

Local Government Funding: North-west England

Volume 773: debated on Tuesday 21 October 2025

See the full transcript [here](#)

The House of Commons held a debate on *Local Government Funding in the North-west of England* on 21 October 2025, led by **Mr Tom Morrison MP (Cheadle, Liberal Democrat)**. Opening the discussion, Mr Morrison began by citing correspondence from a constituent, Stuart from Cheadle Hulme, who expressed serious concern about the escalating cost of council tax—now £275 per month for his household—and the prospect of further increases amidst declining local services. Stuart’s letter reflected a growing sentiment among residents that the financial burden on working families has become unsustainable, particularly as councils allocate an increasing share of their budgets to adult and children’s social care without adequate central Government support. Mr Morrison endorsed these concerns, describing the current funding situation as “completely unsustainable” and warning that without fundamental reform, local government finances would continue to deteriorate.

Mr Morrison emphasised the vital role that local government plays as the most direct and frequent point of contact between citizens and the state. Drawing on his own experience as a former councillor, he described local government as the “frontline” of democracy and the engine of community change—responsible for driving growth, improving health and tackling poverty. Yet, he observed, local authorities across the north-west are struggling due to years of cumulative cuts and systemic underfunding. He cited data from the **Local Government Association** showing that 29 councils required exceptional financial support to balance their 2025–26 budgets—an increase of 11 councils in a single year—and cautioned that this number was likely to rise further.

The Member criticised the Government’s “Pride in Place” strategy as meaningless in light of the continuing trend of councils being forced to sell libraries, leisure centres, and other community assets to avoid insolvency. He warned that reliance on dwindling reserves was neither prudent nor sustainable. Mr Morrison also drew attention to regional disparities, noting that the last “fairer funding review” used deprivation data over a decade old, producing a distorted picture of need. He highlighted that **Stockport Council**, which contains some of the most deprived wards in England, had been denied any recovery funding and now faced a £63 million funding shortfall by 2028. Despite this, Stockport had been named *Local Authority of the Year 2025*—a testament, he said, to the dedication of its officers and councillors in managing austerity responsibly.

He further criticised both major parties for failing to reform the system, stating that “the same lack of ideas” persisted under the current Labour Government as had under the previous Conservative administration. Over recent years, real-time cuts to Stockport’s funding had exceeded £133 million, forcing £24.5 million in additional savings in the 2025 budget alone. Ms Lisa Smart MP (Hazel Grove, Liberal Democrat) intervened to stress that the heart of the problem lay in the “unsustainability of social care”, observing that three-quarters of Stockport Council’s entire budget was consumed by adult and children’s care. She argued that it was unacceptable that the Government had taken three years to review the sector. Mr Morrison agreed, insisting that reform required political will rather than further delay.

He went on to highlight the wider impact of regional inequality on growth and life expectancy. Citing the **Institute for Public Policy Research**, he contrasted per capita transport investment of £1,183 in London with only £540 in the north-west—a shortfall contributing to a regional investment gap of £140 billion across the North. He shared another constituent’s testimony, from Anne in Bramhall, who wrote of paying more for diminishing services and growing public anger. Mr Morrison warned that local government’s *core spending power* remained 16.4 per cent lower in real terms than in 2010, and that rising council tax expectations—up to the maximum permitted 4.99 per cent each year—placed unsustainable strain on households. He called council tax “the most regressive tax in Britain”, echoing an intervention by **Mr Jonathan Hinder MP (Pendle and Clitheroe, Lab)**, and urged cross-party agreement to overhaul it.

Concluding, Mr Morrison argued that chronic underfunding was eroding public trust in both local and central government. He called on Ministers to empower councils with the resources to invest in essential community infrastructure such as libraries, parks, and children’s centres, and warned that many authorities were now operating merely to “keep the lights on” and avert bankruptcy. Investment, he argued, must be seen not as a cost but as prevention—ensuring that councils could address challenges early rather than face more expensive crises later. He described local government as “the linchpin for change—a pool of potential waiting to be unlocked”.

Responding on behalf of the Government, **the Minister for Local Government and Homelessness, Ms Alison McGovern MP**, thanked Mr Morrison for securing the debate and acknowledged the “deep damage” inflicted on local government funding over the past 14 years of Conservative rule. She characterised the years of austerity as “the Osborne cuts”, noting that they had fallen disproportionately on town halls and severely undermined the foundations of local democracy. The Minister affirmed that the new Government was determined to rebuild and stabilise local government finances, though she acknowledged that recovery would be complex and gradual.

