



## **Unite submission to the Housing, Communities and Local Government Committee investigation into the Funding and Sustainability of Local Government Finance**

### **1 Introduction**

- 1.1 Unite the Union is the largest trade union in the United Kingdom and Ireland, representing over 1.3 million members across both the private and public sectors. Our membership includes approximately 80,000 workers who are directly employed by local authorities or deliver services funded by local government. Additionally, a further 50,000 of our members work in the voluntary and community sectors, where many organisations rely heavily on local authority contracts and grants to function.
- 1.2 Unite is submitting this evidence to the Housing, Communities and Local Government Committee because the funding crisis in local government is having a profound and damaging effect on the lives and working conditions of our members, the communities they serve, and the essential services they provide.
- 1.3 Our members are not only employees but also residents and citizens who see firsthand the consequences of political decisions and economic neglect. This submission outlines the scope of the crisis, its systemic causes, and Unite's proposals for how to build a sustainable, fair and democratic future for local government.

### **2 A Structural Crisis, Not Local Mismanagement**

- 2.1 Over the last fifteen years, local government has experienced unprecedented financial pressures. Successive rounds of austerity imposed by central government have hollowed out council budgets, leaving many local authorities unable to meet even their most basic legal obligations. According to the IFS between 2010 and 2024, core funding from central government was 9% lower in real terms and 18% lower in real terms per person than in 2010<sup>1</sup>. During the 2010s, councils' overall core funding per person fell by 26% in real terms, on average, with higher council tax revenues only partially offsetting a 46% fall in funding from central government. At the same time demand for vital services such as adult social care, children's services and homelessness support has steadily increased.
- 2.2 These pressures are now resulting in systemic failure. Since 2020, twelve local authorities have issued Section 114 notices, effectively declaring themselves bankrupt. By comparison, between 2001 and 2018, no council issued such a notice. Councils as diverse as Birmingham, Woking, Thurrock, Croydon and Nottingham have now all reached the point where they cannot balance their budgets without drastic intervention.

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<sup>1</sup> <https://ifs.org.uk/publications/how-have-english-councils-funding-and-spending-changed-2010-2024>

- 2.3 According to a 2024 survey by the Local Government Information Unit (LGIU), more than half of council leaders and chief executives believe they are at risk of issuing a Section 114 notice in the next five years, with many expecting to do so within the next year. Alarming, just 9 percent of senior council officers now consider their council's finances to be sustainable.
- 2.4 Despite attempts by central government to frame these crises as isolated incidents of poor local management, the widespread and cross-party nature of council distress clearly indicates that this is a national, structural problem. It is not the result of isolated mismanagement or flawed leadership but rather the predictable outcome of sustained underfunding, rising demand, and an increasingly dysfunctional funding model.

### **3 Impact on Services, Workers, and Communities**

- 3.1 The financial crisis in local government is having a devastating impact on public services. Cuts have gone far beyond so-called discretionary spending and now extend to core statutory services. Libraries, parks, community centres, and youth services have been closed or drastically reduced. Street cleaning, refuse collection and road maintenance have been scaled back. Services for vulnerable people—including children's social care, adult social services, and special educational needs support—are under extreme pressure, with many councils unable to meet basic standards of delivery.
- 3.2 The human cost of these cuts is stark. For residents, particularly those in already disadvantaged areas, the erosion of local services means worsening quality of life, greater social isolation, and increasing hardship. For local government workers the consequences include job losses, frozen wages, reduced terms and conditions, and unmanageable workloads. Since 2010, hundreds of thousands of jobs have been lost in local government, and many of those that remain are now outsourced, precarious, and underpaid. Local government workers are among the lowest paid in the entire public sector, despite carrying some of the heaviest responsibilities.
- 3.3 In addition to cuts to services and jobs, many councils are now relying on short-term and unsustainable financial practices to stay afloat. Councils are increasingly drawing down on their financial reserves, selling off public assets, and engaging in risky commercial ventures in order to plug funding gaps. This approach is not sustainable and merely delays the inevitable, storing up greater problems for the future.
- 3.4 As part of Unite's campaign we have collected a number of case studies. In the appendix below are a sample of the lived experiences of five frontline local government workers from across England and Wales. Their accounts collectively illustrate the devastating long-term impact of over a decade of austerity, staffing reductions, outsourcing, and chronic underfunding. These workers highlight how cuts to council services have undermined community wellbeing, transferred pressures to other public services such as the NHS, and created unsustainable working conditions. Their testimonies serve as both a warning and a call to action for urgent reinvestment in local government.

