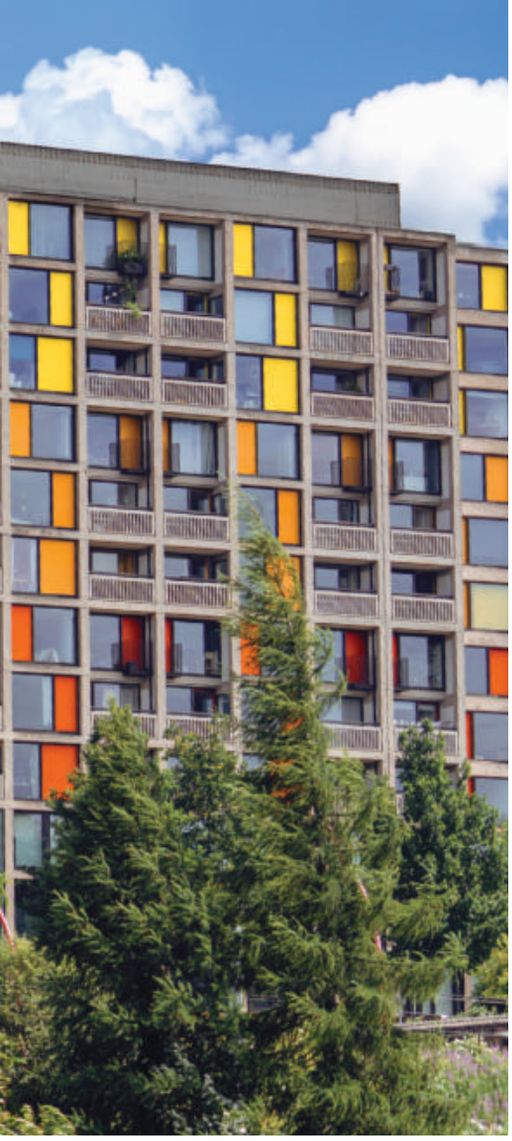






Fairer Funding, Stronger Councils

Building a fair, stable, and sustainable future for councils and our communities



SIGOMA



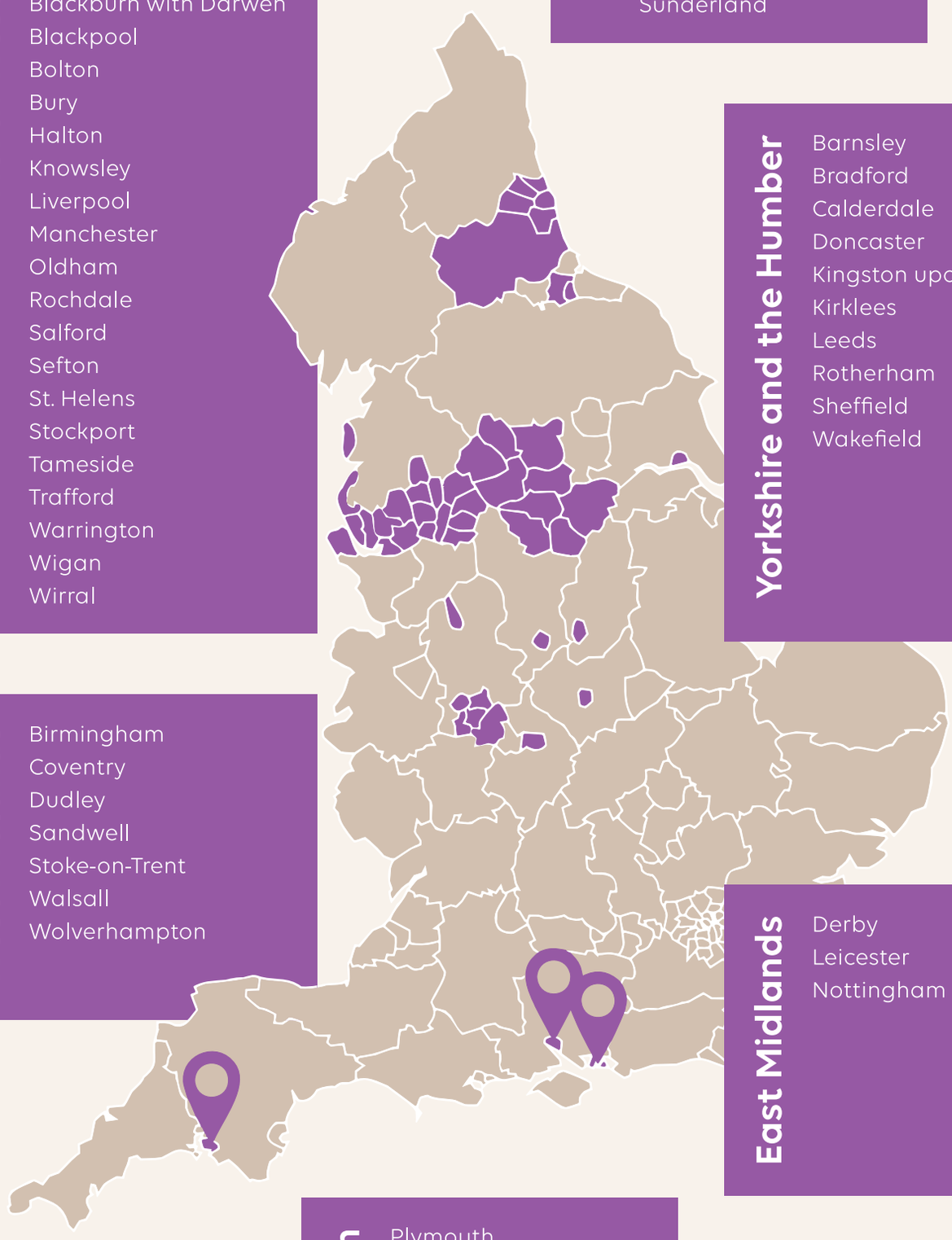
Map of SIGOMA Authorities

North East

- Durham County Council
- Gateshead
- Middlesbrough
- Newcastle upon Tyne
- North Tyneside
- South Tyneside
- Stockton-on-Tees
- Sunderland

North West

- Blackburn with Darwen
- Blackpool
- Bolton
- Bury
- Halton
- Knowsley
- Liverpool
- Manchester
- Oldham
- Rochdale
- Salford
- Sefton
- St. Helens
- Stockport
- Tameside
- Trafford
- Warrington
- Wigan
- Wirral



Yorkshire and the Humber

- Barnsley
- Bradford
- Calderdale
- Doncaster
- Kingston upon Hull
- Kirklees
- Leeds
- Rotherham
- Sheffield
- Wakefield

West Midlands

- Birmingham
- Coventry
- Dudley
- Sandwell
- Stoke-on-Trent
- Walsall
- Wolverhampton

East Midlands

- Derby
- Leicester
- Nottingham

South

- Plymouth
- Portsmouth
- Southampton

Contents

Foreword from SIGOMA Chair 3-4

5-6 Foreword from SIGOMA CEX Chair

SIGOMA's strategic pillars 7-8

9-10 Strengthening local government through the current settlement period

Reforming the local government funding formula post-2029 11-12

13-14 Reforming Council Tax

Reforming Business Rates 15-16

17-18 Reforming Social Care

Reforming SEND 19-20

21-22 Driving inclusive growth

Strengthening devolution and local empowerment 23-24

25-26 Endnotes

Foreword
Mayor Chris Cooke, Chair of SIGOMA

The 2026-2029 Local Government Finance Settlement was a step in the right direction. The introduction of a multi-year settlement, improvements in funding for high-need councils, and the continuation of the Recovery Grant provided greater stability after a prolonged period of financial uncertainty.

