

3.2 While Unite welcomed attempts to give local authorities incentives to promote economic growth in their areas, in reality there is very little link between the capacity to generate business rates incomes and funding needs. Councils have only limited tools at their disposal to stimulate growth. The use of business rates reform in the context of huge cuts to local authority funding over the last 10 years make these incentives meaningless.

3.3 As Unite stressed¹ at the time of introduction of the system, richer councils were given stronger incentive to grow their economies than poorer councils. Over time, this has led to greater concentrations of public investment and resources in richer areas of the country while those councils where investment is focused around single large employers were placed at greater financial risk in circumstances where things change (e.g. a factory closure, or industry crisis). The current system is also far too complicated and Unite believes that the system should be comprehensively rethought as inequality and unfairness are hard wired into the system.

3.4 Those concerns have been well founded as even the promised periodic resets has not taken place in practice. It is therefore welcome that the Government plans to introduce this long overdue reset. This should see an important funding shift from councils that have benefited from such growth, back into the general council funding pot.

3.5 Unite also supports the proposals for transitional arrangements to be in place.

3.6 Crucially because such reforms have been put off for so long, the changes in funding implied by the new system could be very large for some councils. Therefore, to limit year-on-year changes, the government proposals to transition gradually to the new funding allocations over three years are necessary. They would however be less necessary if government were prepared to adequately fund the whole system

¹ https://apps.groupdocs.com/document-viewer/Embed/e1cbf4e8ce7f8942396b1c6c728f1b93c8a92817988aa40fc134c7ee58565a54?quality=50&use_pdf=False&download=True&print=False&signature=6pfg7n%2B6g2ljz8fmKX8lWLMaQas

with restorative funding to rebuild the capacity and services lost following 15 years of austerity.

4. A Structural Crisis, Not Local Mismanagement

4.1 Over the past fifteen years, local government has been subjected to unprecedented financial pressure. Central government austerity policies have led to a dramatic erosion of council budgets. According to the IFS, core central government funding per person fell by 26% in real terms during the 2010s, even as demand for services such as adult and children's social care continued to rise.

4.2 The consequences are now systemic. Since 2020, twelve councils have issued Section 114 notices, with many more warning of potential financial failure in the near future. Contrary to government narratives suggesting isolated mismanagement, these failures span political control and geography—clear evidence that the problem is structural.

5. Impact on Services, Workers, and Communities

5.1 Essential services are being cut or hollowed out. Libraries, community centres, and public spaces are closing. Services for vulnerable residents are under-resourced, and even statutory services are falling below minimum standards.

5.2 For workers, the toll has been immense. Job losses, stagnant wages, and unmanageable workloads have become the norm. Local government staff now endure some of the lowest pay levels in the public sector, often working unpaid overtime under increasingly difficult conditions.

5.3 Many councils are resorting to unsustainable short-term fixes: drawing down reserves, selling public assets, or pursuing risky commercial ventures. These measures only delay collapse and deepen the long-term damage.

6. A Pay Crisis and Workforce Unsustainability

6.1 Unite's recent member surveys show that 63% of local authority staff feel financially worse off than a year ago. Since 2010, the average local government worker has lost a quarter of their pay's value in real terms. Low pay, combined with growing workloads, has created a recruitment and retention crisis. Local government roles are becoming increasingly unattractive, with many staff leaving for better-paid, less demanding jobs in other sectors.

6.2 This workforce crisis is particularly acute in services like education and social care. One in five teaching assistant posts remains unfilled, and many councils face persistent staffing gaps and critical skill shortages. The result is declining service quality, lost institutional knowledge, and long-term operational instability.

7. An Outdated and Unfair Funding System

7.1 The planned reforms will redistribute the government's grant funding for councils – not the Council Tax revenues councils themselves raise (which they will continue to keep). Nor do they change the design of Council Tax itself.

7.2 The current model of local government finance is outdated, regressive, and fundamentally unfair. The current Council Tax system—originally introduced to replace the widely unpopular Poll Tax—is fundamentally broken, regressive, and fails to meet the needs of service users. Council Tax, based on 1991 property values, places a disproportionate burden on lower-income residents. Business Rates fail to reflect the modern economy, particularly in areas affected by retail decline.

7.3 Indeed, the consultation appears to rule out any revaluation or reform of Council Tax in the near future. Unite believes that this is a missed opportunity as Council Tax remains based on the relative values of different properties in 1991, making Council Tax even more out of date and arbitrary than the local government funding system it feeds into.

