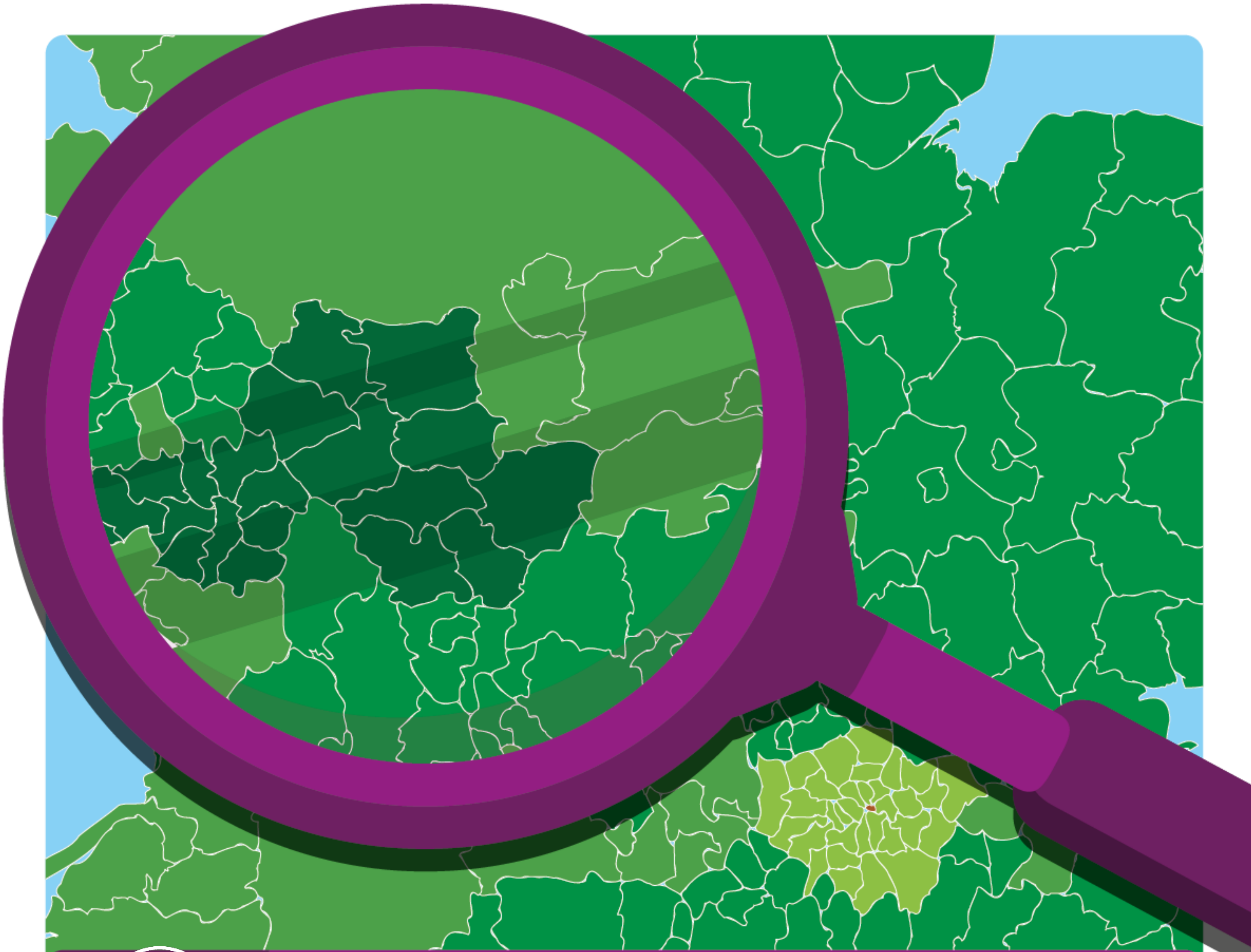
# Local Government Budget Setting 2025/26

## Survey of chief finance officers



Research report

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# Summary

## Background

In January 2025, the Local Government Association (LGA) sent an online survey to chief finance officers (CFOs) of all English member authorities to understand the financial pressures faced in setting their budgets for 2025/26 and beyond, as well as the impact of funding on key policy areas including waste, housing, and children's services. A total of 105 responses were received – a response rate of 33 per cent.

## Key findings

- Seventy-one per cent of respondents reported that it will be very or fairly difficult to set a balanced budget for 2025/26 compared to previous years. This was higher among single-tier and county councils, at 87 per cent.
- Seventy-nine per cent of respondents felt very or fairly confident that they would have enough funding to fulfil all their statutory duties in 2025/26; this however drops to 44 per cent in 2026/27.
- Considering the impact of the Autumn Budget and Provisional Local Government Finance Settlement, 13 per cent of respondents were more or much more likely to need to apply for Exceptional Financial Support in 2025/26, rising to 41 per cent for 2026/27.
- All social care authority respondents thought it was very or fairly likely that external service providers would pass the impact of changes to employer National Insurance Contributions back to the council through increased service costs in both adults' and children's social care. This was also anticipated within public health, housing, and cultural and leisure services for more than three quarters of respondents providing these services.
- A third of respondents reported that recent announcements on local government reorganisation have had a very or slightly negative impact on budget setting for 2025/26 – this rises to 52 per cent among district councils.

