

Inner London Set to Lose Out Under New Council Funding Formula

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The government has introduced a revised formula for distributing council funding in England, which is expected to shift resources away from inner London boroughs and towards councils in the Midlands and the North. According to analysis by the Institute for Fiscal Studies (IFS), the capital's central boroughs will see some of the steepest reductions in real-terms funding over the next three years.

The IFS report estimates that 186 councils across England, many located in London, the South East, and the South West, stand to lose a combined total of around £2.1 billion. In contrast, 161 councils in the Midlands and North are forecast to receive equivalent increases. Inner London authorities such as Westminster, Camden, Kensington and Chelsea, Wandsworth, and Hammersmith and Fulham could face cuts exceeding 10 %, even when factoring in the maximum allowable rise in council tax.

While ministers argue the changes aim to improve fairness and transparency by allocating funds based on relative need, concerns are growing over the impact on London's ability to deliver frontline services. London Councils, the cross-party group representing the city's boroughs, warns that the new approach fails to reflect the unique pressures faced by local authorities in the capital, particularly the high cost of housing and the intensity of demand for services.

The group highlights that many London boroughs are already dealing with significant shortfalls, with an estimated £500 million collective funding gap this year. Some have been forced to use emergency borrowing powers to remain solvent. Without further support or adjustments, the financial strain may undermine efforts to maintain services for vulnerable residents.

Further analysis by the Centre for London indicates that inner London budgets per head have dropped by nearly 20 % since 2010, with boroughs such as Westminster and Newham experiencing cuts of up to 30 %. These reductions have coincided with rising demand for homelessness support, adult social care, and temporary accommodation, leaving councils increasingly exposed.

While the government seeks to address regional imbalances, critics caution that the formula change may unintentionally deepen inequalities, particularly in areas already grappling with stretched services. As the new system takes effect, inner London boroughs are likely to press for revisions to ensure funding decisions reflect the real costs and demands of urban governance.