### **4 Impact on Pay and Conditions**

- 4.1 Unite members regularly report how unhappy they are with local authority pay. In Unite's recent survey of local authority members 63% said they are financially worse off over the last 12 months, while 73% do not feel valued by their employer.
- 4.2 This is unsurprising as local authority staff have lost (on average) 25% from the value of their pay since 2010. The average understates the problem as it is skewed by the prevalence of low paid staff who have benefited from national minimum wage increases which have increasingly

affected those on the lower ends of the pay structure. This long-term decline has been compounded by more recent economic events, including the cost-of-living crisis in recent years.

- 4.3 Over the course of 2024, our members in local government have seen their household costs, including mortgage repayments, energy bills, and childcare, significantly outpace NJC pay increases.
- 4.4 The bottom end of the NJC Green Book pay spine is close to the new statutory minimum wage, highlighting the need for significant pay increases – to reverse this trend and to recover years of lost value in local government workers’ pay.
- 4.5 Meanwhile, nationally unemployment remains lower than at almost any point in the last 40 years. With a vibrant jobs market, overworked and underpaid local government staff are being lured away to better paying, less demanding jobs.
- 4.6 The importance of the national funding settlement for local government is demonstrated clearly in the NJC unions commissioned research from Landman Economics<sup>2</sup>, which showed that around half the cost of the 2025 NJC pay claim would actually be recouped by central government. Investment in local government services brings the Treasury returns.

## **5 Workload, Stress, Recruitment and retention**

- 5.1 Over the past decade and a half, the local government workforce has decreased significantly, leading to increased workloads for remaining employees.
- 5.2 In Unite’s recent pay survey of members working in local authorities, council workers reported that 41% regularly and 27% occasionally worked beyond their contracted hours (missing rest breaks, working through lunch and unpaid overtime). 51% reported regularly feeling stressed at work and 56% said that they are thinking about leaving their role to find work in a different sector to local authorities.
- 5.3 Local authority employees continue to work substantial amounts of unpaid overtime. In 2023, 16.7% of public sector workers reported working without pay beyond contracted hours, compared to 11.9% in the private sector.
- 5.4 This culture of overwork is contributing to serious physical and mental health problems. In 2023/24, 1.7 million workers reported work-related ill health—nearly half of which was attributed to mental health conditions such as stress, depression, and anxiety. This is not sustainable. Studies consistently show that taking annual leave and reducing excessive working hours improves morale, health outcomes, and workplace productivity.

## **6 Recruitment and Retention**

- 6.1 Local government is experiencing a long-term workforce decline. Council’s in England have lost 552,000 employees since 2012—a 31.5% reduction. This trend shows no sign of reversing.
- 6.2 A survey by the County Councils Network survey<sup>3</sup>, published in 2024, reveals that the number of employees in England’s councils has reduced by 552,000 (31.5%) since 2012 and low pay was routinely given as a key reason for staff leaving. The survey found that only 46% of current staff

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<sup>2</sup> <https://www.local.gov.uk/sites/default/files/documents/NJC%20Pay%20Claim%202025-26.pdf>

<sup>3</sup> <https://www.countycouncilsnetwork.org.uk/report-says-workforce-capacity-is-one-of-the-biggest-challenges-facing-councils-and-calls-for-national-branding-campaign-to-recruit-staff/>

expecting to remain in local government for more than 10 years, and 26% planning to leave within four years.