Yet significant challenges remain.

SIGOMA members continue to face rising demand for adult social care, children's services, and SEND support. Many serve communities experiencing some of the highest levels of deprivation in the country, which is associated with higher demand for services and greater complexity of need.



At the same time, an increasing proportion of local government funding growth is expected to come from Council Tax. This is particularly challenging for SIGOMA authorities, whose weaker Council Tax bases leave them less able to raise income locally.

The level of funding for local government must increase. But the way that funding is allocated is equally important. A sustainable system must ensure that resources are directed towards the areas facing the greatest need and demand, while giving councils the certainty and flexibility required to support growth, invest in prevention, and deliver services effectively.

SIGOMA is calling for a funding system that properly recognises deprivation as a driver of need, sustainable solutions to the pressures facing social care and SEND, reforms to Council Tax and Business Rates, greater support for inclusive economic growth, and meaningful devolution that enables councils to shape services and growth locally, supported by sustainable funding.

Our proposals are practical, evidence-based, and focused on delivering the long-term change our members need.

They seek to build on the progress already made while addressing the structural issues that continue to place many councils under strain.

Local government has a vital role to play in improving lives, creating opportunity, and supporting national prosperity. To do so successfully, councils need funding which reflects the realities of the communities they serve.

Our aim is to build a local government finance system that is fair, stable, and sustainable, ensuring that funding reflects need, supports local services, and provides councils with the certainty required to plan for the future. This manifesto sets out the reforms needed to achieve that goal.

Mayor Chris Cooke
SIGOMA Chair



Image: Middlesbrough



Image: Huddersfield

Foreword
Steve Mawson, Chair of SIGOMA's CEX Network

Over recent years, local authorities have faced continued financial pressure, alongside rising demand for vital services. These challenges have been particularly significant for many SIGOMA members, whose communities often experience higher levels of need and more limited local revenue-raising capacity.

The Fair Funding Review 2.0 took a significant step towards addressing this imbalance. A number of SIGOMA's asks were successfully delivered, including multi-year settlements, a full Business Rates Reset, and Council Tax equalisation to reflect areas' differing ability to raise revenue locally. Council Tax equalisation alone has provided over £1.5 billion for SIGOMA councils.

Crucially, our call for increased funding for authorities facing the greatest pressures was also delivered. This was encapsulated by the continuation and uplift of the Recovery Grant. Introduced in the 2025-26 settlement, the Recovery Grant supports areas facing higher levels of deprivation and need, and has been vital in beginning to support many of SIGOMA's members.

These reforms are only a starting point: further steps are needed to provide our members with the funding and stability needed to support their communities.

Although deprivation is recognised in the formula, the way it is measured and the weighting given to it must reflect the realities of need in our areas. The increased weighting given to housing costs in the formula understates deprivation in SIGOMA communities, where lower housing costs mean our members can appear less deprived than areas with higher housing costs, despite facing deep and persistent need.

Additionally, the temporary nature of Recovery Grant funding means that SIGOMA members are facing a potential cliff edge of over £600m in 2029.

Changes to grant funding alone are not enough: there must be reforms to both Council Tax and Business Rates to account for the limited ability of our members to raise revenue locally. SIGOMA supports an evidence-based approach to local government funding, and it is essential that reforms recognise the significant pressures created by rising costs, particularly in social care services.

Local government needs a strong foundation if it is to deliver the change that is needed for communities, and SIGOMA will continue to work with both members and Government to shape a system that will provide a fairer future.

This manifesto sets out how we will achieve this.

Steve Mawson
Chair of the SIGOMA
Chief Executive Network



SIGOMA's Strategic Pillars

Pillar 1: Short-term financial stability

Strengthening councils through the current Spending Review period and immediate fiscal pressures.

Protecting the 2026-2029 funding settlement as an absolute minimum funding baseline over the next two years.

Securing 5% floor protection for the remaining two years of this settlement.

Securing increased quantum to reflect demand and cost pressures.

Maintaining and increasing Recovery Grant and Recovery Grant Guarantee to address acute financial stress and avoid service failure.

Addressing immediate financial risk associated with SEND deficits.

Providing transition funding to support councils in implementing national policy changes without destabilising local services.



Pillar 2: Long-term financial sustainability & reform

Securing a fair, stable, and sustainable future funding system.

Advocating for additional quantum and continued multi-year funding in the 2029 settlement and beyond.

Making Recovery Grant and Recovery Grant Guarantee permanent, and ensuring their continued focus on the authorities they were designed to support.

Securing long-term, stable funding for employment support and skills.

Reforming the funding formula so deprivation is reflected accurately as a structural driver of need, including the removal of housing costs as a measure of deprivation.

Ensuring funding and accountability frameworks reward and protect innovation, prevention, and effective local service reform without penalising councils facing higher levels of need.

Ensuring any link between funding and the Local Outcomes Framework does not disadvantage deprived areas or undermine fair funding.

Reforming Business Rates and Council Tax to provide more secure, stable funding.

Pillar 3: Emerging and high-cost policy pressures

Addressing policy areas that are driving unsustainable cost growth and risk.

Securing a sustainable solution to SEND funding, including deficits, while ensuring that SEND deficit solutions and future funding reforms do not disadvantage authorities that have previously reduced or stabilised their accumulated SEND deficits and delivered capital investment in prevention.

Influencing social care reform and funding to reflect demographic change, workforce pressure, and rising social care expenditure, while investing in prevention and community support to manage demand and ensure long-term sustainability.

Improving the relationship between councils and healthcare providers, particularly Integrated Care Boards, in relation to social care-related costs and hospital discharge procedures.

Ensuring funding settlements reflect the financial impact of workforce reforms, including Fair Pay Agreements, pay awards, and wider employment costs across local government and commissioned services.

Ensuring equal pay risks in the sector are understood, that all departments in government take proper account of them in formulating government policy, and that there is work done with the sector to mitigate and support in finding funding solutions.

Strengthening the local government workforce to meet demand, including recruitment, retention, skills, and leadership.

Ensuring funding settlements recognise the growing pressures associated with housing, homelessness, and temporary accommodation.

Preventing councils which receive homelessness support funding from using those resources to place homeless households in council areas with lower housing costs, where this shifts financial and service pressures onto authorities which have not received equivalent funding support.

Ensuring emerging policy pressures, new statutory duties, and national policy requirements are fully funded through the new burdens doctrine, including food waste collection requirements and the Emissions Trading Scheme.

Pillar 4: Devolution and local empowerment

Enabling councils to shape services and growth locally.

Supporting place-based public service reform and inclusive growth.

Strengthening councils' role in coordinating across wider systems.

Ensuring growth funding is increased overall, reflects economic need and deprivation, and is available to all councils, including non-mayoral areas.

Advocating for flexibility and support for councils undergoing Local Government Reorganisation.