# Introduction

The survey was conducted ahead of the final local government settlement to set out a clear picture of the financial pressures facing the sector and the extent to which they have (or have not) been addressed by additional funding allocated in recent Government announcements, in particular, the 2024 Autumn Budget and the provisional local government finance settlement (PLGFS). The survey covered a range of topics including Exceptional Financial Support (EFS), the increase in National Insurance Contributions (NICs), the Packaging Extended Producer Responsibility (pEPR) scheme, Special Educational Needs and Disabilities (SEND) funding, Housing Revenue Accounts (HRAs), and Local Government Reorganisation.

# Methodology

The online survey was distributed by the LGA's Research and Information Team and was open for completion for just over two weeks, from 14 January to 30 January 2025. It was sent to the CFOs of all 315 English member authorities. The survey did not require respondents to identify themselves nor their authority, to enable them to express their financial position candidly.

Of the 315 local authorities in England, a total of 105 responses were received – a response rate of 33 per cent. This level of response means that these respondents should not necessarily be taken to be widely representative of the views of all chief finance officers. Rather, they are a snapshot of the views of this particular group of respondents.

Table 1 shows the response rate by type of council. The table shows that county councils had the highest level of response, at 62 per cent, followed by unitary authorities, at 44 per cent. Thirty-one per cent of metropolitan districts responded, followed by 27 per cent of shire districts and 24 per cent of London boroughs. Table 2 shows the response rate by region, demonstrating that Yorkshire and the Humber had the highest response rate, at 47 per cent, followed by the North East at 42 per cent. The lowest regional response rate was received by London, at 24 per cent.

## Table 1: Response rate by type of council

| Type of council | Number of questionnaires | Number of responses | Response rate |
|---|---|---|---|
| District | 164 | 45 | 27% |
| County | 21 | 13 | 62% |
| London borough | 33 | 8 | 24% |
| Metropolitan district | 36 | 11 | 31% |
| Unitary | 63 | 28 | 44% |

## Table 2: Response rate by region

| Region | Number of questionnaires | Number of responses | Response rate |
|---|---|---|---|
| Eastern | 50 | 19 | 38% |
| East Midlands | 39 | 12 | 31% |
| Greater London | 33 | 8 | 24% |
| North East | 12 | 5 | 42% |
| North West | 36 | 12 | 33% |
| South East | 70 | 21 | 30% |
| South West | 29 | 12 | 41% |
| West Midlands | 33 | 9 | 27% |
| Yorkshire and Humber | 15 | 7 | 47% |

In addition, the following should be considered when interpreting the findings of this survey:

- To make the results of this survey more representative of chief financial officers across English authorities overall, responses have been weighted to be more proportionate of councils overall.
- Where tables and figures report the base, the description refers to the group of people who were asked the question. The number provided refers to the (unweighted) number of respondents who answered each question. Please note that bases can vary throughout the survey.
- Numbers and percentages are provided for any questions where the base was less than 50. Please note, however, that weighted percentages are adjusted to reflect the target population, meaning they may not correspond directly to the unweighted counts, and two unweighted base numbers which are the same may have different weighted percentages.
- Throughout the report, percentages may not appear to add up to exactly 100 per cent due to rounding.

# Local Government Budget Setting 2025/26

This section contains analysis of the full results from the survey.

## Financial overview

### Setting a balanced budget

Respondents were asked how difficult it would be to set a balanced budget in 2025/26 compared to previous years following the provisional local government finance settlement (PLGFS). Overall, 71 per cent of respondents reported that it would be very or fairly difficult, including 29 per cent who reported that it would be very difficult. This figure was higher among single tier and county councils, with 87 per cent reporting that setting a balanced budget would be very or fairly difficult. Fifty-nine per cent of district authorities reported that it would be very or fairly difficult. The full results for this question are shown in Table 3.

#### Table 3: Difficulty in setting a balanced budget for 2025/26 compared to previous years and following the PLGFS

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| **Very or fairly difficult** | **71%** | **87%** | **59%** |
| Very difficult | 29% | 36% | 24% |
| Fairly difficult | 42% | 51% | 36% |
| Not very difficult | 22% | 8% | 33% |
| Not at all difficult | 7% | 5% | 8% |
| Don’t know | 0% | 0% | 0% (0) |

Base: all respondents – total (104); - single-tier and counties (59); districts (45).

