

<b>Meeting:</b>	Cabinet
<b>Date:</b>	19 December 2024
<b>Classification:</b>	Part 1
<b>Key Decision:</b>	No
<b>Title of Report:</b>	Local Government Finance Policy Statement Headlines and local Fees & Charges budget intentions for 2025/26
<b>Executive Director:</b>	Joe Chesterton – Executive Director of Finance & Resources (S151 Officer)
<b>Report Author:</b>	Pete Bates – Director of Financial Services
<b>Executive Councillor:</b>	Councillor Cowan, Leader and Cabinet Member for Infrastructure and Corporate Strategy, Councillor Collins, Cabinet Member for Finance, Assets and Investments.

## **1. Executive Summary**

- 1.1. This report summarises the national headlines of the Policy Statement which was published on 28 November 2024 by the Minister of State for Local Government and English Devolution in advance of the provisional Local Government Finance Settlement for 2025/26. The policy statement sets out some high-level national intentions on themed funding levels for 2025/26, but individual local authority allocations are not yet available and will be published as part of the provisional settlement, which is expected to be released sometime during the week commencing 16 December 2024.
- 1.2. This report also sets out the City Council's intentions and budget considerations in relation to fees and charges for 2025/26. The full detailed analysis of all fees and charges that will be proposed for 2025/26 will be presented to the Cabinet meeting in February 2025.

## **2. Recommendations**

It is recommended that Cabinet:

- 2.1. Notes the summary of the Government's recent Finance Policy Statement, the timing of release of the Local Government's Provisional Finance Settlement for 2025/26 and the major reform planned as part of a Comprehensive Spending Review from 2026/27 to 2028/29. (Section 4)**
- 2.2. Confirms that the income yield for fees and charges generally across all City Council services will be increased by circa 2.75% with effect from 1<sup>st</sup> April 2025, under officer delegation, with certain exceptions, as set out in Section 5 and Appendix 1.**
- 2.3. Approves the proposals in principle for the fees and charges changes detailed at Appendix 1, together with a commitment to provide a comprehensive schedule detailing all fees and charges proposed for 2025/26 as part of the final budget report to Cabinet in February 2025.**

## **3. Background**

- 3.1. For many years Local Government Settlements have been for one-year only, this will remain the case for 2025/26. From a financial and business planning perspective it is pleasing to note the new Government's commitment to re-introducing a multi-year (three-year) funding settlement from 2026/27.
- 3.2. The Government has also committed to exploring major Local Government Finance reform. These proposals will be set within a broad context of national policy changes, including enhanced devolution, increased housing development and a reset of the relationship between central and local government.
- 3.3. Throughout the Local Government Sector, fees and charges have continued to form a critical and important part of helping to fund essential local services to local residents, businesses and communities. This report provides an early indication of the City Council's plans and intentions for 2025/26.

## **4. Policy Statement on the 2025/26 Local Government Finance Settlement**

- 4.1. On 28 November 2024, the Minister of State for Local Government and English Devolution published a written ministerial statement which was accompanied by a policy statement covering the key themes and intentions that would feature in the 2025/26 local government finance settlement. This document has been published in advance of the full 2025/26 provisional Local Government Finance Settlement, expected later in December 2024.

- 4.2. The proposals cover two main areas: the national financial headlines for a one-year local government finance settlement for 2025/26 and a commitment for plans to reform the approach to both national policy and distribution methodology from 2026/27.

### **2025/26 Finance Settlement**

- 4.3. The Government's policy statement provides some national headlines around overall funding intentions, but individual local authority-level figures will be published as part of the provisional local government finance settlement. The overall 2025/26 national financial provision is unchanged from the Autumn Budget, which quoted an average 3.2% real terms increase in core spending power for the sector.
- 4.4. On core spending power grants from a national perspective, the statement confirms that:
- Revenue support grant will increase in line with CPI, which suggests an increase of 1.7%, or approximately £50 million across all English and Welsh local authorities. There will be no 'negative RSG' for any local authority.
  - Baseline funding levels and compensation grant will collectively increase by 1.7%, with the split of this determined by the relative proportion of local taxbases subject to the small multiplier (with a similar methodology to how this was done in 2024/25).
  - The Government is discontinuing the Rural Services Delivery Grant and the Services Grant, with funding repurposed elsewhere in the settlement.
  - The Social Care Grant will be increased by £680 million. The statement does not clarify whether the usual distribution method (i.e. taking council tax income into account) will continue.
  - There will be a new £250 million Children's Social Care Prevention Grant. This will be distributed using a new children's needs-based formula, which will allocate funding according to estimated need for children's social care services.
  - All other social care grants (improved Better Care Fund, Market Sustainability and Improvement Fund and the Adult Social Care Discharge Fund) will continue in 2025/26, with the statement suggesting that the national totals will remain unchanged.
  - The government is introducing a new one-year 'Recovery Grant', worth £600 million. The 'Recovery Grant' will go to places where, weighted by population, deprivation outweighs the individual authority's council tax raising ability. Not all authorities will receive an allocation.
  - The New Homes Bonus will continue for a further year in 2025/26, but the Government intends to consult on reforming the scheme beyond 2025/26 and will propose that 2025/26 is the last year of new homes bonus in its current format.
  - The Minimum Funding Guarantee will revert back to 0% (previously 3%) but will also take into account council tax rate increases (for the past two years, these have been excluded, making the guarantee more generous).