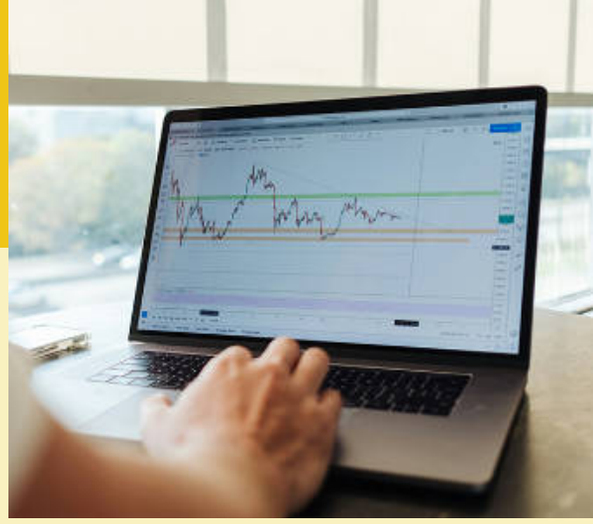
Improving councils' ability to raise capital funding to support regeneration and transformation.

Increasing local flexibility over fees and charges to enable councils to recover costs and reduce pressure on core services.

Strengthening long-term devolution to give councils greater control over funding, policy, and delivery, with flexibility to tailor services to local need.

Supporting digital innovation, including responsible use of data and AI, with improved capital funding so that more deprived areas are not left behind.

Pillar 1: Short-term financial stability



Strengthening local government through the current settlement period

The 2026-2029 Local Government Finance Settlement was an important step forward, but financial stability remains out of reach for many councils.

Across SIGOMA authorities, demand for social care, SEND, and other essential services remains consistently high, driven by some of the highest levels of deprivation in the country, while rising expenditure and costs continue to place significant pressure on local authority finances.

Why this matters

While funding has improved, significant financial pressures remain.

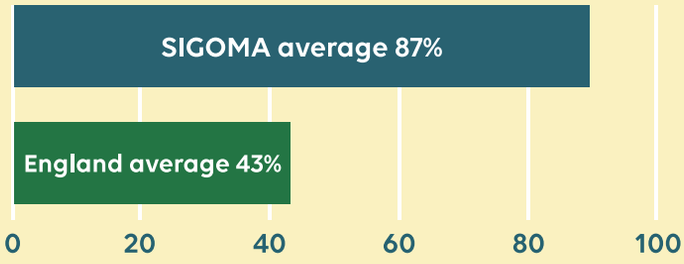
Social care costs are rising, SEND pressures remain severe, and councils are increasingly expected to deliver new national priorities without sufficient funding to do so sustainably.

Financial stability is the foundation on which every other reform depends. Councils cannot improve outcomes, support economic growth, strengthen communities, or deliver public service reform if they are struggling simply to sustain core services.

These pressures are felt most acutely in communities facing the highest levels of deprivation. This is reflected in the consistently high levels of demand experienced across SIGOMA's membership. IMPOWER analysis found that the median SIGOMA authority sits at the 77th percentile nationally for children looked after and the 74th percentile for child protection plans, with 29 of SIGOMA's 50 member authorities in the national top quartile for children looked after.

The infographic below demonstrates the scale of expenditure pressures faced by SIGOMA authorities.

Net Current Expenditure on Adult and Children's Social Care as a % of Net Revenue Expenditure, 2025-26



The average weekly expenditure per child with an Education, Health and Care Plan has increased by 15% across SIGOMA authorities since 2020-21, reflecting continuing SEND pressures and contributing to growing Dedicated Schools Grant deficits in many areas.

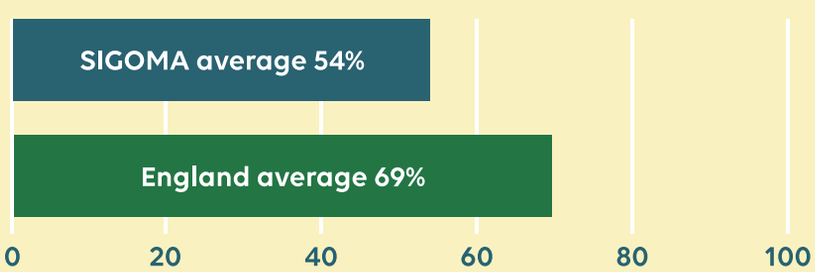
Without further Government intervention, these deficits now represent one of the most significant financial risks facing local government.

Alongside these spending pressures is the extent to which local government funding growth in the final two years of this settlement is dependent on Council Tax increases. SIGOMA analysis of current settlement assumptions shows:

Year	CSP Increase	Council Tax Increase	CT Share of CSP Increase
2026-27	£4.47bn	£2.55bn	57%
2027-28	£3.32bn	£2.80bn	84%
2028-29	£3.30bn	£2.77bn	84%

This means that funding growth for the remainder of this settlement will increasingly depend on councils' ability to raise income locally. This presents particular challenges for SIGOMA areas, which have a weaker ability to raise funding through Council Tax compared with the national average, as shown by the chart below.

Council Tax requirement as a percentage of Net Revenue Expenditure, 2025-26



Councils are also being expected to deliver new national policy commitments, including food waste collection services and potential future workforce reforms. While funding for food waste collections has been incorporated within wider settlement allocations, there is currently limited transparency over how much funding has been provided specifically for this purpose.

The task for the remainder of the settlement period is clear: resist any erosion of the funding settlement due to wider fiscal pressures, provide additional support where pressures are greatest, and give councils the stability they need to serve their communities.

SIGOMA calls on the Government to:

Protect the 2026-2029 funding settlement as an absolute minimum funding baseline over the next two years.

Provide 5% floor protection for the remaining two years of this settlement.

Provide additional funding to reflect high levels of demand, rising expenditure, inflation, and unavoidable cost pressures.

Increase Recovery Grant and Recovery Grant Guarantee funding throughout the remainder of the settlement period.

Fully fund new burdens and provide transition funding for major policy changes, including Fair Pay Agreements.

Ensure food waste collection funding is provided on a transparent basis, enabling councils to identify the level of funding allocated for this purpose, and assess whether it is sufficient to meet ongoing costs.

Address short-term Dedicated Schools Grant deficit risks and provide sustainable SEND funding.

Ensure funding arrangements continue to reflect differing levels of need, deprivation, and service demand.

SIGOMA

Pillar 2: Long-term financial sustainability and reform



Building a fair, stable, and sustainable funding system beyond 2029

The 2026-2029 Local Government Finance Settlement showed that fairer funding is possible. Additional funding and multi-year settlements have improved stability for SIGOMA councils and communities.

However, important structural weaknesses remain. Too much of the current system relies on temporary and discretionary funding streams, while deprivation and associated demand pressures are still not fully reflected within core funding arrangements. Councils serving the most deprived communities continue to depend on targeted interventions to secure funding that reflects the pressures they face.

The challenge beyond 2029 is clear: move from short-term interventions to lasting reform.

SIGOMA wants a funding system that is fair, stable, and sustainable, and which recognises deprivation as a structural driver of demand and financial pressure.

Why this matters

Recent settlements have relied increasingly on interventions such as the Recovery Grant and Recovery Grant Guarantee to improve funding outcomes for councils facing the highest levels of deprivation and demand.

While these measures have made a real difference, they also expose weaknesses in the wider funding system. Councils should not have to rely on temporary grants to offset funding formulas which place significant weight on metrics such as housing costs rather than direct measures of deprivation and service demand.

If Recovery Grant and Recovery Grant Guarantee were removed after 2029:

£600m
SIGOMA authorities would collectively lose more than £600 million.