## Confidence fulfilling statutory duties

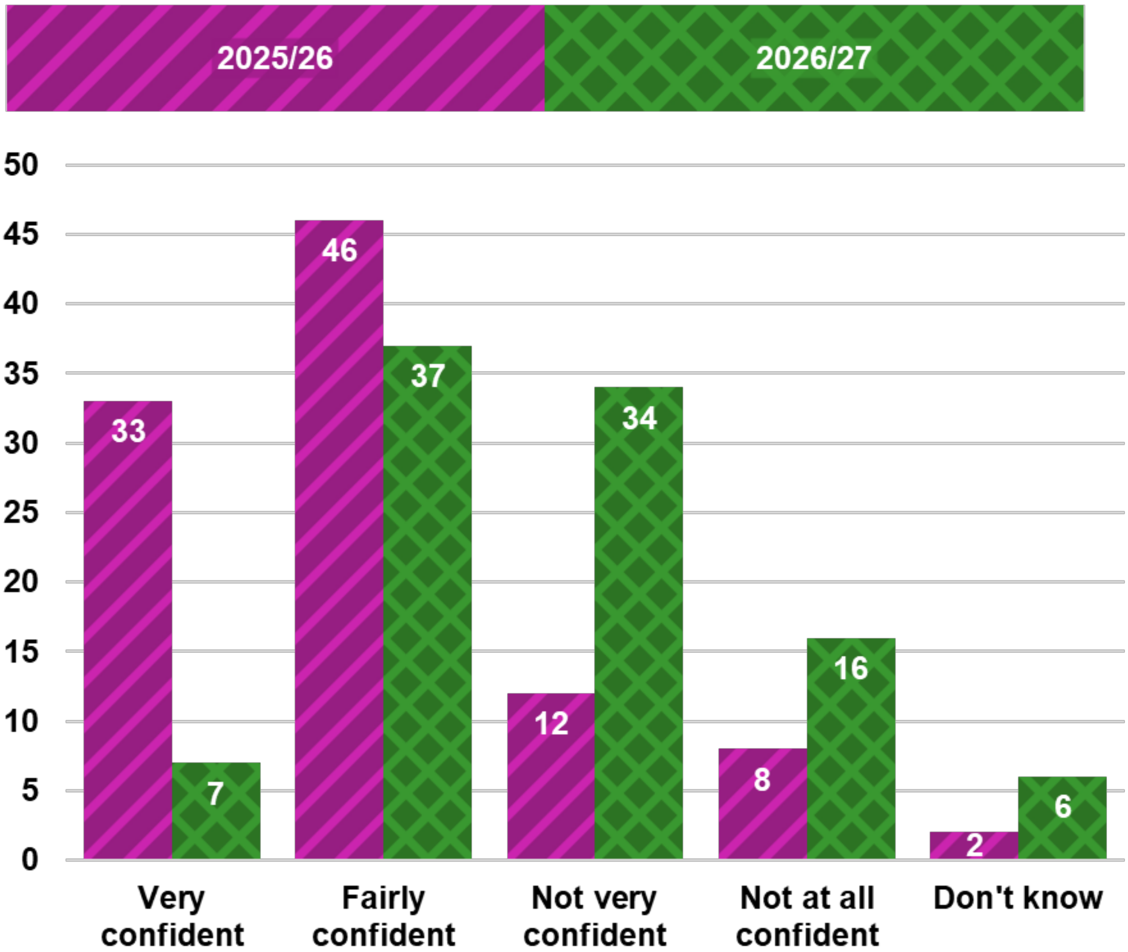
Respondents were asked how confident they were that their authority would have enough funding to fulfil all their statutory duties in the next two financial years. Whilst more than three quarters of respondents (79 per cent) were very or fairly confident that their authority would have enough funding to fulfil all of their statutory duties in 2025/26, this drops to 44 per cent in 2026/27. Within this, just 7 per cent reported feeling very confident of their ability to fulfil their statutory duties in 2026/27, compared to 33 per cent in 2025/26. Furthermore, the proportion of respondents who were not very confident rose from 12 per cent for 2025/26 to 34 per cent for 2026/27, whilst the proportion of respondents who were not at all confident rose from 8 per cent for 2025/26 to 16 per cent for 2026/27. The full results for this question are shown in Table 4 and Figure 1.

### Table 4: Confidence that authority will have enough funding to fulfil all statutory duties

| | 2025/26 | 2026/27 |
|---|---|---|
| **Very or fairly confident** | **79%** | **44%** |
| Very confident | 33% | 7% |
| Fairly confident | 46% | 37% |
| Not very confident | 12% | 34% |
| Not at all confident | 8% | 16% |
| Don’t know | 2% | 6% |

Base: all respondents – 2025/26 (105); 2026/27 (104).

## Figure 1: Confidence that authority will have enough funding to fulfil all statutory duties




Base: all respondents – 2025/26 (105); 2026/27 (104).

Table 5 shows a breakdown by council type for those respondents who reported that they were very or fairly confident in their authority’s ability to fulfil all their statutory duties in 2025/26 and 2026/27. The table shows that there was minimal difference between the confidence of district councils and single-tier and county councils in their ability to fulfil their statutory duties across both years.

### Table 5: Very or fairly confident in authority’s ability to fulfil all statutory duties in 2025/26 and 2026/27

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| 2025/26 | 79% | 76% | 81% |
| 2026/27 | 44% | 45% | 44% |

Base: all respondents – 2025/26 – total (105); STC (60); districts (45); 2026/27 – total (104); STC (59); districts (45).