- 6.3 One of the key drivers of this exodus was the perception of local government as an unattractive employer: 64% of staff hold this view. Additionally, 42% do not believe they will receive adequate training to maintain or develop their skills.
- 6.4 The recruitment crisis is particularly acute in essential services such as education and social care. NJC unions report that one in five Teaching Assistant roles are regularly unfilled, with vacancy rates reaching 18% in local authority-maintained schools. Many schools, especially special schools, struggle to fill support roles for months at a time.
- 6.5 These issues are not new. The LGA found in 2022<sup>4</sup> that across councils more broadly, 94% report difficulties with both recruitment and retention. Furthermore, 90% identify at least one critical skills gap, while 83% face capacity shortfalls that hinder service delivery.
- 6.6 The causes of these workforce challenges are consistent and well documented. Low pay remains the most commonly cited reason for staff departures, followed closely by poor job satisfaction and unmanageable workloads—often worsened by persistent vacancies and austerity-driven budget cuts.
- 6.7 The Local Government Association's 2023/24 Workforce Survey<sup>5</sup> highlights that the total gross council pay bill was £18.6 billion—down 24% from 2014/15. The average full-time equivalent salary in local government now stands at £28,900, significantly below the UK average of approximately £37,430.
- 6.8 Local government employers are also struggling to compete with other sectors in a tight labour market as national unemployment remains at near historic lows. In this context, prospective employees are often drawn to better-paid and less demanding roles in retail, hospitality, or administrative work.

## **7 An Outdated and Unfair Funding System**

- 7.1 The core structure of local government finance in England is outdated, unstable and unfair. The current model relies heavily on Council Tax and Business Rates—two revenue streams that are both deeply flawed.
- 7.2 Council Tax now accounts for approximately 56 percent of councils' core spending power, a significant increase from 40 percent in 2010. However, Council Tax is a regressive tax based on property values that have not been updated since 1991. This means that residents in poorer areas often pay a higher proportion of their income in tax than those in wealthier areas. Furthermore, central government has imposed referendum limits that restrict councils from raising Council Tax rates above a narrow threshold without triggering costly local votes. These caps undermine local democracy and prevent councils from responding to local needs.
- 7.3 Business Rates, the other major revenue stream, are increasingly disconnected from the modern economy. High street decline, changes in consumer behaviour, and outdated valuation systems have led to substantial revenue shortfalls. At the same time, government redistribution

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<sup>4</sup> <https://www.local.gov.uk/our-support/supporting-council-improvement-202223-highlights/workforce-and-hr-support-202223>

<sup>5</sup> <https://www.local.gov.uk/publications/2024-local-government-workforce-survey>

mechanisms have failed to adequately ensure that revenue is allocated according to need, exacerbating inequalities between regions.

7.4 In order to compensate for the shortfall in core funding, many councils have turned to increasing fees and charges for local services. This strategy, however, places an additional burden on residents—especially those already struggling with the cost-of-living crisis—and further erodes the principle of universal public provision. Others have turned to commercial ventures, such as property speculation, that have frequently failed. Nottingham City Council, for example, that invested in its own energy company, now spends £55 million on debt interest in a single year—more than its annual budget deficit.

7.5 In sum, councils have been consistently expected to do more with less while relying on a patchwork of unstable and inequitable revenue sources. This is not only economically unsustainable but also creating a deep democratic deficit where local elected politicians are unable to provide the services that they are expected to carry out.

## **8 Demand Is Rising Faster Than Resources**

8.1 The crisis in local government is being accelerated by rising and increasingly complex demand for services. In adult social care, costs now account for over 70 percent of some councils' total budgets. The aging population and lack of long-term investment in care services mean that councils are overwhelmed by need and unable to provide dignified, comprehensive care for vulnerable people. These demographic pressures have been long predicted, yet central government has systematically failed to make financial plans to help councils meet these growing needs.

8.2 Children's services have also seen growing pressure. The complexity and cost of support packages have increased significantly, with some cases costing over £1 million per child per year. High demand for safeguarding, early intervention, and special education needs support is pushing many councils beyond their financial limits.

8.3 The situation in special educational needs and disabilities (SEND) is particularly dire. Many councils are running substantial deficits on their Dedicated Schools Grant budgets, a situation that may soon lead to further Section 114 notices. At the same time, councils are facing growing demand for housing services, homelessness prevention, public health programmes, and environmental initiatives—many of which are legally required but remain chronically underfunded.

8.4 Without a comprehensive reform of the funding system, councils will simply be unable to meet these growing statutory responsibilities.