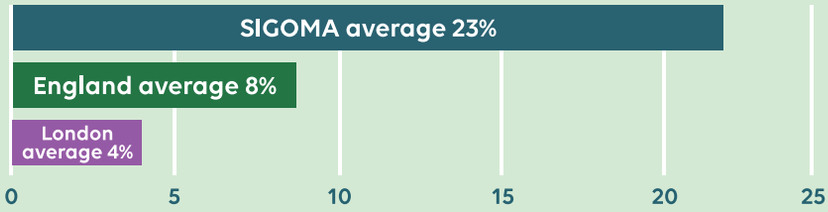
£20m
9 SIGOMA authorities would face funding losses approaching or exceeding £20 million.

£10m
34 SIGOMA authorities would face funding losses approaching or exceeding £10 million.

The pressures addressed by these grants are not temporary. IMPOWER analysis found that 30 SIGOMA authorities were in the national top quartile for children looked after in 2018-19, and 29 were in 2024-25. This demonstrates that high levels of demand across the membership are a settled condition rather than a short-term trend. This reinforces the case for both grants to be embedded within the long-term funding system.

The scale of the cliff edge after 2029 reflects the underlying characteristics of many SIGOMA authorities. 48 of SIGOMA's 50 member authorities have a higher percentage of neighbourhoods within England's most deprived 10% than the national average. On average, 23% of neighbourhoods in SIGOMA areas fall within the most deprived decile, compared with 8% nationally, and just 4% in London.

Percentage of neighbourhoods within the most deprived IMD decile



These high levels of deprivation are associated with increased service demand. Research from IMPOWER found that, of the 15 measures that directly capture demand for local authority services, 11 show a strong association with deprivation, and every one of those relationships runs in the same direction: the more deprived the area, the higher the demand.

This strengthens the case for a funding system that adequately recognises deprivation and associated demand pressures when distributing resources.

Government should also ensure that any future relationship between funding and the Local Outcomes Framework recognises differences in deprivation, demand, and financial pressure.

Authorities serving more deprived communities often face greater barriers to achieving comparable outcomes due to significantly higher levels of service demand.

Funding should therefore continue to be driven primarily by deprivation and demand rather than outcomes alone.

This principle should form part of a wider programme of reform that places greater emphasis on direct measures of deprivation and demand, embeds the Recovery Grant and Recovery Grant Guarantee within the core funding system, moves away from the use of housing costs as a measure of deprivation, and reduces reliance on temporary interventions. Future arrangements should also support investment in prevention, innovation, local service reform, and long-term employment and skills programmes.

Together, these changes would provide a fair, stable, and sustainable foundation for local government finance beyond 2029.

SIGOMA calls on the Government to:

Provide additional funding quantum, continue multi-year settlements beyond 2029, and maintain predictable and transparent funding arrangements that support long-term financial planning.

Make the Recovery Grant and Recovery Grant Guarantee permanent components of local government funding, and ensure their continued focus on the authorities they were designed to support.

Ensure future funding arrangements support authorities facing the greatest deprivation, demand, and financial pressures.

Reform the funding formulas so that deprivation is reflected accurately as a structural driver of need.

Remove housing costs as a measure within funding allocations.

Ensure funding and accountability frameworks support innovation, prevention, and effective local service reform, while recognising differing levels of need and deprivation.

Ensure any link between funding and the Local Outcomes Framework does not disadvantage deprived communities.

Provide long-term, stable funding for employment support and skills programmes.

SIGOMA

Pillar 2: Long-term financial sustainability and reform



Reforming Council Tax: Delivering fairness, accuracy, and sustainable funding

Assessment of local Council Tax capacity is increasingly important in determining funding settlements within local government finance, but the system no longer provides an accurate picture of councils' ability to raise income locally.

SIGOMA supports reform through property revaluation and band reform. While these changes are unlikely to significantly increase the revenue raised by authorities serving lower-value housing markets, they would provide a more accurate assessment of local tax-raising capacity and support fairer equalisation across the funding system.

The objective is not to increase reliance on Council Tax, but to ensure that funding arrangements properly reflect differences in both local need and local resource capacity.

Research undertaken by IMPOWER for SIGOMA found a very strong relationship between deprivation and Council Tax collection rates, with a correlation of 0.81 against the overall Index of Multiple Deprivation.

This challenge is compounded by the fact that SIGOMA authorities typically have a larger share of properties in lower Council Tax bands and higher levels of Council Tax Support. Across SIGOMA authorities, Council Tax Support claimants were equivalent to 33% of the population in 2025-26, compared with 25% across England.

Taken together, this evidence suggests that headline measures of Council Tax capacity do not always reflect the resources councils can realistically generate in practice.

In addition to revaluation and band reform, SIGOMA therefore believes that national funding calculations should more accurately reflect the difference between theoretical Council Tax capacity and the resources authorities can realistically generate, particularly in areas facing higher levels of deprivation.

Why this matters

Areas with stronger housing markets have a greater ability to raise income locally than areas with lower-value housing markets. Funding allocations should therefore accurately recognise differences in councils' ability to generate resources through Council Tax, alongside differences in local need and demand.

For SIGOMA authorities, the key issue is not simply how much Council Tax can be raised, but whether the funding system accurately reflects the differences between areas with strong and weak tax bases.

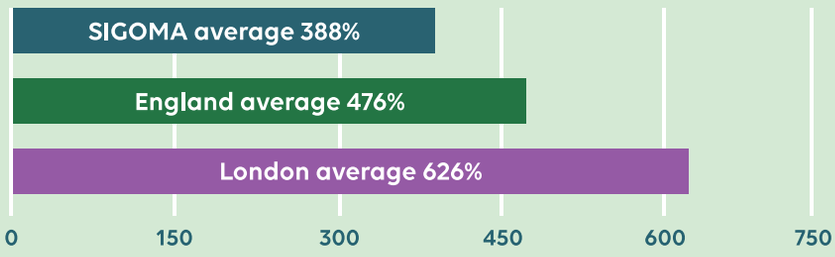
While 100% Council Tax equalisation has improved the recognition of these differences within the existing Council Tax structure, property valuations dating from 1991 and an outdated banding structure mean that assessments of local tax capacity do not fully reflect current housing market conditions.

Revaluation would ensure that assessments of local tax capacity are based on up-to-date property valuations rather than historic figures. Band reform would introduce additional bands at the top of the market, ensuring that higher-value properties contribute more, and ensuring that assessments of tax capacity better reflect differences in councils' ability to raise resources through Council Tax. The current system places all properties above the existing Band H threshold within the same band, regardless of their value. This limits the ability of the system to distinguish between areas with very different concentrations of high-value property.

The Institute for Fiscal Studies has similarly argued that the current band structure provides insufficient differentiation at the upper end of the property market, concluding that additional Council Tax bands would help address this weakness.

The case for reform is strengthened by the extent to which housing markets have diverged over recent decades. Since 1995, average house prices have increased by 388% in SIGOMA areas, compared with 476% across England and 626% in London. The differing rates of house price growth mean that relative property values across England no longer reflect the position that existed when Council Tax was introduced.

Growth in house prices, 1995-2025



Together, revaluation and band reform would provide a stronger foundation for equalisation and funding distribution, ensuring that the system provides an accurate picture of councils' ability to raise resources locally, and helping to ensure that funding allocations reflect both local need and local resource capacity.

SIGOMA calls on the Government to:

Undertake a national revaluation of Council Tax properties in England, and establish a system of regular future revaluations.

Reform Council Tax bands and band relativities to ensure that higher-value properties contribute more, and assessments of tax capacity better reflect current housing markets.

Ensure that future funding arrangements use updated property values to provide a more accurate assessment of local tax-raising capacity.