## Impact of the Autumn Budget and PLGFS

Respondents were asked about the impact of the Autumn Budget and the PLGFS, considering both new funding pressures and new funding streams. Examples of new funding pressures included the increase in the National Living Wage and the additional employer National Insurance Contributions (NICs), whilst examples of new funding streams included additional Core Spending Power, compensation for NICs, packaging extended producer responsibility (pEPR) funding, and support for homelessness services.

On balance, almost two thirds of respondents (65 per cent) reported that the announcements in the Autumn Budget and PLGFS had significantly or moderately increased pressure on their general fund revenue budget setting. This was higher among district authorities, with 72 per cent reporting significantly or moderately increased pressure, compared to 57 per cent of single-tier and county councils. Overall, 11 per cent of respondents reported no net change to pressure.

Comparatively, 24 per cent of respondents reported that the announcements had brought a moderate or significant decrease in pressure. This was higher among single-tier and county councils, with 29 per cent reporting a moderate or significant decrease in pressure. The full results for this question are shown in Table 6.

### Table 6: Impact of new pressures and new funding streams on 2025/26 general fund revenue budget setting

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| **Significantly or moderately increased pressure** | **65%** | **57%** | **72%** |
| Significantly increased pressure | 34% | 31% | 38% |
| Moderately increased pressure | 31% | 26% | 34% |
| No net change to pressure | 11% | 14% | 8% |
| Moderately decreased pressure | 17% | 23% | 13% |
| Significantly decreased pressure | 7% | 6% | 7% |
| Don't know | 0% | 0% | 0% |

Base: all respondents – total (105); single-tier and counties (60); districts (45).

## Business rates reset

Respondents were asked about the impact of the announcement of the business rates reset in 2026/27 on their budget planning for 2025/26. More than half of all respondents (55 per cent) reported that the planned reset had made budget planning much more or slightly more difficult, whilst 39 per cent reported it had made no overall difference. Just two per cent of respondents reported that it had made budget planning slightly less or much less difficult. The impact was slightly more pronounced for district councils, with 61 per cent reporting that the reset has made planning much more or slightly more difficult, compared to 48 per cent of single-tier and county councils. The full results are shown in Table 7.

## Table 7: Impact of business rates reset in 2026/27 on the difficulty of budget planning for 2025/26

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| **Much more or slightly more difficult** | **55%** | **48%** | **61%** |
| Much more difficult | 30% | 16% | 41% |
| Slightly more difficult | 25% | 32% | 20% |
| No overall difference | 39% | 44% | 35% |
| Slightly less difficult | 1% | 0% | 2% |
| Much less difficult | 1% | 2% | 0% |
| Don’t know | 4% | 7% | 2% |

Base: all respondents – total (105); - single-tier and counties (60); districts (45).

Respondents had the opportunity to explain the impact of the business rates reset on their authority. A total of 73 respondents provided comments, which have been grouped into common themes.

By far the most commonly mentioned theme was the uncertainty of the impact of the business rates reset. Around three-fifths of respondents reported that they were unsure how this would impact the income their authority will receive from business rates, which in turn makes financial planning more difficult. As one district commented,

> “With no clarity over what pressure the business rates reset will mean in 2026/27, it has been very difficult to determine the amount to set aside in balances and reserves in 2025/26.”

Around a third of comments reported that their authority will see a reduction in income due to the reset. In this way, the reset will make budget setting more difficult for these authorities. As one unitary authority explained,

> "We have needed to use a significant amount of reserves to balance the 2025-26 proposed budget, alongside the maximum council tax increase. The uncertainty introduced by a business rates reset has meant that, alongside a maximum council tax increase, we have needed to create a new and significant financial risk reserve within the 2025-26 budget proposals by changing the intended purpose of existing earmarked reserves, meaning that we have withdrawn support from our reserves for our capital investment programme, placing previously approved investments schemes at risk."

Around a quarter of comments emphasised that the impact of the reset will be felt from 2026/27 onwards, therefore some respondents who indicated that the reset will have no overall impact on 2025/26 clarified that the impact will begin to be felt from 2026/27 onwards and into the medium-term.

Around 15 per cent of respondents reported that they had planned for the reset of business rates, therefore mitigating any potential negative impacts, for example, through "a defined set of projects […] to offset the impact of the reset" including both income generation and cost reduction.

A smaller proportion of respondents reported that the reset will have a positive impact on their council's finances, through generating additional income or through a fairer distribution.

Themes mentioned by a handful of respondents each included:

- The potential need to use reserves to balance the budget due to the uncertainty of income from business rates post reset

- The negative impact of having a low or volatile business base on income generation through business rates
- The negative impact of the loss of other grant funding (e.g. Rural Services Delivery Grant) alongside the business rates reset
- The need for a full reform of the business rates scheme.

# Exceptional financial support (EFS)

## 2024/25 or earlier

Respondents were asked whether or not they had applied for or received EFS for their 2024/25 budget or earlier. Overall, 9 per cent of authorities reported having applied for EFS for 2024/25 or earlier, whilst 5 per cent reported receiving it. Application rates were slightly higher among single-tier and county councils and lower among district councils, at 13 per cent and 5 per cent respectively, yet there was no difference in the proportion of respondents who reported receiving EFS, at 5 per cent across both groups. The full results are shown in Table 8.

