

## **Councils under pressure**

### ***The scale of the local authority budget shortfalls (September 2023)***

#### **Background**

Councils across England, Scotland and Wales are in financial turmoil. Half a dozen or so have declared themselves effectively bankrupt, while many others teeter on the brink. The high-profile problems facing Birmingham City Council are the most visible and extensive, but this is just the tip of the iceberg.

New research by UNISON shows that councils in these three nations face a collective funding shortfall of £3.56bn for the coming financial year (2024/25); and the cumulative figure will have risen to £6.99bn the year after. The figures measure how far short local authorities are from balancing their budgets.

UNISON's findings have been gathered from individual freedom of information (FoI) requests made to councils or directly from their own published financial plans. They provide a comprehensive account of the scale of the financial challenge facing councils and follow on from analysis undertaken by the Local Government Association earlier this year.

Local authorities are required by law to set a balanced budget, which means they must take steps to deal with any funding gaps by announcing job cuts, a reduction in services, increased charges to residents and businesses, using their own cash reserves or selling off assets.

The shortfall has happened because of increased demand for council services, a sizeable fall in central government funding since 2010, higher energy costs and inflation. Several councils responded to swingeing central government funding cuts by borrowing heavily to invest, in an effort to generate more revenue for their services. These highly indebted councils are now paying a heavy price because they've been stung by soaring interest rates.

Birmingham (Labour-run) is facing the largest funding gap of £164m for 2024/25, closely followed by Thurrock (Conservative-run) with a £156m gap. Hampshire (Conservative) follows with an £82m gap, just above Sheffield (with no overall control) and Bradford (Labour) councils, both of which are £72m short.

Attention will inevitably be drawn to authorities with the highest predicted funding gaps, but it is important to consider the area covered by the council, its local population and spending power. For instance, Woking was forced to issue a section 114 notice in June (this happens where a council cannot meet its spending commitments from its income) although its predicted funding gap of £19.37m for 2024/25. Although this is a long way down the list of the largest shortfalls by size (there are more than 50 councils with higher projected gaps), but the amount that it is short represents 57% of the budget requirement for the year.

There has been a spate of councils issuing section 114 notices within the past 12 months. In addition to Woking, Birmingham and Thurrock have done the same. A number of other local authorities have recently indicated that they're at risk of following suit. They include Bradford, Middlesbrough, Kirklees, West Berkshire, Guildford and Kent.

A further 26 councils are likely to issue the notices warning of impending bankruptcy within the next two financial years, according to the Special Interest Group of Municipal Authorities

(Sigoma). Alarm bells are being sounded at county, district and metropolitan level, and irrespective of their political control or geographical location. UNISON's findings make clear no type of local council is exempt from the chaos.

Without significant central government intervention, local people across the three nations face the prospect of a whole range of local services being axed; from public libraries, museums, children and youth centres, public and environmental health services, road maintenance to social care for both adults and children, bus services and public toilets.

#### **How UNISON's data was compiled:**

UNISON sent the following freedom of information request to every council in England, Wales and Scotland at the end of May 2023:

- 1) What is your current predicted funding gap by the end of the financial year 2024/25?
- 2) What is your current predicted cumulative funding gap by the end of the financial year 2025/26?

A total of 181 (out of 371) councils provided their funding gap figures. Others directed UNISON to their most recent medium-term financial plan, or other papers from budget-setting meetings from early 2023 to find. For these councils the data was manually gathered. Only Newham and Torbay Councils had yet to publish their funding gap figures for 2024/25. The figures in this report are correct as of 27 September 2023.

#### **Key headline findings for the 2024/25 funding gap by council type:**

- The 21 county councils across England face a collective funding gap of £299m.
- The 36 metropolitan councils across England face a collective funding gap of £829m.
- For the 164 district councils in England it's £230m, and for the 62 unitary authorities across England (plus the Isle of Scilly), £815m.
- The 32 London councils (plus City of London) face a collective funding gap of £380m.
- In Scotland, the 32 councils are short of £660m, and the figure for the 22 Welsh councils is £352m.

Of the 371 councils, ([England 317](#), [Scotland 32](#), [Wales 22](#)) only 62 (16.7%) reported no funding gap for 2024/25.

However, even for this minority currently predicting no shortfall, the financial situation is rapidly deteriorating. Derbyshire County Council, for example, responded to UNISON's FoI request in mid-June, to say it anticipated no shortfall for 2024/25. By this month the council had identified a predicted overspend of £46m for the current financial year 2023/24 that it says will prompt some "very painful" budget decisions.

#### **Examples of service cuts over the past 12 months**

Many councils have had to slash spending to have any realistic hope of balancing their books. For some this has been an ongoing process, of year after year chipping away at resources highly valued in the communities they serve. Inevitably this has had a serious impact on the

services provided and, all too often, on the size of the workforce. In the past year authorities have tried to tackle their immediate problems by:

- Liverpool City Council withdrew all its funding for the Epstein Theatre. That in turn led to the theatre’s closure in June.
- Croydon cut 22 neighbourhood safety officers and closed a garden centre run by volunteers with disabilities in April.
- West Lothian Council closed three swimming pools in June.
- Aberdeen City Council closed six libraries and one leisure centre in April.
- Care homes and day centres for older people or people with disabilities have been closed by County Durham, Bristol City, Leicester City, Merton and Monmouthshire councils.

### Proposed future cuts

There’s no end in sight to the efforts to reduce costs, as councils do what they can to trim spending. Many local authorities already feel there’s nothing left to cut. This is how some are attempting to tackle their financial black holes:

- Woking has put 350 workers on notice of redundancy.
- Kirklees has said it plans to make 250 job cuts between October and next March
- Kent is considering closing 37 children’s and youth centres across the county.
- York is looking into the introduction of charging for domestic garden waste collections, pushing up car park charges and reducing spending on highway maintenance.

### Regional/national breakdowns

Region/nation	Funding gap 2024/2025	Population (2019)	2024/25 gap per head of population in £
East Midlands	£174,241,918	4,811,065	36.22
Eastern	£332,086,893	6,235,410	53.26
London	£380,363,300	8,982,256	42.35
North West	£352,698,000	7,300,075	48.31
Northern	£133,423,000	2,656,980	50.22
South East	£349,210,451	9,175,033	38.06
South West	£184,931,865	5,616,381	32.93
West Midlands	£298,126,829	2,928,377	101.81
Yorkshire & Humberside	£350,215,000	5,486,230	63.84
Wales	£352,103,630	3,136,383	112.26
Scotland	£660,243,280	5,454,238	121.05
Total	£3,556,170,166		

### What needs to happen next?

The sheer scale of the funding challenge, graphically illustrated by the recent spate of section 114 notices, means that without significant government intervention, it’s inevitable that many more cuts to services and jobs will follow.

UNISON’s findings show councils of all types (unitary, district, borough, county and

metropolitan), irrespective of geographical location and political control are all facing major challenges.

Councils in England must be provided with extra grant funding in the chancellor's autumn statement so they can deal with the immediate financial challenges and prevent the collapse of local government across the country.

Work must also be done at pace to reform how local councils are funded to tackle the huge reduction in central government resources since 2010.

Steps must also be taken to make the distribution of funding fairer and to allow for multi-year settlements.

Council funding in Scotland and Wales is devolved, but the Scottish and Welsh governments should receive additional resources from Westminster that can then be passed on to their councils.