Ensure that assessments of Council Tax capacity reflect the resources an area can realistically generate, not just headline capacity.

Maintain strong equalisation arrangements so that councils serving lower-value housing markets are not disadvantaged.

Provide appropriate transitional protections and implementation funding to support reform.

Ensure that funding allocations continue to reflect both local need and local tax-raising capacity.

SIGOMA

Pillar 2: Long-term financial sustainability and reform



Reforming Business Rates: Delivering growth, fairness, and financial sustainability

Business Rates are a vital source of funding for local government and play an important role in supporting economic growth and regeneration.

SIGOMA supports a Business Rates Retention System that rewards councils for the growth they help to create while continuing to reflect local need, deprivation, and service demand. Growth and redistribution are not competing objectives. A successful system must deliver both.

Many SIGOMA authorities face some of the highest levels of need in the country. Research undertaken by 3ni for SIGOMA found that, while SIGOMA members represent around one-sixth of English local authorities, they account for more than half of those within the highest-need national IMD decile. At the same time, many have weaker Business Rates tax bases than more affluent areas.

The Government's commitment to move towards 100% local and regional retention of Business Rates by the end of the decade, including a minimum 70% share for local authorities, provides an opportunity to strengthen the link between local growth and local resources. However, successful reform must continue to recognise differences in need, deprivation, demand, and local tax-base capacity through a robust system of redistribution and equalisation.

Why this matters

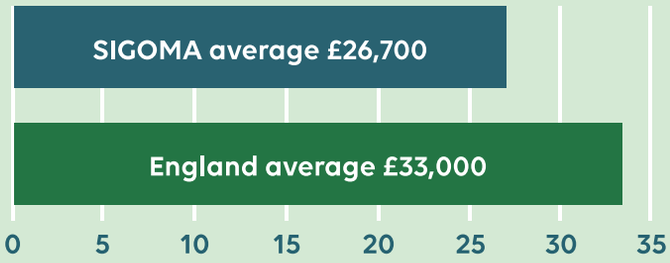
Councils should benefit from the economic growth they help to create. Business Rates retention provides an important incentive for regeneration, investment, and local economic development by allowing councils to retain a share of the additional revenue generated through growth.

Economic opportunity is unevenly distributed. Authorities with stronger local economies can generate significantly more Business Rates income than those with weaker tax bases, even though the latter often face higher levels of need.

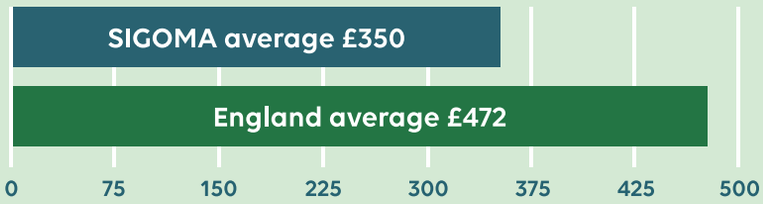
This is particularly important because local tax revenues should not become a substitute for adequate funding of national statutory services. Business Rates should support local growth and local services, while councils' ability to provide social care and other demand-led services should not depend on the strength of their local tax base.

This challenge is particularly evident across SIGOMA's membership. While facing higher levels of deprivation and demand, SIGOMA authorities typically have lower-value commercial property stock and generate less Business Rates income per resident than the national average.

Average rateable value per property, 2025-26



Gross Business Rates collected per resident, 2025-26



A sustainable system must therefore continue to reward growth while recognising that councils face very different economic circumstances. Redistribution and equalisation through tariffs and top-ups must remain a core feature of the system, so that authorities with weaker tax bases are not disadvantaged because of factors beyond their control.

As greater shares of Business Rates are retained locally and regionally, SIGOMA believes that councils must be equal partners in the decisions that affect their communities, and that councils should remain the primary beneficiaries of the growth they help to create, reflecting their central role in economic development, regeneration, planning, and place-making.

SIGOMA further believes that councils currently benefiting from enhanced retention should retain the advantages provided by their existing arrangements.

Alongside increased local retention, reforms should also provide greater stability, transparency, and certainty. Councils currently face significant financial risks arising from valuation appeals, revaluations, collection losses, economic shocks, and changes to national policy. Stronger safety nets, volatility protections, and more transparent funding arrangements would enable councils to plan for the long term and invest with greater confidence.

The objective should be a Business Rates system that encourages economic growth, supports financial sustainability, reflects local need and local resource capacity, and delivers fair outcomes for communities across the country.

SIGOMA calls on the Government to:

Deliver the transition to at least 70% local authority retention, and 100% local and regional retention, in a way that strengthens growth incentives and provides certainty for councils.

Ensure that communities with the greatest need receive the resources they require and that councils with weaker tax bases are not disadvantaged through a reduction in grant funding.

Strengthen redistribution as a core feature of the Business Rates Retention System, recognising differences in need, deprivation, demand, and local tax-raising capacity.

Protect long-term growth incentives, allowing councils to retain a meaningful share of locally generated growth for a sufficient period to support regeneration, investment, and economic development.

Strengthen safety nets and volatility protections, shielding councils from financial risks and volatility arising from factors outside their control.

Improve transparency and understanding of the system, making it easier for councils, communities, and businesses to understand how funding allocations, redistribution, and growth incentives operate.

Provide a stable and predictable funding framework, reducing reliance on discretionary interventions and giving councils greater certainty over future resources.

SIGOMA

Pillar 3: Emerging and high-cost policy pressures



Reforming Social Care: Delivering sustainability, fairness, and better outcomes

The current model of social care funding is increasingly unsustainable. Social care expenditure has increased consistently over a number of years, and occupies a significant proportion of local authority spending, particularly in SIGOMA areas. At the same time, there is a reliance on local taxation to fund statutory social care responsibilities, while councils have limited influence over the factors driving costs.

In more deprived authorities, these challenges are particularly acute. Research undertaken by IMPOWER found a strong association between deprivation and demand pressures, including children's social care. The strongest relationship identified was between health deprivation and the rate of children looked after, with a correlation coefficient of 0.82.

In many SIGOMA areas, higher levels of deprivation and demand are accompanied by weaker local Council Tax bases, leaving members less able to deliver services which partly rely on local taxation as a source of funding.

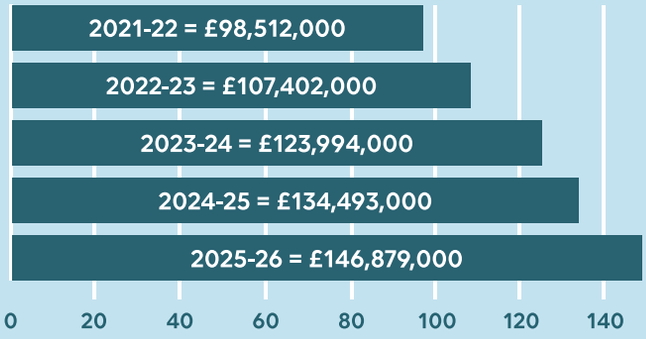
SIGOMA therefore supports a nationally funded, locally delivered model for social care. The Government's proposed National Care Service and the ongoing Casey Review provide an important opportunity to develop a more sustainable approach to funding and reform. Any National Care Service should retain a central role for local authorities in the commissioning, coordination, and delivery of care services, reflecting their democratic accountability and understanding of local communities.