### Table 8: Applied for or received EFS for 2024/25 or earlier

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| Applied for EFS in 2024/25 or earlier | 9% | 13% | 5% |
| Received EFS in 2024/25 or earlier | 5% | 5% | 5% |

Base: all respondents – applied for – total (105); STC (60); districts (45); received – total (103); STC (58); districts (45).

## 2025/26 and beyond

Respondents were then asked what was the likelihood that their authority would need to apply for EFS in the next two financial years. Fourteen per cent of respondents had already applied, or were very or fairly likely to, to support their 2025/26 budget; whilst 24 per cent had already applied, or were very or fairly likely to, to support their 2026/27 budget. Furthermore, whilst 72 per cent were not at all likely to apply this coming year, there was less certainty over 2026/27 as just 25 per cent reported being not at all likely to apply.  A further 44 per cent reported that it was not very likely, and 8 per cent were unsure. The full results are shown in Table 9.

## Table 9: Likelihood of applying for EFS in next two years

| | To support 2025/26 budget | To support 2026/27 budget |
|---|---|---|
| **Have already applied, or very/fairly likely to** | **14%** | **24%** |
| Have already applied | 12% | 2% |
| Very likely to apply | 0% | 13% |
| Fairly likely to apply | 2% | 9% |
| Not very likely to apply | 14% | 44% |
| Not at all likely to apply | 72% | 25% |
| Don’t know | 0% | 8% |

Base: all respondents – 2025/26 (102); 2026/27 (103).

Table 10 shows a breakdown by council type for those who have already applied for EFS, or are very or fairly likely to, in either year. The table shows that overall, 25 per cent of respondents had already applied or were very or fairly likely to apply for either 2025/26 or 2026/27. This was higher among single-tier and county councils, with 43 per cent having applied or being very or fairly likely to in either year, compared to 9 per cent of districts.

## Table 10: Have already applied or very/fairly likely to apply for EFS in next two years

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| **2025/26 or 2026/27** | **25%** | **43%** | **9%** |
| 2025/26 | 14% | 24% | 5% |
| 2026/27 | 24% | 41% | 9% |

Base: all respondents – 2025/26– total (102); STC (59); districts (43); 2026/27 – total (103); STC (58); districts (45).

## Impact of Autumn Budget and PLGFS

Respondents were asked to assess the impact of the announcements in the Autumn Budget and PLGFS, considering both new pressures and new funding streams, on the likelihood that their authority would need to apply for EFS for the next two years. The majority of respondents (73 per cent) reported that the announcements had no impact on their authority's need to apply for EFS in 2025/26, whilst 14 per cent reported that it was either less or much less likely, and 13 per cent reported that it was more or much more likely. In comparison, considering the impact on 2026/27, 41 per cent of respondents reported that the announcements had made it more or much more likely that they would need to apply for EFS in 2026/27, compared to 9 per cent who reported that it was less or much less likely. Just under half of all respondents (48 per cent) reported that the announcements had no impact on their need to apply for EFS in 2026/27. The full results are shown in Table 11.

## Table 11: Impact of the PLGFS and Autumn Budget on future need to apply for EFS

| | 2025/26 | 2026/27 |
|---|---|---|
| **Much more or more likely** | **13%** | **41%** |
| Much more likely | 5% | 11% |
| More likely | 9% | 30% |
| No change | 73% | 48% |
| Less likely | 8% | 6% |
| Much less likely | 6% | 3% |
| Don’t know | 0% | 1% |

Base: all respondents (105).

Table 12 shows a breakdown by council type of the likelihood of applying for EFS in the next two financial years as a result of the announcements in the PLGFS and Autumn Budget. There was little difference by council type among those who were more or much more likely to apply in 2025/26, whilst almost a quarter of single-tier and county councils (23 per cent) were less or much less likely to apply in 2025/26 as a result of the PLGFS and Autumn Budget, compared to 7 per cent of districts. For the following financial year, almost half of district respondents (48 per cent) reported it was more or much more likely that they would need to apply for EFS in 2026/27 compared to around a third (32 per cent) of single-tier and county councils.

### Table 12: Impact of the PLGFS and Autumn Budget on future need to apply for EFS

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| More or much more likely to apply in 2025/26 | 13% | 14% | 13% |
| Less or much less likely to apply in 2025/26 | 14% | 23% | 7% |
| More or much more likely to apply in 2026/27 | 41% | 32% | 48% |
| Less or much less likely to apply in 2026/27 | 10% | 16% | 4% |

Base: all respondents – total (105); single-tier and counties (60); districts (45).

## Employer National Insurance Contributions (NICs)

### PLGFS compensation impact

The Autumn Budget set out changes to the thresholds and rates of employer NICs thereby increasing costs for employers, including local authorities. To offset this, the PLGFS presented an additional £515 million in compensation for local authorities.