## **9 A Deepening Inequality Between Places**

9.1 The impact of local government austerity has not been felt evenly. Councils in the most deprived areas have experienced the deepest cuts since 2010. Research shows that up until 2019 the ten most deprived local authorities received cuts nearly three times higher than the national average. These were the same councils that have the greatest levels of need and the fewest opportunities to raise revenue locally<sup>6</sup>.

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<sup>6</sup> [https://www.tuc.org.uk/news/councils-north-east-will-face-ps12bn-funding-gap-2025#:~:text=The%20research%20compares%20current%20\(2019/20\)%20and%20future,shortfall%20will%20grow%20to%20%C2%A3472%20in%202024/25.](https://www.tuc.org.uk/news/councils-north-east-will-face-ps12bn-funding-gap-2025#:~:text=The%20research%20compares%20current%20(2019/20)%20and%20future,shortfall%20will%20grow%20to%20%C2%A3472%20in%202024/25.)

9.2 Since then, government funding decisions have been more realistic, and the picture has changed somewhat. However rather than properly funding the system overall there continues to be a process of underfunding different areas to plug gaps elsewhere. In January 2025 the County Councils Network reported that more than four in five (85%) of county and rural local authorities say they are now in a worse position than before the Autumn Budget and Local Government Finance Settlement<sup>7</sup>.

9.3 Council funding must be based on service need to help reduce poverty and inequality. With proper funding and genuine autonomy, councils could play a major role in delivering national priorities like climate action and public health. Empowered councils would better reflect local needs and build resilience by investing in prevention rather than reacting to crises.

## **10 Asset Sales, Outsourcing and the Hollowing Out of the State**

10.1 In an attempt to manage the financial crisis, many councils have been forced to sell off public assets. Since 2010 councils have been forced to sell off thousands of public spaces—including libraries, community halls, playgrounds and council offices, often to fund basic operations or redundancy payments. This process has continued into recent periods with at least 19 councils reporting to make these sales in 2024.<sup>8</sup>

10.2 This process represents the dismantling of the local state. Public assets that took generations to build are being lost in a matter of years, with long-term consequences for community infrastructure, civic pride and local economic resilience. Once these assets are gone, they are unlikely to be recovered.

10.3 The long-trend to outsource many services in local government to private providers has also taken its toll on council's flexibility and efficiency. Outsourcing public services has led to rising costs, poorer quality, and increased risks for many councils. Research by a range of organisations (APSE, Public Futures, NEF, TNI and others) shows it's often more expensive to outsource services due to profiteering from providers, poor contract management, and service fragmentation. Dramatic failures like the collapse of Carillion highlight just how serious the financial dangers can be, but there are multiple other examples reported by Unite members who have experienced outsourcing. Quality often drops as private firms cut costs, reduce staff terms, and de-skill roles. Accountability and transparency suffer under corporate confidentiality. Flexibility is limited by rigid contracts, and councils lose vital in-house skills. Outsourcing also harms workers through pay cuts and insecure contracts.

10.4 While many councils have tried to bring services back in-house, legal and structural barriers created over decades to incentivise outsourcing make reversing outsourcing difficult, often locking councils into long-term deals despite negative outcomes. There therefore needs to be a root and branch reform of this legal framework to all councils to take back control of their services and improve their ability to deliver efficiency and value for money.

## **11 Equal Pay Crisis**

11.1 The spectre of costly equal pay settlements is being sited to justify cuts to services in several councils, most notably Birmingham.

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<sup>7</sup> <https://www.countycouncilsnetwork.org.uk/four-in-five-county-and-unitary-councils-in-a-worse-position-than-before-the-autumn-budget-and-finance-settlement-survey-reveals/>

<sup>8</sup> <https://www.bbc.co.uk/news/uk-politics-68439624#:~:text=Published,funds%20to%20tackle%20cash%20crisis>

