

2025/26 Budget Update - Annex 1

Funding Implications for District Councils from the 30 October 2023 Budget & 29 November Policy Statement

1. Introduction

On 30 October 2024 the Chancellor set out her plans for the Autumn Budget. The following key announcements were made for Local Government.

£1.3bn of new grant funding in 2025/26 for local government to deliver core services, of which £600m is for social care. Together with local income from council tax and locally-retained business rates, the government has assumed a real-terms increase in total core spending power (CSP) of around 3.2% for the sector.

Following the Budget, MHCLG published 'The Local Government Finance Policy Statement 2025-26' on 28 November 2024, outlines funding reforms, public service reform, and grant consolidation for local authorities in England. The policy statement is useful; it reduces uncertainty, and gives guidance on the future of most of the funding streams within the settlement. However, it is not a full substitute for the provisional settlement; it describes ministers' intentions rather than giving us actual numbers.

2. Budget Announcements

Extender Producer Responsibility

In addition to this, local government in England is expected to receive around £1.1 bn of new funding in 2025-26 through the implementation of the Extended Producer Responsibility for packaging scheme. The Treasury will guarantee that if local authorities do not receive fees in line with their payment estimates, they will provide an in year top-up.

In addition to £1.3bn new grant funding in 2025/26 for local government to deliver core services, the government announced:

Household Support Fund

£1 billion to extend the Household Support Fund (HSF) in England and Discretionary Housing Payments (DHPs) in England and Wales in 2025-2026. This builds on the previous investment of £500 million to extend the HSF in England to 31 March 2025.

UKSPF

The UK Shared Prosperity Fund (UKSPF), will be extended to 2025-26 in advance of wider local growth funding reform. However, given the challenging fiscal inheritance, the Government has confirmed this will be at a lower level of £900 million.

Homelessness

£233 million in additional resource funding for homelessness pressures– taking total homelessness spending to nearly £1 billion in 2025-26. This funding should help to prevent rises in the number of families in temporary accommodation and help the sector in preventing rough sleeping.

Affordable Homes Programme

There were also announcements on a £500m boost for the Affordable Homes Programme, which will benefit the HRA, in addition to extra funding for upper-tier authorities including £1bn for special education needs and disabilities (SEND) and £640m for bus services and £500m for road maintenance.

National Insurance Contributions

The government has also committed to provide local authorities with additional funding to cover the additional cost of the increase in employers national insurance contributions.

3. Finance Policy Statement 2025-26 Announcements

Council Tax

“Core” Band D council tax 2.99% maximum increase, or £5 for shire districts. Maximum increase for fire authorities is £5, and £14 for police and crime commissioners. No referendum principles for Mayoral Combined Authorities or town and parish councils.

Business Rates and Revenue Support Grant (RSG)

Local authorities’ RSG allocations will be uplifted in line with the Consumer Price Index. Business Rates baseline funding allocations will be uplifted by the increase in the standard business rating multiplier (1.67%).

New Grant - Recovery Grant (£600m additional funding).

Grant will be highly targeted towards authorities with the highest levels of deprivation. We still do not know how allocations will be calculated, but it will “go to places where, weighted by population, deprivation outweighs council tax raising ability”.

Minimum Funding Guarantee (MFG)

The MFG continues into 2025/26, but it will be on a much-reduced basis. The threshold will reduce from 4% to only 0%, meaning no council will see a reduction in core spending power (CSP) after accounting for both council tax Band D increases and taxbase growth. Other grants within CSP will be included as in previous years. Extended Producer Responsibility

(pEPR) payments will not be taken into account within the MFG payments. Estimated cost of MFG will reduce from £269m in 2024-25 to c.£120m in 2025-26.

In 2024/25 TDC received £723,000 from the MFG.

Services Grant

This grant will be abolished in 2025-26. In 2024/25 TDC received £32,000.

New Homes Bonus

New Homes Bonus (NHB) will continue in 2025-26, and there will be no change in the methodology. Confirmed as being the final year NHB will operate. In 2024/25 TDC received £228,000 from NHB.

Future Reforms

The Policy Statement confirms that there will be a full package of funding reforms in 2026-27, and that this will be the start of a multi-year settlement. The funding reforms will build on “the previous government’s” Fair Funding Review, and there will also be a full business rates baseline reset.

For many shire district authorities, the prospect of a full baseline reset will be very worrying indeed. Funding losses for many districts from a baseline reset would be huge, and in some cases could see their overall resources fall by more than 40%. For TDC this could result in a loss of £1.7m of income from the base budget.