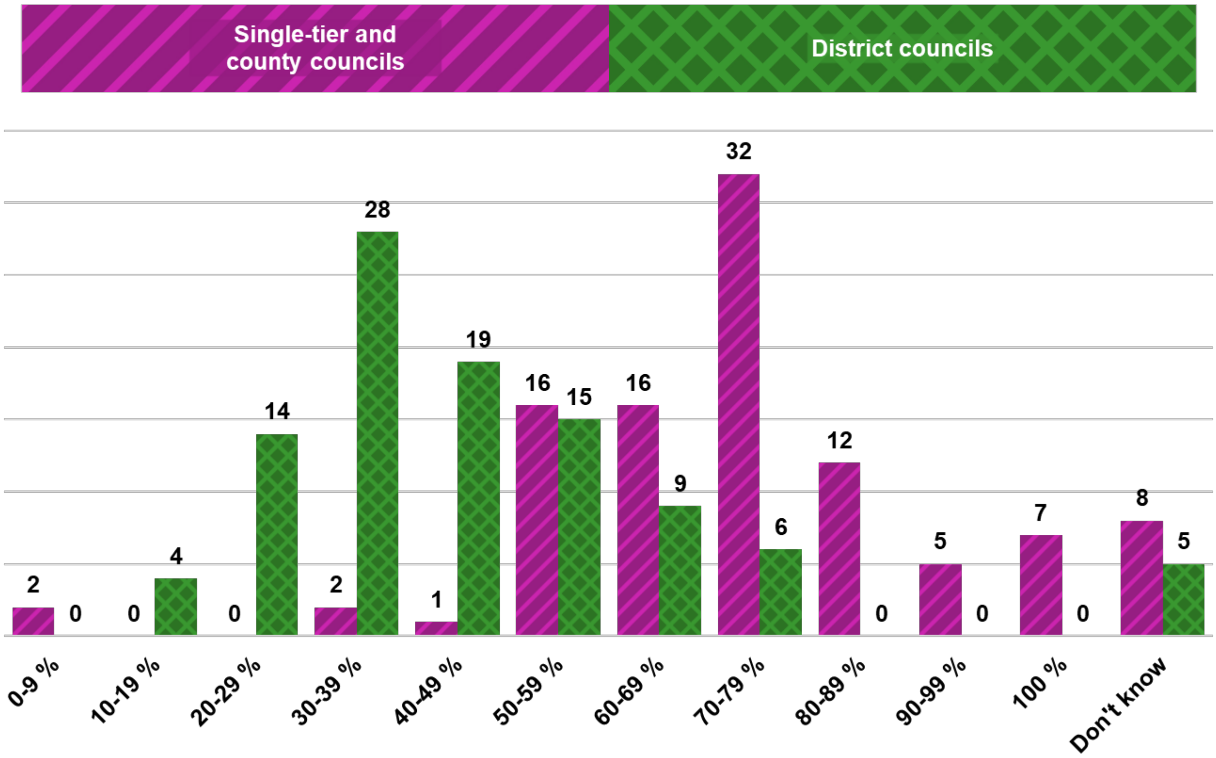
Respondents were asked what proportion of their increased NICs costs for directly employed staff they estimated would be covered by the PLGFS compensation. Fifty-six per cent of respondents reported that between 50 and 100 per cent would be covered, including 3 per cent who reported that 100 per cent would be covered, whilst 38 per cent reported that less than half would be covered. There are notable differences by authority type, as 87 per cent of single-tier and county councils reported that between 50 and 100 per cent of costs would be covered, including 7 per cent who reported that 100 per cent of costs would be covered. On the other hand, 30 per cent of district councils reported that between 50 and 79 per cent would be covered, with no authorities reporting that more than 80 per cent would be covered. The full results for this question are shown in Table 13 and Figure 2.

## Table 13: Proportion of changes to NICs costs for directly employed staff estimated to be covered by PLGFS compensation

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| **0-49 per cent** | **38%** | **5%** | **65%** |
| **50-100 per cent** | **56%** | **87%** | **30%** |
| 0-9 per cent | 1% | 2% | 0% |
| 10-19 per cent | 2% | 0% | 4% |
| 20-29 per cent | 8% | 0% | 14% |
| 30-39 per cent | 16% | 2% | 28% |
| 40-49 per cent | 11% | 1% | 19% |
| 50-59 per cent | 15% | 16% | 15% |
| 60-69 per cent | 12% | 16% | 9% |
| 70-79 per cent | 18% | 32% | 6% |
| 80-89 per cent | 5% | 12% | 0% |
| 90-99 per cent | 2% | 5% | 0% |
| 100 per cent | 3% | 7% | 0% |
| Don’t know | 6% | 8% | 5% |

Base: all respondents – total (105); single-tier and counties (60); districts (45).

**Figure 2: Proportion of changes to NICs costs for directly employed staff estimated to be covered by compensation**




Base: all respondents – single-tier and counties (60); districts (45).

