

Councils on the Brink: The Local Government Funding Gap 2025/26

The funding challenges facing local councils across England, Wales and Scotland are getting considerably worse, new research by UNISON shows.

Councils across these three nations face a collective funding shortfall of £4.3bn next year (2025/26), and the cumulative figure will have risen to £8.5bn by 2026/27, according to a combination of freedom of information requests and searches of local authority financial strategy papers.

Across England alone, the predicted funding gap for 2025/26 is £3.4bn, which will have risen to £6.9bn by 2026/27. These figures far outstrip the estimate made by the Local Government Association (LGA) in June. This suggested councils in England face a funding gap of £2.3bn in 2025/26, rising to £6.2bn by 2026/27. The LGA's figures were compiled using modelling assumptions rather than extracting each council's predicted funding gap.

The figures from UNISON measure how far short local authorities are from balancing their budgets. Councils are required by law to set a balanced budget, which means they must take steps to deal with any funding gaps, a task that's becoming increasingly difficult. Many councils have been forced to announce job cuts, reduce services, and increase charges to residents and businesses. They have also had to use their own cash reserves or sell assets.

Earlier this summer, UNISON revealed the toll this funding gap has already taken on a range of council services. Between 2010 and 2023, at least 1,243 council-run youth centres were closed and 1,168 council-run children's centres were shut. There has also been a significant decline in the number of council-run libraries (1,376 fewer) and public toilets (a drop of 1,629) over the same period.

In a paper released just before the 2024 general election, the Institute for Fiscal Studies reported that between 2010-11 and 2024-25, councils' overall core funding fell by 9% in real terms, despite significant increases in demand for services. During the financial year 2024/25 alone, 19 local councils in England were granted "capitalisation directions", where local government financial rules were relaxed so they could make

use of capital budgets to help support day-to-day spending. Since 2020/21, 29 councils have been granted capitalisation directions valued at more than £3bn.

Many local authorities have already made, or are planning, further cuts to services in an attempt to balance the books ahead of their budget-setting meetings in February/March 2025. These come on top of well over a decade of significant cuts and include:

- Shropshire Council cutting up to 540 jobs and planning to end the 24/7 provision of CCTV monitoring.
- Nottingham City Council plans to close four public libraries.
- Derbyshire County Council proposes to close up to 11 elderly care homes and 8 day centres for the elderly.
- Hampshire County Council has halved the funding it provides for wellbeing centres. These provide support for people recovering from mental health issues.
- York City Council has embarked on a consultation to ask residents how they can save £30m over the next three financial years, and Kent County Council launched a public consultation into tens of millions of pounds of savings.
- Peterborough City Council recently halved its funding to a dementia resource centre.

Funding gap figures measured against planned spending figures

UNISON has been calculating the collective funding gap figures for councils for several years. This year, we have also recorded the net revenue budget each local authority has predicted for the same financial year – allowing predicted funding gap figures to be put into greater context.

By measuring local shortfalls as a proportion of each council’s predicted net revenue budget, it’s possible to get a stronger sense of whether that authority is in major financial trouble. For instance, a large local authority like Glasgow faces a £50m funding gap for 2025/26. But the city council has a predicted net revenue budget of almost £2bn, which means the funding gap accounts for 2.6% of Glasgow’s budget. In contrast, a far smaller district council like Rushmoor faces a £4.1m funding gap against its net revenue budget of £11.9m – meaning its funding gap represents 34.6% of its predicted revenues.

So, while financial difficulties at top-tier councils like Birmingham, Nottingham, Shropshire and Bradford often dominate newspaper headlines, UNISON’s figures illustrate the all-encompassing nature of the funding crisis and reveal why smaller councils are experiencing huge spending challenges.

Largest funding gaps by size

The table below shows the top 10 councils with the largest predicted funding gap figures for 2025/26

Council	2025/26 funding gap £	Revenue budget 2025/26	% of budget funding gap represents
Hampshire	£132,000,000	£1,200,000,000	11%
Bradford	£126,200,000	£575,300,000	21.9%
Birmingham	£118,855,000	£1,181,752,000	10.1%
Somerset	£103,900,000	£691,700,000	15%
Leicester	£90,400,000	£462,300,000	19.6%

Kent	£81,398,200	£1,494,108,300	5.5%
Surrey	£74,800,000	£1,284,500,000	5.8%
Nottingham	£68,710,000	£357,000,000*	19.3%*
Cornwall	£67,111,000	£845,999,000	7.9%
Leeds	£64,600,000	£641,400,000	10.1%

*Note: Nottingham did not supply a revenue budget figure for 2025/26. Its revenue budget in 2024/25 was £357m.

All these councils must try to balance their budgets following years of sustained funding cuts. Hampshire County Council, for instance, had already closed 70 children’s centres between 2010 and 2023, whilst Bradford closed 14 council-run youth centres over the same period. Birmingham and Nottingham councils are currently delivering major service and job cuts after issuing section 114 notices.