7.4 In the absence of adequate central funding, councils have been forced to raise fees and charges or enter into speculative commercial ventures. These strategies are not only unstable but further erode public trust and civic capacity.

7.5 Unite believes that the ongoing crisis in local government funding highlights the urgent need for comprehensive tax reform.

7.6 Unite policy proposes replacing Council Tax with more progressive tax systems like a Local Services Tax, Land Value Tax or Local Income Tax, all backed by adequate government funding.

7.7 To repair the damage caused by the previous Conservative government and to provide the investment our public services desperately require, Unite believes that the wealthiest individuals in society must contribute a fairer share of taxation.

7.8 At a time when the wealth of a few has skyrocketed, the vast majority of working people have experienced declining living standards, stagnating wages, and deep cuts to the NHS and other public services. This disparity must be addressed through a bold package of progressive taxes targeting the wealthiest individuals and corporations that have prospered while millions face increasing hardship.

7.9 One key measure includes equalising Capital Gains Tax on unearned income with Income Tax rates. This change would ensure that the wealthy pay the same tax rates as working people, rather than benefiting from preferential treatment. Equalising Capital Gains Tax alone would raise an additional £17 billion. Combined with other progressive reforms, these measures could generate up to £45 billion per year—resources that would allow us to rebuild our local public services, raise people’s incomes, and invest in a stronger, higher-wage economy.

7.10 While the failure of the Council Tax system is clear, alternative approaches must be carefully considered. Some proposals—such as a Land Value Tax—present potential benefits but also pose challenges. It is essential that any replacement system ensures the wealthiest individuals and corporations contribute fairly.

8. Rising Demand, Falling Capacity

8.1 Councils face growing demand in nearly every area of service delivery. Adult social care alone consumes over 70% of some local authority budgets. Children’s services, special education needs (SEND), homelessness prevention, and public health initiatives are also under extreme pressure, yet remain chronically underfunded.

8.2 Unless systemic reform is introduced, councils will be unable to meet their statutory duties, let alone invest in the preventative services that reduce long-term costs and improve lives.

8.3 Unite therefore welcomes the moves under consultation to reduce the waste from the bureaucracy associated with bidding for various pots of funding and simplify the overall funding structure for the sector. It is important to stress that this process should not remove the obligations on councils to fulfil various statutory duties and incentives, e.g. to build greater amounts of social housing, provide decent youth and children’s services or tackle crucial environmental challenges.

9. Deepening Geographic Inequality

9.1 The financial burden of austerity has fallen hardest on the poorest areas—those with the greatest need and the fewest resources. Even recent attempts at fairer funding have failed to address this long-term imbalance. As a result, regional inequality has deepened, and councils in both urban and rural areas now report worsening conditions.

10. The Hollowing Out of Local Government

10.1 Since 2010, councils have sold off thousands of public assets—libraries, parks, community halls—just to stay afloat. Simultaneously, decades of outsourcing have fragmented services, lowered quality, and weakened accountability. Many councils want to bring services back in-house, but face legal and structural barriers that make reform difficult without central support.

11. Equal Pay and Accountability

11.1 Equal pay liabilities are now being cited as justifications for further cuts, particularly in Birmingham. However, a forensic report by the University of Sheffield found that the council's crisis was driven not by equal pay liabilities but by deeper service pressures and a failed IT implementation.

11.2 Unite insists that the underpayment of predominantly female local government staff is unacceptable and must be addressed through proper funding and transparent job evaluation processes.

12. Unite's Vision for Local Government Renewal

12.1 Unite believes this crisis is not inevitable. It is the outcome of political decisions that can and must be reversed. We call for:

- Adequate core funding and multi-year settlements based on need.
- A reformed tax system that is progressive and responsive to local economies.
- The end of outsourcing and reinvestment in in-house service delivery.
- Decent pay, secure jobs, and sustainable workloads for council workers.
- Genuine local autonomy, with councils empowered to lead on issues from public health to climate resilience.

13. Conclusion

- 13.1 Local government in England is on the brink of collapse. But with urgent action, it can be rebuilt as the cornerstone of a fair, democratic, and resilient society. This will require sustained investment, structural reform, and a commitment to valuing public service and those who deliver it.
- 13.2 To re-emphasise the point, the redistribution in this consultation is welcome but unless the government also substantially increases the size of the overall pot it will not solve the funding crisis affecting councils. With over 15 years of damage to undo it is crucial that the government invests now to rebuild our local authorities and deliver on the high expectations for the transformative change that they promised to deliver.
- 13.3 The Fair Funding review must recommend decisive measures to restore local government funding, support the local workforce, and empower councils to serve their communities effectively.

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