To succeed, future reforms must reduce reliance on Council Tax, ensure that resources are distributed according to deprivation and demand, and address workforce capacity, provider market sustainability, excessive provider costs, and cost control.

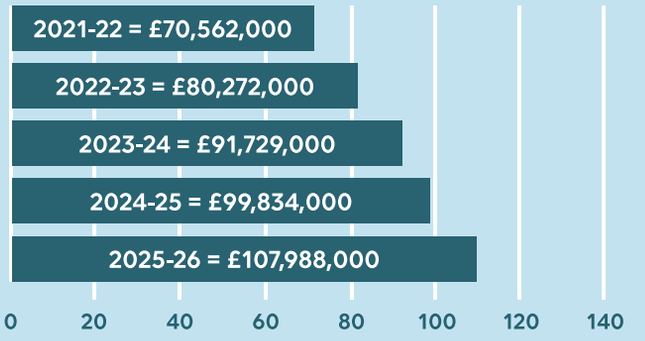
Why this matters

Adult and children's social care account for a significant share of local government expenditure, with spending on both services increasing significantly across SIGOMA authorities in recent years.

Net Current Expenditure on Adult Social Care - SIGOMA average

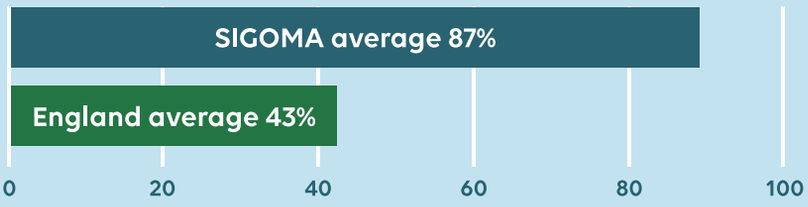


Net Current Expenditure on Children's Social Care - SIGOMA average



While social care places significant pressure on local authority budgets across England, that pressure is particularly acute in SIGOMA authorities.

Adult & Children's Social Care Expenditure as a % of Net Revenue Expenditure, 2025–26



Social care therefore places a substantially greater pressure on council budgets in SIGOMA areas than across England as a whole, reducing financial flexibility and limiting the resources available for other local services. How these services are funded is therefore of particular importance to many SIGOMA authorities.

The current system partly relies on Council Tax to fund social care. However, SIGOMA areas have more limited Council Tax capacity compared to the national average. In 2025-26, Council Tax requirement accounted for 54% of Net Revenue Expenditure across SIGOMA authorities, compared with 69% across England. This means that many of the authorities facing the greatest social care pressures are also least able to fund those pressures through local taxation.

Councils are expected to manage these challenges while operating within care markets over which they have limited control. Workforce shortages, provider costs, excessive placement fees, and wider pressures within care and placement markets can all increase expenditure and place additional pressure on council budgets.

A sustainable social care system therefore requires both adequate funding and action to address the underlying drivers of cost growth. This includes a long-term funding settlement, workforce reform, stronger market oversight, greater transparency around provider costs and profits, reduced dependence on local taxation, support for preventative services that reduce demand before need escalates into more costly interventions, and action to address excessive provider costs through stronger regulation and cost controls where fees are placing unsustainable pressure on council finances.

Effective reform will also require stronger coordination between local government, health services, and other partners to ensure that funding and responsibilities are aligned around local demand and service pressures.

SIGOMA calls on the Government to:

Provide multi-year social care funding settlements aligned to Spending Review periods, and fully fund existing statutory responsibilities before introducing new reform burdens.

Reduce reliance on Council Tax and social care precepts through a sustainable national funding framework for social care.

Ensure future funding allocations reflect deprivation, demand, and councils' ability to raise resources locally.

Deliver a fully funded programme of social care reform, including workforce investment, realistic implementation timescales, and support for provider market sustainability.

Introduce stronger regulation, transparency, and oversight of publicly funded care markets, including cost controls where fees are placing unsustainable pressure on council finances.

Provide dedicated investment in prevention, early intervention, unpaid carers, and voluntary and community sector provision.

Strengthen joint working, accountability, and funding arrangements across health and social care systems.

Ensure the Casey Review and future reform programmes place deprivation, local government sustainability, fair funding, and local democratic accountability at the centre of social care reform.

SIGOMA

Pillar 3: Emerging and high-cost policy pressures



Reforming SEND: Securing financial stability, shared accountability, and sustainable support

The Government has acknowledged that the current system for funding and delivering support for children and young people with Special Educational Needs and Disabilities (SEND) is financially unsustainable. Historic Dedicated Schools Grant deficits have accumulated because funding has not kept pace with rising demand and the cost of meeting statutory responsibilities.

The Government's decision to write off 90% of historic SEND deficits accrued up to 31 March 2026 is a significant intervention. However, councils will retain the remaining 10%, while there is still no adequate resolution for deficits continuing to accrue in 2026-27 and 2027-28.

Without further action, SIGOMA member deficits are projected to exceed £1.6 billion by March 2028, before the Government assumes responsibility for funding SEND centrally.

Financial stabilisation must therefore be the starting point for reform. This cannot be achieved while councils are expected to retain any residual historic SEND liability. Historic deficits accrued before 2028 should be written off in full, while future funding must reflect current levels of need, deprivation, and demand.

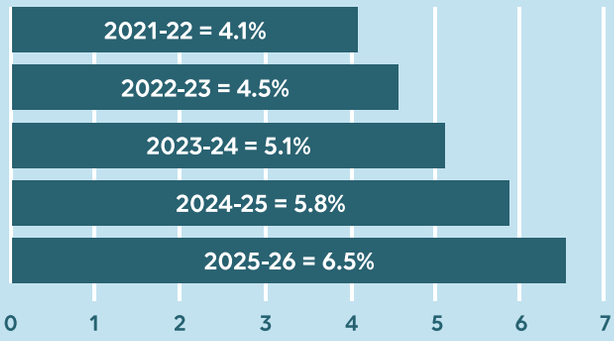
However, financial reform alone will not deliver a sustainable SEND system. Wider reforms must address rising demand and costs; strengthen mainstream inclusion, early intervention, and local provision; and ensure shared accountability across the SEND system. Councils cannot deliver this alone. Success will require coordinated action across local government, schools, trusts, the NHS, and central government.

SIGOMA supports a fully funded programme of SEND reform that combines immediate financial stability with long-term system improvement. Reform must improve outcomes for children and young people while giving councils the resources, capacity, and certainty needed to deliver change safely and sustainably, supported by a clear understanding of the long-term costs, benefits, and implications for local authority finances.

Why this matters

Demand for statutory SEND support has risen sharply across SIGOMA authorities. The average proportion of pupils with an Education, Health and Care Plan (EHCP) increased from 4.1% in 2021-22 to 6.5% in 2025-26, while average weekly expenditure per child with an EHCP rose by 15% between 2020-21 and 2024-25.

Percentage of pupils in receipt of an Education, Health and Care Plan, 2021-22 to 2025-26 - SIGOMA average



Rising demand is driving Dedicated Schools Grant deficits and higher Home-to-School Transport costs, placing unsustainable pressure on council finances. Unlike High Needs deficits, SEND-related transport costs are funded from councils' general funds and are therefore excluded from the deficit write-off.

More than 90% of authorities responding to a recent SIGOMA survey identified SEND-related transport as a significant and growing pressure, reflecting a 9% national increase in pupils using pre-16 SEND Home-to-School Transport between 2025 and 2026. Indeed, the National Audit Office has highlighted that rising Home-to-School Transport costs are making it increasingly difficult for councils to balance their budgets while meeting their statutory duties.