Largest funding gaps as a proportion of net revenue budgets

The table below shows the top 10 councils where predicted funding gaps represent the largest proportion of predicted net revenue budgets.

Council	2025/26 funding gap £	Revenue budget 2025/26	% of budget funding gap represents
Eastleigh Borough Council	£4,879,000	£13,115,000	37.2%
Rushmoor Borough Council	£4,127,000	£11,920,000	34.6%
Thurrock Council	£18,200,000	£59,000,000	30.9%
Tamworth Borough Council	£3,262,000	£11,605,000	28.1%
Cherwell District Council	£7,038,000	£29,024,000	24.3%
Mole Valley District Council	£2,500,000	£10,384,000	24.1%
Shetland Islands Council	£48,880,605	£205,910,186	23.7%
Bradford City Council	£126,200,000	£575,300,000	21.9%
Mansfield District Council	£3,626,000	£17,532,000	20.7%
Woking Borough Council	£4,874,000	£23,846,000	20.4%

While district councils are not responsible for providing adult and children’s social care services (the largest cost pressures for top-tier councils), the escalating housing crisis has heaped huge pressures on district budgets.

Late in 2023, district councils organised a cross-party appeal for more funding for homelessness and temporary accommodation to help deal with soaring costs. According to the District Councils’ Network, total district council spending on temporary accommodation rocketed 228% in just five years: from £66m in 2017/18 to £216m in 2022/23.

The abilities of councils to weather this financial storm have also been hampered. Years of sustained austerity has meant many local authorities have significantly depleted service levels. So those councils where funding gaps represent a higher proportion of their revenue budgets

are likely to find it particularly challenging to set a balanced budget without significant service and job cuts.

Funding gaps by region

Councils in Greater London have the highest collective funding gap as a proportion of their collective net revenue budgets by region. This is illustrated by the table below, although it is clear the situation is highly challenging in every area.

Region/nation	Funding gap 2025/2026	Revenue budget 2025/2026	% of revenue budget represented by gap
East Midlands	£349,156,221	£5,821,385,467	6.0%
Eastern	£218,092,439	£6,043,932,485	3.6%
London	£650,352,000	£9,550,325,000	6.8%
North West	£421,850,156	£8,726,375,348	4.8%
Northern	£157,141,000	£3,205,719,000	4.9%
South East	£626,057,881	£10,249,910,864	6.1%
South West	£298,605,213	£6,212,707,607	4.8%
West Midlands	£326,658,885	£5,872,735,443	5.6%
Yorkshire & Humberside	£345,444,000	£5,692,367,775	6.1%
Cymru/Wales	£379,495,950	£8,121,841,175	4.7%
Scotland	£487,883,105	£16,443,174,886	3.0%
National funding gap total	£4,260,736,850	£85,940,475,050	4.96%

Funding gap by council type for 2025/26

- The 21 county councils across England face a collective funding gap of £671m.
- For the 36 metropolitan councils across England it's £776m.
- The 164 district councils in England have a collective funding gap of £188m.
- The 62 unitary authorities across England (plus the Isles of Scilly) have a £1.1bn gap.
- The 32 London councils (plus City of London) face a collective funding gap of £650m.

What needs to happen next?

UNISON welcomes the commitments by the new Labour government to introduce multi-year funding settlements to allow local councils to better plan their spending and end wasteful competitive bidding for funding.

However, without additional emergency grant funding for councils in England in the chancellor's autumn statement, they will be unable to deal with the immediate financial challenges. That means there is a serious risk of the widespread collapse of local government.

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

Work must also be done at pace to reform how local authorities are funded to tackle the huge reduction in central government resources since 2010. Sectors like adult and children's social

care urgently need to be reformed to stem the flow of money leaving councils and boosting the profits of private providers.

How UNISON's data was compiled:

UNISON sent the following freedom of information request to every council in England, Wales and Scotland at the start of May 2024 (data continued to be collected until 1 September):

1. What is your current predicted funding gap by the end of the financial year 2025/26?
2. What is your current predicted net revenue budget for the financial year 2025/26?
3. What is your current predicted cumulative funding gap by the end of the financial year 2026/27? (the total combined predicted funding gap of the financial years 2025/26 and 2026/27)
4. What is your current predicted net revenue budget for the financial year 2026/27?

A total of 171 (out of 370) councils provided their funding gap figures via email. Others directed UNISON to their most recent medium-term financial plan, or other papers from budget-setting meetings in early 2024. For these councils, the data was manually gathered by UNISON. More than 95% of councils supplied their net revenue budgets for future years but, in the instances where they did not, the current 2024/25 net revenue budget figure was used to calculate what percentage the funding gap figure represented.

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