


Navigating the future: A consultative approach to local government funding reform

19 December 2024  Peter Ware

In a pivotal move, the UK government has initiated a comprehensive consultation (18 December 2024) aimed at reshaping the landscape of local government funding.

This consultation represents a critical juncture, acknowledging the indispensable role local authorities play in providing essential services and their need for a funding model that reflects the realities of their responsibilities. The government's approach is not merely a strategy but a collaborative effort to redefine how local government is supported, ensuring it can continue to serve its communities effectively.

Understanding the need for reform

Local government is at the forefront of delivering over 800 vital services that impact daily life. However, the current funding model, with allocations that have remained unchanged since 2013–14, has led to disparities in service quality and financial strain, particularly in more deprived areas. This consultation seeks to address these challenges head-on, proposing a series of reforms aimed at creating a more equitable, efficient, and responsive funding system.

Empowering local decision-making

Central to the government's proposed reforms is the empowerment of local leaders. By shifting power away from the centre, the government aims to give local authorities the autonomy they need to address their unique challenges and opportunities. This vision is outlined in the English Devolution White Paper and the English Devolution Bill, which seeks to reset the relationship between central and local government, fostering a partnership based on trust and mutual respect.

Strengthening local governance

The consultation also proposes significant changes to local audit, oversight, and standards. By overhauling these systems, the government aims to ensure that councils are equipped to deliver services efficiently and to high standards, restoring confidence in local government's ability to manage public funds effectively and act in the best interest of their residents.

Revisiting funding allocations

At the heart of the consultation is the commitment to fix the foundational issues of local government funding. Recognising the disconnect between funding allocations and the actual needs of local authorities, the government is committed to developing a new distribution methodology. This methodology will take into account factors such as service demand, the cost of providing services, and the ability of local authorities to raise Council Tax locally, ensuring a fairer and more equitable distribution of resources.

A collaborative process

The government's consultation process is designed to be inclusive, inviting input from local authorities, stakeholders, and the public. This collaborative approach is crucial for developing detailed proposals that accurately reflect the needs and challenges faced by local government across the country. By engaging in this dialogue, the government aims to build a consensus on the way forward, ensuring that the reforms are grounded in practical realities and are capable of delivering meaningful change.

Looking ahead

This consultation marks the beginning of a journey towards a more sustainable and effective local government funding model. By addressing the systemic issues that have long hindered the ability of local authorities to serve their communities, the government aims to lay the groundwork for a future where local government is empowered, well-resourced, and capable of meeting the diverse needs of its residents. As the consultation process unfolds, the active participation of all stakeholders will be key to shaping a funding model that is fit for the challenges and opportunities of the 21st century.

The consultation will last for eight weeks from 18 December 2024 to 12 February 2025, details of which can be found here:

[Local authority funding reform consultation](#) 

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