Additionally, members highlighted shortages of specialist staff, including educational psychologists and speech and language therapists, which continue to delay support and restrict reform. They also reported that limited local specialist provision can leave authorities reliant on costly independent placements where demand exceeds supply.

Although SEND financial pressures are a national issue, SIGOMA areas face higher levels of deprivation, and this is associated with higher demand.

Five of the eight SEND and high-needs measures examined by IMPOWER showed a strong relationship with deprivation. This reinforces the importance of ensuring that SEND funding reflects the strong relationship between deprivation and demand pressures.

Future funding must therefore move away from historic patterns of expenditure and reflect current levels of need, deprivation, and demand. Capital funding must also be aligned with local sufficiency planning so that councils can expand local provision, reduce reliance on high-cost placements, and limit avoidable transport pressures.

This should include Alternative Provision, which should be treated as a core component of SEND reform given its close links to SEND; social, emotional, and mental health needs; attendance challenges; and wider vulnerability. Its sufficiency, funding, and capital requirements should be planned alongside the wider SEND system.

Financial sustainability depends upon successful wider-system reform. Schools, academies, Multi-Academy Trusts, and the NHS are also key drivers of reform and should therefore be subject to shared accountability and funding conditions. The Government should clarify these conditions, how delivery capacity will be assessed, and how councils will be treated where outcomes depend on wider system partners.

SIGOMA calls on the Government to:

Resolve SEND deficits in full and provide certainty beyond 2028, including a 100% write-off of DSG deficits arising before 2028-29 and clarity on future funding arrangements.

Demonstrate how SEND reform will improve outcomes and reduce costs, including transparent assessment of implementation costs, expected savings, and any continuing council liabilities.

Reform SEND funding to better reflect need, deprivation, and demand, including changes to High Needs, SEND capital, and stabilisation funding methodologies.

Recognise the full cost of SEND, including Home-to-School Transport and other indirect pressures on council budgets.

Strengthen accountability across the SEND system, with clearer responsibilities for the NHS, schools, and trusts, and proportionate conditions for reform funding that reflect councils' reliance on wider partners.

Provide sustainable support for SEND delivery and reform, including transitional funding, a long-term workforce strategy, and recognition of wider system changes such as Local Government Reorganisation.

Improve affordability and sufficiency of provision, including greater transparency and control within the SEND market, stronger commissioning powers for councils, and investment in mainstream inclusion, specialist places, and Alternative Provision.

SIGOMA

Pillar 4: Devolution and local empowerment



Driving inclusive growth: Unlocking the potential of the most deprived communities

SIGOMA areas have significant untapped economic potential. The Local Government Association estimates that urban areas could generate an additional £234 billion in economic output.

SIGOMA supports the Government's focus on a place-based approach to growth. However, economic growth policy should be explicitly focused on driving development in the communities facing the greatest barriers and disadvantage. Economic growth will not automatically benefit the communities that need it most. Structural barriers, including weaker local economies, poorer connectivity, skills gaps, health inequalities, and limited local capacity continue to constrain growth in many areas.

The end of the UK Shared Prosperity Fund (UKSPF) and its replacement with a smaller, more geographically restricted Local Growth Fund creates a significant risk for SIGOMA areas. Future growth funding should therefore be increased and allocated according to economic need and deprivation, recognising that population alone is not an adequate measure of growth potential or investment need.

If the Government is to succeed in its mission of delivering "good growth in every postcode", both the structural and financial barriers to growth must be addressed in tandem.

Why this matters

The importance of tackling the structural barriers to growth is set out clearly by the Independent Commission on Neighbourhoods (ICON). More than two-thirds of the neighbourhoods identified by ICON as both highly deprived and lacking the social infrastructure essential to growth are located in SIGOMA areas.

At neighbourhood level, many communities face overlapping barriers, including poor transport connectivity, low skills, poorer health outcomes, and limited social infrastructure. These barriers can make it harder for communities to attract investment, access opportunity, and benefit fully from economic growth, highlighting the importance of ensuring that national growth policy reaches the areas facing the greatest challenges.

Councils play a central role in overcoming these barriers. However, years of financial pressure have severely restricted councils' ability to do so. This is exacerbated by the loss of flexible UKSPF revenue funding which supports employment, skills, and community-led activity.

The Local Government Association highlights the importance of this capacity in weaker markets, where councils may need to take a more active role in unlocking growth and creating the conditions needed to attract private investment. A funding model focused too heavily on capital projects risks overlooking the revenue support and early intervention required to unlock growth elsewhere.

The move away from UKSPF also creates a substantial funding challenge. The Industrial Communities Alliance estimates that the replacement Local Growth Fund represents a 76% reduction compared with 2024-25 UKSPF funding. Additionally, the concentration of deprivation and growth barriers across many SIGOMA communities reinforces the need for growth funding to be allocated according to economic need and deprivation rather than population alone.



More than two-thirds of the highly deprived neighbourhoods identified as lacking essential social infrastructure are located in SIGOMA areas.



The replacement Local Growth Fund represents an estimated 76% reduction against 2024-25 UKSPF funding, before inflation.

Future growth policy must therefore recognise that different places begin from very different economic positions. Funding must be increased and distributed to reflect deprivation, economic need, and the scale of the barriers to growth, while providing the long-term certainty councils need to develop projects, build partnerships, and deliver investment effectively.

As devolution and Local Government Reorganisation progress, councils must remain central to local growth planning. Combined and strategic authorities should complement and strengthen the role of councils, not replace it. As the Local Government Information Unit (LGIU) argues, the Government will find it easier to deliver growth if councils are treated as co-authors of Local Growth Plans in a rewired state.

The Government's new incubator funding to support growth in areas transitioning towards devolution is welcome. However, continued support and flexibility will be essential to maintain investment planning and prevent project delays in areas that already face significant barriers to growth.

SIGOMA calls on the Government to:

Ensure inclusive growth is driven by investment in disadvantaged neighbourhoods, with targeted support for skills, transport, health, employment opportunities, social infrastructure, and community capacity.

Increase overall growth funding and allocate it according to economic need and deprivation, rather than population alone, so that investment is targeted towards places with the greatest barriers and untapped potential.

Provide sustainable, flexible, multi-year capital and revenue funding, enabling councils to develop investment pipelines, support local businesses and communities, and undertake the upfront work needed to unlock private investment.

Give councils fair access to growth funding and ensure they are co-authors of Local Growth Plans, regional investment priorities, and strategic authority plans, including in non-mayoral areas.

Support regeneration in weaker markets, recognising the public investment required to make projects viable where land values and private sector appetite are lower.

Ensure devolution arrangements strengthen the role of councils, so that regional growth strategies remain grounded in local needs, democratic accountability, and delivery capacity.

Protect local growth planning during devolution and Local Government Reorganisation, with transitional funding, flexibility, and capacity support so that investment projects are not delayed.

SIGOMA

Pillar 4: Devolution and local empowerment



Strengthening devolution and local empowerment: Strong local government at the heart of reform

SIGOMA supports the Government's commitment to devolution and its ambition to rewire the state around stronger local leadership and place-based reform. Devolution has the potential to improve outcomes by bringing decision-making closer to communities and enabling local services, investment, and growth strategies to be shaped around local need.

To achieve this, devolution must go beyond simply shifting responsibilities between tiers of government. Councils have a unique local democratic mandate and role as place leaders, already bringing together partners across health, SEND, social care, housing, growth, and public services, while delivering key statutory responsibilities for their communities.

