

1. Local Government Finance – Economic & Statutory Context

Autumn Statement & Wider Economy

- 1.1 The Autumn Budget set out the Government's financial plans for the country, including some indications of reform planned for local government funding and broader economic goals. The subsequent publishing of the Local Government Finance Policy Statement and the Provisional Local Government Finance Settlement prior to Christmas 2024, alongside broader policy announcements in relation to prioritising growth, house building, planning reform and devolution has set out a vision where local government will be at the heart of the Government's plans for improving the economic prospects of the UK.
- 1.2 However, in recognition that the General Election took place midway through 2024, the Provisional Local Government Finance Settlement confirmed that there would be a further one year settlement for 2025 – 2026, with more substantial reforms scheduled for the remainder of this parliament. Notwithstanding this, there was an attempt to review the distribution of local government grant funding, replacing the Funding Guarantee and Services Grant with the Recovery Grant and confirmation that there will be a further year of the New Homes Bonus.
- 1.3 On the horizon, the Government has announced more fundamental reform of local government financing with effect from 2026 – 2027, including multi-year financial settlements, which will aid longer term financial planning, as well as a review of fundamentals that will potentially equate to what has previously been referred to as the Fair Funding Review, details are yet to be confirmed but this could potentially include changes to Council Tax, Business Rates and local government grant funding.
- 1.4 Inflation has fallen from the peak reached in 2023 but has risen recently, but is still anticipated to fall back towards the Bank of England target rate of 2% during 2025. The Bank of England base interest rate is a significant route by which the Bank seeks to influence inflation and this is anticipated to fall over the coming financial year.

Impacts for Local Government

- 1.5 **Council Tax.** The Local Government Finance Policy Statement published in December 2024 confirmed that the Council Tax increase referendum threshold for 2025 - 2026 would remain at 3%.
- 1.6 **Provisional Local Government Finance Settlement.** The provisional local government finance settlement was published by the Ministry for Housing, Communities and Local Government (MHCLG) on 18th December 2024. This set out the details of the funding available to support local government in 2025 - 2026 alongside some of the assumptions underpinning the settlement. The final settlement will be published in the near future following the completion of the public consultation period on 15th January 2025. There is currently nothing to indicate that there will be any material changes to the settlement as a consequence of the consultation.

- 1.7 **Core Spending Power.** This measures the maximum level of funding available to a local authority, assuming that the maximum increase to Council Tax is adopted by each individual local authority. As such, this is an indicator only, rather than a guarantee, of the resources available. The Government will often refer to the Core Spending Power (CSP) when talking about the resources made available, as distinct from the decisions made locally by individual local authorities in setting Council Tax levels.
- 1.8 CSP also reflects the proposed increases to core grants such as the Services Grant, Funding Guarantee and New Homes Bonus. On the basis of these assumptions, the Government assumed that Norwich City Council's CSP has increased by £1.226 million when compared to the baseline figures of 2015/16 (6.0%). When compared to the CSP for 2024 - 2025, it has increased by £0.584 million (2.8%). The increase is welcomed but it also makes apparent that the funding challenges remain significant relative to budget pressures and service demand.
- 1.9 **The Revenue Support Grant (RSG)** has been increased by 1.7% in line with inflation at September 2024.
- 1.10 **Other Local Government Grant Funding** The Funding Guarantee, introduced for the first time in 2023 – 2024, along with the Services Grant, has been replaced by the Recovery Grant.
- 1.11 **Business Rates** have not been adjusted significantly but are anticipated to be subject to the local government funding reforms in 2026 – 2027.
- 1.12 In the context of the national reforms planned for local government over the remainder of this parliament, the medium term outlook remains challenging, requiring on-going efficiencies and effective financial control and management. Norwich City Council remains in a relatively much healthier position than many local authorities around the country currently, whilst there are some reasons for greater optimism, such as the outlook for Anglia Square redevelopment alongside other opportunities to support economic growth and house building within the city.