Ms McGovern announced that the **2025–26 Local Government Finance Settlement** would provide **£69 billion** in core spending power nationally, of which **£9.4 billion (14%)** was allocated to the north-west. This settlement, she said, marked “the beginning of the Government’s commitment to rebuild and stabilise local government”. It also included a **£600 million Recovery Grant**, directed at those areas with the greatest need and least capacity to raise income locally. She confirmed that 78 per cent of councils in the north-west had received funding from the Recovery Grant, totalling £146 million, or 24 per cent of the national allocation. The Minister stressed that future allocations would be determined by objective measures of deprivation, need and inequality, ensuring that resources were distributed fairly.

She then set out a series of reforms to modernise local government finance. Over the next three years, an additional **£5 billion in new grant funding** would be introduced, alongside a reallocation of **£2 billion** of existing resources to the communities most in need. For the first time since 2013–14, the Government would update the *Relative Needs Formulae* used to calculate council funding allocations. These reforms would be implemented through a **multi-year settlement**—the first in a decade—allowing councils to plan long-term, focus on prevention, and

reduce reliance on crisis interventions. Ms McGovern emphasised that this stability was “an important cornerstone of the Government’s new approach”.

The Minister further announced the **consolidation of fragmented grant funding**, with almost £700 million incorporated into the 2025–26 settlement, and plans for a major simplification of funding streams in 2026–27 to give councils greater flexibility in spending decisions. She also outlined a series of service-specific investments: over **£2 billion for children’s social care reform**, aimed at strengthening early intervention and regulating excessive profit-making in the private care market; a forthcoming plan for a **National Care Service** based on recommendations from the independent commission led by **Baroness Casey**, expected in 2026; and an additional **£500 million** to fund a *Fair Pay Agreement* for adult social care workers, designed to raise wages and stabilise the workforce.

On education, Ms McGovern confirmed that school funding would increase by **£4.7 billion a year by 2028–29** relative to 2025–26 levels, including reforms to the **Special Educational Needs and Disabilities (SEND)** system to make mainstream schools more inclusive and reduce parental disputes over support. She also acknowledged local authority pressures arising from **Dedicated Schools Grant (DSG)** deficits, announcing a two-year extension of the statutory override to March 2028 and a forthcoming plan to help councils manage historic and future shortfalls.

The Minister additionally reported that the Government had invested over **£1 billion in homelessness and rough sleeping services** this year, an increase of £316 million on the previous year, both to prevent homelessness and to protect councils from the financial costs of temporary accommodation. She framed this dual benefit as “not just a moral obligation but a fiscal necessity.” Furthermore, Ms McGovern reaffirmed the Government’s commitment to building **1.5 million new homes** in England within the current Parliament, describing this as “the biggest boost to social and affordable housing investment in a generation”.

Focusing on the north-west, Ms McGovern detailed £1.5 billion in **local regeneration funding** through a combination of the *Levelling Up Fund*, *Towns Fund*, and *Pathfinder Pilot Scheme*. In Stockport specifically, she cited a £1.2 million active travel package, £4.4 million for the *Cheadle Eco Business Park*, and £8.2 million for *Cheadle Railway Station*. The Minister further described ongoing work to reorganise local government structures, including plans to end the two-tier system by establishing single-tier councils in counties such as Lancashire.

Ms McGovern praised the north-west’s leadership in **devolution**, highlighting *Greater Manchester Combined Authority* and the *Liverpool City Region* as models of effective local governance. She confirmed that Greater Manchester had secured a **£630 million single funding settlement** under its trailblazing devolution deal, granting flexibility to allocate resources across local priorities. The Minister expressed her commitment to working with Mayor Andy Burnham to further integrate services and devolve powers.

In conclusion, Ms McGovern thanked Mr Morrison and other contributors for their thoughtful interventions. She acknowledged that “the damage done to the foundations of local government over the past decade and a half cannot be overstated,” but asserted that the Government’s reforms represented a turning point. She reiterated that Ministers were “ready to listen to all local



authorities” in order to get the recovery right, marking a shift from years of austerity towards long-term stability, fairness, and partnership between central and local government.