



## Local Authority Finance Settlement 2024-25

### Note for NAVCA Members – 6 February 2024

#### (1) Overview of Financial Situation for Local Authorities

The final local government finance settlement for 2024-25 has now been confirmed. The total budget is £64.7Bn, an increase of £4.5Bn, and representing an increase of 7.5% in core spending power. However, the state of local government finance remains perilous and despite the increase is still insufficient to meet projected local authority costs. This settlement is made in the context of a 27% real terms reduction in core spending power of local authorities since 2010/11.<sup>1</sup>

The government has asked local authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.

The most relatively deprived areas of England will receive 18% more per dwelling in available resource through this settlement than the least deprived areas. [It is not clear how this has been calculated].

The calculated increase of 7.5% in core spending power includes the increases from central government, the additional £600M announced on 24 January 2024 and increases in council tax set locally.

Local authorities will be able to increase the core council tax by up to 3% before a council tax referendum is triggered. For shire district councils this is 3% or £5 – whichever is higher. Thurrock and Slough have received permission from DLUHC to increase council tax by 8% and Woking by 10%. Other permissible increases are up to 2% for adult social care, £13 for police authorities and up to 3% for fire and rescue authorities, up to a total of 5%. Indications from recent press coverage suggest that most local authorities will increase council tax by 4.99%, thus transferring tax rises from central to local government. This is also regressive taxation, as a proportionately greater amount is taken from those on lower incomes. Citizens Advice report that council tax arrears continue to rise.

An additional £500M has been made available for adult social care and children's services, representing a total increase of £1.5Bn from 2023-24.

The Rural Services Delivery Grant will increase by £15M to £110M.

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<sup>1</sup> See LGA letter to Jeremy Hunt, 13 October 2023 <https://www.local.gov.uk/parliament/briefings-and-responses/autumn-statement-2023-lga-submission#current-financial-pressures>

The Isle of Wight will receive an additional £3M and £150K.

Indicative allocations for the Public Health Grant in 2024 to 2025 have been published and this will increase to nearly £3.6Bn. Further specific investment will continue to improve the start for life offer and support improvements in the quality and capacity of drug and alcohol treatment, with an additional £70M per year from 2024-25 for local authority led efforts to stop smoking.

The Household Support Fund [HSF] is still expected to close on 31 March 2024 leaving vulnerable households unable to meet basic needs and removing funding from VCSE organisations providing vital basic services such as hot meals or foodbanks. This financial year HSF contributed £840 million to English councils' provision of local welfare support. Without this funding there will be a further reduction in local welfare support and additional pressures on limited local authority budgets and VCSE resources.

Councils are facing funding gaps of £2.4 billion in 2023/24 and at least £1.0 billion in 2024/25. These gaps relate solely to the funding needed to maintain services at their current levels. The LGA and other local authority groups estimate that one fifth of councils are likely or very likely to be unable to balance a budget in the next year.

## **(2) Productivity Plans**

DLUHC has announced that every local authority must publish a Productivity Plan by July 2024, before the Houses of Parliament rise for the summer recess. The plans will be scrutinised by a new productivity review panel which will include representatives from the Office for Local Government and the LGA. Plans must be agreed by the Council and published on the local authority website, with regular updates on progress. The plans will cover four main areas:

1. transformation of services to make better use of resources
2. opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design
3. ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter- extremism
4. barriers preventing activity that Government can help to reduce or remove.

Government has reiterated its stance against a four-day working week, stating that it does not deliver value for taxpayers.

## **Further Information**

**Press release** <https://www.gov.uk/government/news/council-funding-package-confirmed>

**Local Government Finance Report**

[https://assets.publishing.service.gov.uk/media/65bd0ddac4319100141a44cf/LGFR\\_2024-25.pdf](https://assets.publishing.service.gov.uk/media/65bd0ddac4319100141a44cf/LGFR_2024-25.pdf)

**Information Table for Local Authorities**

<https://www.gov.uk/government/publications/key-information-table-for-local-authorities-final-local-government-finance-settlement-2024-to-2025>