## Increased NICs costs from external service providers

Respondents were asked how likely or not they thought it was that external providers would transfer their increased NICs costs to councils by raising service costs. All respondents with social care responsibility (100 per cent) thought it was very or fairly likely that adult and children's social care providers would raise service costs in 2025/26 to cover NICs costs. Furthermore, all county council respondents (100 per cent) thought it was very or fairly likely that costs would be passed on by highways and transport service providers, whilst the vast majority (92 per cent) thought that public health service providers would pass on increased costs. More than four-fifths of single-tier respondents anticipated increases for public health (83 per cent), housing services (82 per cent), and culture and leisure services (81 per cent), whilst more than three quarters of district respondents anticipated increases for culture and leisure services (78 per cent) and housing services (76 per cent). The full results are shown in Table 14.

### Table 14: Likelihood of providers passing increased NICs costs to councils through higher service costs in 2025/26

| | Single-tier councils | County councils | District councils |
|---|---|---|---|
| Adult social care | 100% | 100% | - |
| Children's social care | 100% | 100% | - |
| Public health | 83% | 92% | - |
| Housing services | 82% | - | 76% |
| Culture and leisure | 81% | - | 78% |
| Highways and transport | 72% | 100% | 74% |
| Environmental and regulatory services | 72% | 79% | 75% |
| Central services | 66% | 75% | 64% |
| Planning and development services | 62% | - | 65% |

Base: all respondents with service responsibility – adult/children's sc, health (60); culture (80); housing (76); highways (65); env. (90); central (90); planning (77).

Respondents had the opportunity to specify any other service areas where they expect providers to pass increased costs from NICs back to the council. A total of 13 respondents specified additional service areas, and these were:

- Waste
- Administrative and back-office functions (including IT)
- Wholly-owned companies
- Voluntary, Community and Social Enterprises (VCSEs)

- Special Educational Needs and Disabilities (SEND)
- Elections.

Two comments reported that they expect all, or the vast majority, of external providers to pass increased costs back to the council.

## Packaging Extended Producer Responsibility (pEPR)

The pEPR is a new funding stream designed to cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support investment in the waste and recycling industry.

Respondents were asked whether or not they thought their estimated pEPR payment for 2025/26 would adequately cover the costs associated with managing household packaging waste. Just over half of all respondents (54 per cent) thought the payment would adequately cover the costs associated with managing household waste, whilst 30 per cent of respondents were unsure, and 16 per cent reported that it would not adequately cover the costs. Single-tier and county councils were more likely to agree that the funding would cover their costs, at 63 per cent, compared to 47 per cent of district councils, whilst a greater proportion of district councils were unsure (34 per cent) or did not believe the payment would adequately cover their costs (19 per cent). The full results are shown in Table 15.

**Table 15: Whether pEPR funding adequately covers the costs of managing household packaging waste in 2025/26**

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| Yes | 54% | 63% | 47% |
| No | 16% | 13% | 19% |
| Don’t know | 30% | 25% | 34% |

Base: all respondents – total (105); - single-tier and counties (60); districts (45).

## Impact of pEPR on existing waste budget

As the scheme is designed to cover existing costs for managing household packaging waste which are already covered by existing resources, respondents were asked what proportion of their existing waste budget, if any, they planned to release to support the council’s wider finances as a result of the pEPR payment in 2025/26.

The anticipated impact of the pEPR payment on existing waste budgets was varied, with 17 per cent of respondents reporting that none of the existing budget would be able to be released as a result of the pEPR payment, whilst 15 per cent reported that the entirety of the existing budget would be able to be released. Fifty-five per cent reported that some of the existing budget could be released, with 17 per cent estimating up to a third, 23 per cent estimating between a third and two thirds, and a further 15 per cent estimating more than two thirds (but not all). Thirteen per cent of respondents were unsure what the impact of the pEPR payment would be on their existing waste budget. Considering different council types, both single-tier and county councils and district councils also see a varied distribution of responses. The full results for this question are shown in Table 16.

### Table 16: Proportion of existing waste budget resource estimated to be released in 2025/26 to support the wider budget as a result of pEPR payment

| | Total | Single-tier and county councils | District councils |
|---|---|---|---|
| None – entirety of existing budget currently used for managing household packaging waste and pEPR will be used to manage household packaging waste in 2025/26 | 17% | 13% | 20% |
| A small amount – pEPR will allow for up to a third of existing budgets currently used for managing household packaging waste to be released to support the council's wider finances in 2025/26 | 17% | 16% | 18% |
| A moderate amount - pEPR will allow for between a third and two thirds of existing budgets currently used for managing household packaging waste to be released | 23% | 32% | 16% |
| A large amount – pEPR will allow for more than two thirds (but not all) of existing budgets currently used for managing household packaging waste to be released | 15% | 15% | 15% |
| All – pEPR will allow for all of existing budgets currently used for managing household packaging waste to be released | 15% | 19% | 12% |
| Don't know | 13% | 5% | 19% |

Base: all respondents – total (105); - single-tier and counties (60); districts (45).

