

Ministerial foreword

Local government runs around 800 essential services that we all rely on, supports the most vulnerable, and is the foundation of a functioning state.

This government is under no illusion about the scale of the issues facing local government. We know that the demand for, and cost of, services has increased significantly – and that this has made the job for local authorities in recent years much harder. After a decade of cuts and fiscal mismanagement inflicted by the last government, compounded by spiralling inflation, rocketing demand for key services, and a failure to grow our economy, councils of all political stripes were left in crisis. Our fiscal inheritance means that there will be tough choices on all sides to get us back on the path to recovery, and it will take time.

The broken funding system we inherited has left local authorities across the country in crisis. To turn this around, we need to reset local government so that it is fit, legal and decent and can, once again, reliably deliver for our communities. We are going to work with local authorities to rebuild throughout this parliament.

Earlier this year, we announced the £69 billion financial Settlement for 2025-26 - a 6.8% cash terms increase, with £600m being directed through a one-off Recovery Grant to sustain councils with historical low tax bases and higher levels of deprivation, through to the upcoming multi-year settlement. At the Spending Review earlier this month, we also announced over £5 billion of new grant funding over the next three years. This includes £3.4 billion of new grant funding which will be delivered through the multi-year Local Government Finance Settlement.

We will work closely with the sector to ensure local leaders have the flexibility to shape their places and focus on local priorities. We have ambitious plans to strengthen and simplify the structures of local government through reorganisation. We are also bringing to an end wasteful, competitive bidding for funding pots and moving towards multi-year financial Settlements that give local leaders the certainty and stability they need to plan for the future. We're ending micro-management from the centre, so that local authorities can spend their time and resources on services for local people, not filling in forms to satisfy central government.

We are rebuilding the public services that the most vulnerable in our society rely on. We are directing money to where it needs to go, enabling more spending on prevention and less on crisis management.

At the Spending Review we also announced significant additional funding for preventative services. This will keep more families together, improving outcomes for children and reducing local authority costs, while joining up disparate agencies and support services so that fewer children fall through the cracks.

This government recognises the pressures local authorities are facing because of their Dedicated School Grant deficits. The Spending Review confirmed funding to reform

the Special Educational Needs and Disabilities (SEND) system. We will commence a phased transition process which will include working with local authorities to manage their SEND system, including deficits, alongside an extension to the Dedicated Schools Grant Statutory Override until the end of 2027-28. We will set out more detail at the provisional Local Government Finance Settlement.

Now we need to take the next, crucial step towards a fairer, simpler funding system that targets money where it is most needed, to the benefit of working families.

Too many areas have felt the combined impact of reducing government support and low historical tax bases to raise income from. This has been coupled with high levels of need driving up demand for services, which have shifted from early intervention and prevention to crisis management, now costing more for worsening outcomes. At the same time neighbourhood services that make areas clean, safe, and decent have felt the brunt of reductions. That has to change.

The previous government understood this. Their review of Relative Needs and Resources, better known as the 'Fair Funding Review', highlighted the problem created by unfair local government funding, and the need for change. But the previous government failed to deliver these much-needed reforms – they dithered, delayed, and abandoned the Review.

This government is prepared to take the tough choices to improve services for the working people of Britain – with a balanced approach that protects all local authorities but ensures funding is truly based on need. Our reforms will take into account the different needs and costs faced by communities across the country, including adjusting for the costs of remoteness faced by rural communities, and the ability of individual local authorities to raise Council Tax, while also resetting business rates income. It will update the crucial formulae used to calculate funding allocations, which are a decade out of date.

Once finalised, the changes will be implemented in 2026-27 through the first multi-year Settlement in a decade.

These improvements are part of wider reforms we are making to local government to reset the relationship with central government, and drive the greatest transfer of power from Whitehall to the townhall in a generation through our landmark English Devolution Bill.

It is a partnership that will be based on respect and cooperation.


We recognise the extraordinary pressures local government has been under in recent years, and we are determined to see it emerge stronger.

We know we are facing huge financial challenges as a country. We have to take difficult decisions, on all sides, to get us back on the path to recovery.

These decisions were shaped by the consultation on local government funding we held in December, and they aim to prevent financial crises, of the kind we inherited, happening again.


Working people and the councils who serve them deserve better.

By putting fairness, investment and stability first, and working together to deliver for them, we are putting government back the service of working people.



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