- 4.5. On council tax, the statement confirms the same referendum principles as in 2024/25 (other than police, fire authorities and the Greater London Authority):
- Councils with social care responsibilities will be able to increase council tax by up to 3% with an additional 2% for adult social care without a local referendum.
  - Shire district councils will have a referendum principle of 3% or £5, whichever is higher.
  - Fire and rescue authorities will have a referendum principle of £5 and police and crime commissioners will have a referendum principle of £14 on Band D bills.
  - There will be no referendum limits set for town and parish councils.
- 4.6. From 2025/26, the Government intends to abolish the need to identify the adult social care precept as a separate line on council tax bills. This will form part of a wider consultation on council tax billing which will also include other presentational matters and whether to move to 12 monthly billing instead of the current 10 months.
- 4.7. The following grants are due to be rolled into the Core Spending Power for 2025/26:
- The Domestic Abuse Duty Safe Accommodation grant (worth £160m) will be consolidated as a new, separate line in the Settlement, maintaining its existing distribution.
  - Ongoing funding from the Electoral Integrity Programme New Burdens grant (worth £4.6 million), the Tenant Satisfaction Measures New Burdens grant (£3.9 million), and the Transparency Code New Burdens grant (£3.6 million) will be rolled into the revenue support grant – also maintaining their existing distributions.
  - The Department for Education's Extended Rights to Home to School Transport grant (£54 million) will be rolled in, un-ringfenced, to the revenue support grant
- 4.8. The Government will also consolidate into the Settlement a single Children and Families Grant, worth £414 million from existing programmes, previously funded by Department for Education. This funding will not form part of Core Spending Power for 2025/26.
- 4.9. Conditions placed on this Children and Families Grant will be published alongside the final Settlement, but it should be used to continue preventative services where they are running now.

4.10. Existing funding consolidated into the single Children and Families Grant will maintain its 2024/25 distribution in 2025/26 and includes:

- Supporting Families.
- Supported Accommodation Reforms - New Burdens to Local Authorities.
- Staying Put.
- Virtual School Heads Extension for Previously Looked After Children.
- Leaving Care Allowance.
- Personal Advisors.

4.11. Other announcements regarding 2025/26 include the following:

- All current 'enhanced' business rates retention areas will continue for 2025/26 and, where requested, pooling of business rates will also proceed.
- The Government will continue to make the adjustments to tariffs and top-ups to reflect the 2023 business rates revaluation, following its previous technical consultation. This is the final adjustment within the framework.
- The Government will set out its position on the future of the Statutory Override for the Dedicated Schools Grant (beyond 31 March 2026) in the provisional 2025/26 settlement.
- The government has committed to provide support for departments and other public sector employers for additional Employer National Insurance Contribution costs, but more information will be published alongside the provisional settlement.

### **Longer Term Reform**

4.12. The policy statement includes the following commitments for funding redistribution from 2026/27:

- From 2026/27, an up-to-date assessment of need and local resources will build on the proposals set out in the previous government's review of Relative Needs and Resources (also referred to as the 'Fair Funding Review').
- The move to an updated system will be gradual and the Government will invite views on possible transition arrangements.
- The Government intends to reset the business rates system. The reset will apply nationally, but business rates generated in designated areas will be exempt. The paper referenced "such as Freeports, Enterprise Zones and Investment Zones".
- The document acknowledges that some local authorities have worked collaboratively with mayoral combined authorities (MCAs) in their area to ensure that new business rates income is directed to local growth priorities across the wider region. This is not followed by any specific policy proposal but could suggest some protection to 100% business rate retention areas.

4.13. The statement sets out a broad timescale for development of the reforms:

- An initial consultation on the objectives and principles of the government's proposed approach, launching in December alongside the provisional Local Government Finance Settlement 2025/26.
- A consultation on the technical detail of resetting the business rates retention system in early 2025.
- A consultation alongside a detailed plan for reform ahead of the provisional Settlement for 2026/27.
- Implementation to begin through the multi-year Settlement in 2026/27.