- 11.2 Low pay in local government disproportionately affects workers with protected characteristics under the Equality Act, particularly women workers<sup>9</sup>. On average, women in local authorities continue to be paid significantly less than men, while ONS research shows that in England women are, on average, paid less than men in 167 authorities (according to median pay). Unfair equal pay practices, labour segmentation and councils reliant on market supplements to plug recruitment gaps in many hard to fill roles are just some of the drivers of continued unequal pay.
- 11.3 Unite is clear that the long-term underpayment of predominantly female local authority staff is completely unacceptable and results from prolonged mismanagement of job evaluation systems. It is not the cause of council bankruptcy although the financial crisis engulfing the sector makes the problem much harder to solve.
- 11.4 In Birmingham City Council, for example, the section 114 notice and financial crisis there was initially attributed to a large equal pay liability. However, a forensic report from Sheffield University<sup>10</sup> comprehensively debunks this myth.
- 11.5 The report found that *“the financial problems were initially attributed to a prematurely disclosed and potentially overstated equal pay liability. This attribution deflected public attention from i) ongoing service level pressures that resulted from austerity budgets and increased demands after the Covid pandemic, and ii) the disastrous implementation of a new ‘Oracle Cloud Fusion’ IT system... As a result of this attribution, the government initiated a process that would lead to deep cuts and asset sales that raise serious concerns about best value and financial sustainability.”*
- 11.6 Despite a change in central government and the evidence from this report, that process is still ongoing and is the cause of the ongoing dispute around Birmingham’s refuse services.
- 11.7 Unite is adamant that equal pay issues must be tackled within the Local Authority sector. To make this happen there must be sustainable and sufficient funding to renew the pay structure alongside transparent job evaluation processes.

## **12 Unite’s Vision for Local Government Renewal**

- 12.1 Unite believes that the crisis in local government is not inevitable. It is the result of political decisions that can be reversed. We advocate for a new model of local government that is adequately funded, democratically accountable, and committed to the direct delivery of high-quality public services.
- 12.2 We believe that councils must be provided with multi-year funding settlements that enable long-term planning. The practice of competitive bidding for limited pots of funding must end. Local authorities should receive funding based on genuine assessments of need and deprivation, not on their ability to navigate bureaucratic grant competitions.
- 12.3 The system of Council Tax and Business Rates must be reformed to make it more progressive and reflective of the modern economy. Councils should be given greater fiscal powers, including the ability to raise funds through local progressive taxation.

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<sup>9</sup> The gender pay gap in local government 2023/24, LGA, 2024

<sup>10</sup> <https://auditreformlab.group.shef.ac.uk/value-for-money-and-accountability/#:~:text=This%20report%20analyses%20the%20financial,potentially%20overstated%20equal%20pay%20liability.>

12.4 Unite is also calling for an end to outsourcing in local government. Outsourcing has not delivered efficiency or value for money. It has, however, led to lower wages, weaker conditions, and fragmented services. Councils should bring services back in-house, invest in public capacity, and use strategic procurement to support local economies and unionised employers.

12.5 Local government must also become a more assertive voice in national debates. Councils should resist implementing unjust cuts and work collectively to demand adequate funding. Metro mayors and combined authorities should use their platforms to challenge austerity and argue for a fairer financial settlement.

### **13 Conclusion**

13.1 The pending collapse of local government in England is not an accident. It is the result of deliberate disinvestment, flawed policy, and neglect. Unite believes it is time to reverse course. We must rebuild local government as the foundation of our democratic society—a sector capable of delivering for its citizens, respecting its workers, and driving forward economic and social transformation.

13.2 This submission recommends that the government restore core funding for local authorities, end dependence on outsourcing by supporting in-house service delivery, address the pay and staffing crises, reduce historic council debts, and cease appointing commissioners whose roles are necessitated by political underfunding. Local government workers have been and continue to be essential to the functioning of society. Their warning is clear: without urgent action, vital services may be lost permanently, and public trust irreparably damaged.