As the Government recognises, local leaders are best placed to integrate public services around the needs of residents, improving outcomes and helping to prevent the rising costs of failure.

LGIU has similarly argued that managing demand requires preventative, place-based services built around people.

Above all, successful devolution depends on strong local government. Mayoral Strategic Authorities (MSAs) have an important role in strategic coordination, but devolution to MSAs must not come at the expense of local authorities' powers, influence, or ability to shape outcomes for their communities. Councils need the financial sustainability, capacity, and influence to lead local growth, coordinate services, and respond to local needs.

A sustainable local government finance system is therefore fundamental to the success of devolution.

The Government's Fiscal Devolution Roadmap marks a significant shift towards greater local and regional retention of revenues, and a larger role for MSAs. Fiscal devolution must benefit councils as well as mayors, and councils must have a central role in funding and investment decisions. Strong equalisation is vital to ensuring places with weaker tax bases and higher levels of need are not disadvantaged.

As devolution and Local Government Reorganisation progress, councils must be supported to manage change successfully. Any reform should strengthen local capacity, improve outcomes, and support financial sustainability.

Why this matters

Councils increasingly operate within complex local systems involving health services, public health, SEND partnerships, employers, economic development bodies, and community organisations. At the same time, they are expected to respond to rising demand, support local growth, and deliver services under significant financial pressure. Reflecting these challenges, 85% of respondents to LGIU's 2026 survey identified rising service demand as a major financial pressure. Devolution arrangements should therefore equip councils with the powers, influence, and flexibility needed to respond to local circumstances.

Government has recognised this challenge in its Rewiring the State Cabinet Statement, which acknowledges that successful devolution depends on strong local government and commits to taking forward "a programme of reform to support the financial sustainability of local authorities".

This reinforces the case for devolution to strengthen councils' financial sustainability, capacity, and influence, enabling them to play a leading role in shaping local priorities, services, and outcomes.

The Government's Fiscal Devolution Roadmap creates opportunities for areas to generate and retain a greater share of local revenues. However, areas with weaker tax bases and greater levels of deprivation have less capacity to raise income locally.

Gross Business Rates collected per resident averaged £350 across SIGOMA authorities in 2025-26, compared with £472 nationally.

This highlights the importance of robust equalisation arrangements to ensure that greater fiscal devolution does not widen existing regional inequalities.

Many of the challenges facing communities cut across traditional service boundaries, including health, housing, employment, skills, and social care. Greater local flexibility can help councils and partners to align services around shared outcomes and strengthen prevention. As LGIU notes in its response to Rewiring the State, place-based delivery should be built at the local level by default, with regional coordination where beneficial.

Councils must therefore be co-partners in shaping and coordinating local reform. As councils are responsible for delivering services and accountable for outcomes, they must have a central role in decisions on the policies, funding, and service reforms that affect them.

This is particularly important in the most disadvantaged places, where challenges are often most significant. As set out by ICON, the success of devolution should ultimately be judged by whether it improves outcomes and opportunities in these communities.

Digital technology, data, and artificial intelligence also have an important role to play in supporting more effective local services, evidence-based decision-making, and place-based reform. However, councils face differing levels of digital capacity, skills, investment, and data infrastructure. Ensuring that all authorities can benefit from digital innovation, supported by effective data sharing and appropriate safeguards, will be an important part of successful devolution and public service reform.

SIGOMA calls on the Government to:

Ensure councils have a clear and equal role alongside mayors and strategic authorities in shaping growth, public service reform, funding and investment priorities, and local outcomes.

Give councils greater flexibility to align services, funding, and investment around local priorities and place-based outcomes.

Put local government finances on a sustainable footing to provide the strong foundations needed for successful devolution.

Ensure fiscal devolution is underpinned by fair equalisation, so that areas with weaker tax bases and higher levels of need are not disadvantaged.

Strengthen councils' role as system leaders across health, SEND, social care, and wider local partnerships, supported by clearer accountability and stronger data-sharing arrangements.

Support place-based public service reform through integrated neighbourhood approaches, multidisciplinary teams, and shared outcomes frameworks that promote collaboration and prevention.

Invest in digital infrastructure, data sharing, organisational capability, and the responsible use of AI across local government.

Provide sufficient funding, flexibility, and implementation support for councils undergoing Local Government Reorganisation and wider devolution reforms.

SIGOMA

Fairer Funding, Stronger Councils



Endnotes – publications referenced

Section 1 - Strengthening local government through the current settlement period

1. IMPOWER evidence: IMPOWER analysis of the English Indices of Deprivation 2025 and IMPOWER INDEX data. (2026)

Section 2 - Building a fair, stable, and sustainable funding system beyond 2029

1. IMPOWER evidence: IMPOWER analysis of the English Indices of Deprivation 2025 and IMPOWER INDEX data. (2026)

Section 3 - Reforming Council Tax: Delivering fairness, accuracy, and sustainable funding

1. IMPOWER evidence: IMPOWER analysis of the English Indices of Deprivation 2025 and IMPOWER INDEX data. (2026)
2. Institute for Fiscal Studies evidence: Revaluation and reform: bringing council tax in England into the 21st century. (2020)

Section 4 - Reforming Business Rates: Delivering growth, fairness, and financial sustainability

1. 3ni evidence: 3ni research for SIGOMA: The case for additional funding for SIGOMA LAs. (2026)

Section 5 - Reforming Social Care: Delivering sustainability, fairness, and better outcomes

1. IMPOWER evidence: IMPOWER analysis of the English Indices of Deprivation 2025 and IMPOWER INDEX data. (2026)

Section 6 - Reforming SEND: Securing financial stability, shared accountability, and sustainable support

1. IMPOWER evidence: IMPOWER analysis of the English Indices of Deprivation 2025 and IMPOWER INDEX data. (2026)
2. National Audit Office report, Support for children and young people with special educational needs. (2024)

Section 7 - Driving inclusive growth: Unlocking the potential of the most deprived communities

1. Local Government Association, A Force for Growth. (2025)
2. Independent Commission on Neighbourhoods, No Short Cuts: Towards a National Strategy for Neighbourhood Recovery. (2026)
3. Independent Commission on Neighbourhoods, The Missing Links: Connecting Disadvantaged Neighbourhoods to New Economic Opportunities. (2025)
4. Industrial Communities Alliance, England's New Local Growth Fund: An Assessment. (2025)
5. Local Government Information Unit, Rewiring the State: unlocking local government's role. (2026)

Section 8 - Strengthening devolution and local empowerment: Strong local government at the heart of reform

1. Local Government Information Unit, Rewiring the State: unlocking local government's role. (2026)
2. Local Government Information Unit, 2026 State of Local Government Finance in England. (2026)
3. Independent Commission on Neighbourhoods, Power to communities? Realising the potential of Devolution to serve the most disadvantaged places in England. (2026)

Summary of SIGOMA

SIGOMA, the Special Interest Group of Municipal Authorities, represents metropolitan and unitary authorities outside London, from southern ports, to the East Midlands, West Midlands, North West, North East, and Yorkshire and the Humber. The 50 SIGOMA councils are home to 16 million people, 27.5% of the English population.





Our authorities typically represent areas that have suffered most during post-industrial decline; 45 of our 50 authorities are in the lower half of the Deprivation Ranking, including 9 of the top 10 most deprived upper-tier authorities.

SIGOMA