4.14. The Government has also confirmed that the 2026/27 local government finance settlement will be multi-year and that the number of funding pots will be reduced. Some details are as follows:

- Streamlining the MHCLG growth-focused capital grants into a consolidated, more flexible fund and significantly reduce the number of housing, planning, resettlement and numerous smaller grants owned by the department – rolling them into the Settlement wherever possible. This is in addition to several New Burdens grants already identified for rolling into the Revenue Support Grant.
- In 2026/27, MHCLG intend to reduce the number of funding pots for adult social care, consolidating existing adult social care grant funding and rolling in smaller adult social care grants, where possible.
- In 2026/27, the Government will merge the Children's Social Care Prevention Grant and Children & Families Grant and explore further consolidation within children's services.
- Further proposals for simplification will be announced in due course. To reduce burdens on local authorities MHCLG will also reduce and standardise the grant data they collect.

4.15. There are other reforms outlined, such as the Government setting out and measuring progress on the key services and outcomes they expect local authorities to deliver. The Government will also overhaul local audit, scrutiny, and standards and reform the conduct regime for local authorities.

4.16. Flexible use of capital receipts will be extended to 2030. The government will also remove the restriction with respect to redundancy costs that limits the use of the flexibility to statutory redundancy costs only.

## **5. Considerations and intentions locally for Fees and Charges in 2025/26**

5.1. Cabinet at its meeting on 18 September 2018 approved the introduction of a fees and charges policy to cover all fees and charges reviews with the exception of car parking charges. This policy has enabled Officers to set fees and charges annually where the expected overall income yield for a service or category is in line with the budget parameters as set out within the Medium Term Financial Strategy. Anything that is proposed outside of these budget parameters would require approval by Cabinet.

- 5.2. All Local Authorities are responsible for setting and collecting an extensive detailed range of fees and charges across many service areas. For reference the current 2024/25 schedule can be found on the Council's website<sup>1</sup>. It is proposed that in general terms the income yield at an overall service level will increase by 2.75% for 2025/26, individual fees and charges within a service may vary accordingly to achieve this objective. Where appropriate, reasonable and sensible to do so, the intention for some charges is to round them to the nearest 10p, 50p, £1, £5 etc. These arrangements will be implemented under officer delegations with effect from 1<sup>st</sup> April 2025. The headline proposed exceptions to this intention can be found within the schedule presented at Appendix 1.
- 5.3. A separate report on this agenda will consider the revised arrangements and new tariffs for all car parking matters.
- 5.4. In summary the schedule, represented at Appendix 1 within this report sets out the fees and charges for services that fall within one of the following categories:
- Proposed yield increase by a percentage higher than 2.75%,
  - Proposed to stay at the same level as 2024/25,
  - Proposed to decrease the charge for 2025/26.
- 5.5. For transparency, a comprehensive updated schedule including all individual proposed fees and charges for 2025/26 will be presented to the Budget Cabinet meeting in February 2025.

## **6. Reasons for Decisions**

- 6.1. This report provides an update following the publication of the Government's Policy Statement on the 2025/26 Local Government Finance Settlement.
- 6.2. This report also summarises the intention generally to increase fees and charges yield from services by circa 2.75% for 2025/26, under officer delegation, and details a list of exceptions that fall outside of this parameter.

## **7. Other Options**

- 7.1. The Council has the power to change fees and charges in most service areas by a different amount. This approach is not recommended following the careful consideration that has been given to balancing the level of charges proposed with the significant financial challenges currently being faced by the Council.

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<sup>1</sup> <https://www.southend.gov.uk/downloads/download/380/council-fees-and-charges>

## **8. Financial Implications**

- 8.1. The financial implications of the provisional 2025/26 Local Government Finance Settlement for this Council will only be known when the individual local authority-level allocations are published. The estimated yield from the revised local fees and charges proposed will be included within the Council's budget for consideration and approval at Budget Council in February 2025.

## **9. Legal Implications**

- 9.1. The Council is under a legal duty to meet the requirements of Section 31A of the Local Government Finance Act 1992, which includes the obligation to produce a balanced budget by 11 March annually.

## **10. Policy Context**

- 10.1. The proposals will mean a review of relevant policy areas for some services, and this will form part of the overall budget setting programme for 2025/26 and where required appropriate policies will need to be amended accordingly if the proposal is approved.

## **11. Carbon Impact**

- 11.1. No specific implications.

## **12. Equalities**

- 12.1. Changes to fees & charges will have an equality impact assessment undertaken as part of the development of the budget for 2025/26.

## **13. Consultation**

- 13.1. Compliance with all requirements for publication and consultation for proposed changes will be undertaken as part of the budget setting process.

## **14. Appendices**

- 14.1. A schedule summarising the proposed changes to fees and charges that are outside the parameters included within the Council's Medium Term Financial Strategy can be found at Appendix 1.



**15. Report Authorisation**

<b>This report has been approved for publication by:</b>		
	<b>Name:</b>	<b>Date:</b>
S151 Officer	Joe Chesterton	06/12/2024
Monitoring Officer	Susan Zeiss	06/12/2024
Executive Director(s)	Joe Chesterton	06/12/2024
Relevant Cabinet Member(s)	Councillor Daniel Cowan	06/12/2024
	Councillor Paul Collins	06/12/2024