**13/06/2025**

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## APPENDIX – Case studies

- Jon, an Information Officer at a Welsh council working in adult social care, has seen the consequences of austerity since 2010. He notes that the reduction of back-office staff since 2012 has forced already overstretched social workers to take on increasing administrative burdens, detracting from their ability to provide direct care. Over his 22 years in the sector, Jon has witnessed the systematic erosion of services, including the closure of day centres and the withdrawal of what was once considered "low-level care"—basic domestic support for older adults. These preventative services had successfully kept many people out of hospital, and their removal has resulted in increased demand on NHS services. Jon stresses that these cuts represent a false economy: while they may offer short-term budgetary relief, they lead to significantly higher long-term costs. He also criticises the heavy outsourcing of care services, which he says has become more expensive over time, with agency care beds now costing the council £1,000 per week. Meanwhile, care workers are paid minimum wage and kept on insecure contracts. Jon argues that reintegrating services in-house and properly investing in them would ultimately reduce costs and improve service quality.
- Carol, a home care worker in the East Midlands, was made redundant in 2023 after 30 years of council service due to financial pressures following the council's effective bankruptcy. Her team had provided complex, long-term care to individuals with serious mental health needs—care that stabilised lives and kept vulnerable people out of crisis. The decision to eliminate her team was based on cost-cutting measures implemented by appointed commissioners, despite the long-term value of the care they delivered. Carol has since been reemployed in a reablement team, helping recently discharged hospital patients. However, even these essential services face further cuts to home-visit times, putting recovery and safety at risk. She paints a picture of a city in decline, with visible neglect in public spaces and deteriorating infrastructure, all while council tax rises continue. Carol stresses that local authorities have not been wasteful, but chronically underfunded, and that further cuts will only result in the loss of services that communities rely on. She calls for the government to write off council debts and end the costly imposition of commissioners, whose presence reflects the consequences of failed national policy.
- Simon, a refuse collector in a south coast council, has worked in the role for 24 years and has endured numerous rounds of budget cuts, pay freezes, and increasing job demands. He describes how outdated refuse vehicles, which are being patched rather than replaced, have made it difficult to maintain service standards. The pressure to do more with fewer staff has increased risks to health and safety and contributed to a growing mental health crisis among his colleagues. Simon emphasises that council workers provide vital cradle-to-grave services and should be treated with the same respect and consideration as NHS staff. He expresses disappointment that recent decisions by local and national leaders have continued the pattern of neglect. Simon calls on the government to meet with trade unions, reverse the years of pay erosion, and invest in the essential services provided by local government workers, who continued working throughout the pandemic to keep society functioning.
- Tommy, a street lighting supervisor in Welsh county council, has worked in local government for more than three decades and reports a stark decline in staffing and resources. When he started, his team had thirteen members; today, just three people maintain street lighting across his entire county. At the same time, their workload has grown due to housing development and infrastructure expansion. Emergency call-outs can consume entire workdays due to long travel

times and limited personnel, making timely service delivery nearly impossible. Tommy highlights planned annual cuts of 10% to the council's maintenance department over the next three years, which will significantly impair the council's ability to repair public infrastructure. Recruitment and retention have also become major challenges, with many staff leaving for better-paid jobs elsewhere. He notes that pay rises have rarely matched inflation and that council workers feel undervalued and forgotten, despite having been recognised as essential during the COVID-19 pandemic.

- Brian, a refuse driver in the East of England for the past ten years, describes the erosion of street cleaning services and the increasing workload placed on a shrinking team. Whereas two-person teams were once standard, staffing was reduced during the pandemic due to social distancing, and that arrangement has not been reversed. Most refuse rounds now operate with only one worker, which has led to incomplete routes and a decline in cleanliness. Brian expresses concern over safety and mental wellbeing, citing incidents of public abuse and the increased risk of accidents from rushed or overburdened staff. Workers are also being provided with substandard equipment, such as bin bags that do not fit properly. He argues that these deteriorating conditions are the result of relentless cuts and a failure to adequately fund essential services. Public dissatisfaction is growing, and Brian calls on the government to invest in councils and ensure safe, properly staffed refuse services for all communities.
- Bridie, a Finance Clerk from a Northern Irish council, with 19 years' experience, highlights critical issues affecting council operations. A key concern is the growing reliance on agency staff, many of whom remain on temporary contracts for years without being offered permanent roles. This creates instability and undermines long-term workforce planning. She also criticises the high spending on external consultants whose recommendations are often not implemented, leading to waste and inefficiency. Bridie believes the council has shifted away from community service towards costly, unnecessary projects, with limited public benefit. "There is little accountability for spending," she states, "yet it's frontline workers and residents who feel the impact." She argues that funds should instead support staff pay and essential public services. Bridie notes a visible decline in local services and infrastructure, which she links to budget cuts and poor governance. She warns that, despite devolution, Northern Ireland may soon face similar financial crises to those in English councils unless action is taken.