# Children's services

## Special Educational Needs and Disabilities (SEND) pressures

Respondents from single-tier and county councils were asked the extent to which, if at all, the additional £1 billion in high needs funding had addressed their authority's SEND pressures. No respondents reported that the additional £1 billion in funding had addressed their SEND pressures to a great extent, whilst 11 per cent reported that the funding had addressed their pressures to a moderate extent. Around half (53 per cent) reported that their pressures had been addressed to a small extent, whilst a third (33 per cent) reported that the pressures had not at all been addressed by the additional funding. Three per cent of respondents were unsure of the impact. The full results for this question are shown in Table 17.

### Table 17: Extent to which additional £1bn of high needs funding has addressed SEND pressures

| | Per cent |
|---|---|
| **To a small extent or not at all** | **86%** |
| To a great extent | 0% |
| To a moderate extent | 11% |
| To a small extent | 53% |
| Not at all | 33% |
| Don't know | 3% |

Base: all single-tier and county councils (60).

## Statutory override on Dedicated Schools Grant (DSG) deficits

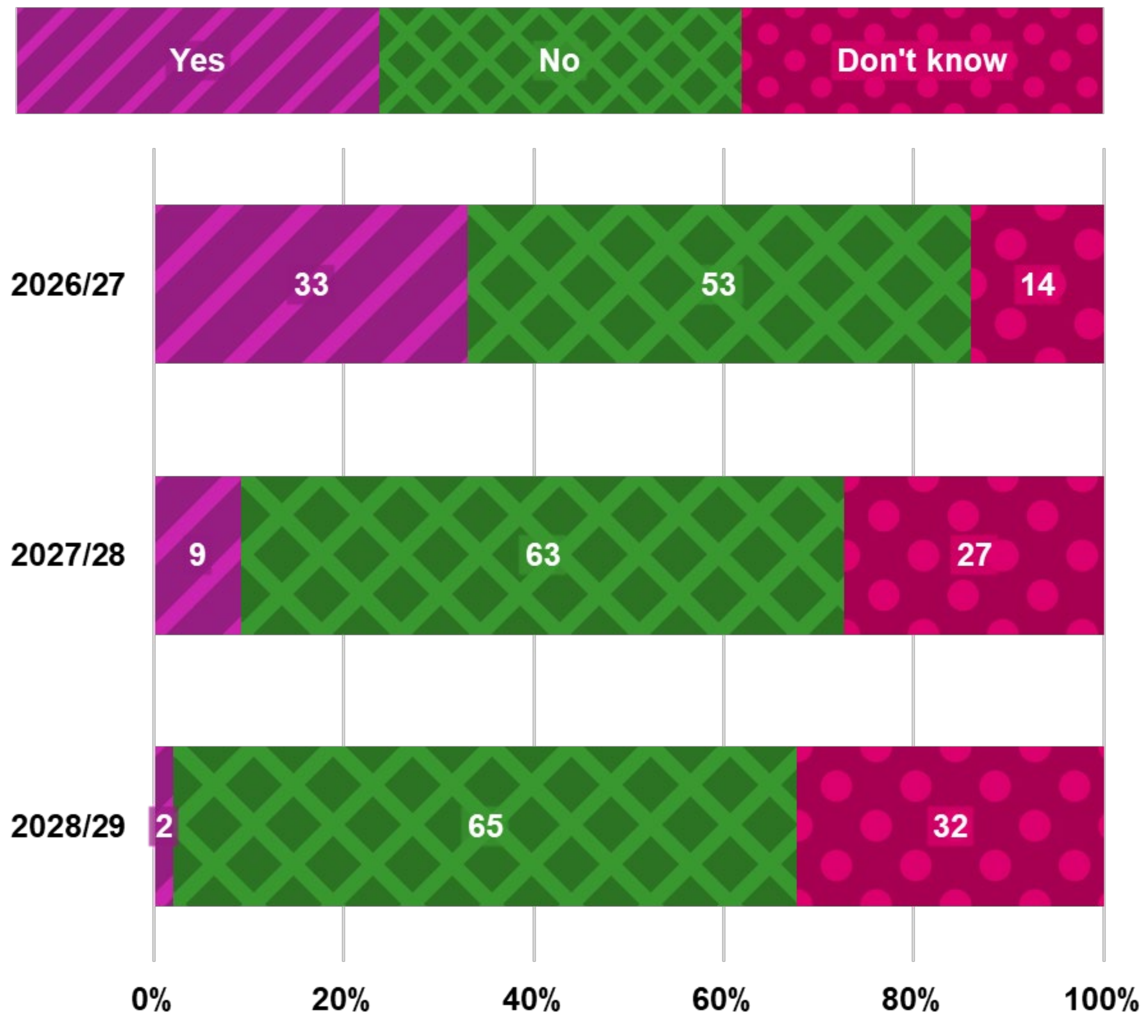
Respondents from single-tier and county councils were asked whether or not their authority would be able to set a balanced general fund budget in future years if the statutory override on the treatment of DSG deficits ends as planned in March 2026 without an alternative method for addressing these deficits being introduced. If the statutory override did end at the end of the 2025/26 financial year, only a third of respondents (33 per cent) affirmed that they would be able to set a balanced budget for 2026/27, falling to 9 per cent of respondents in 2027/28 and falling further to just 2 per cent of respondents in 2028/29. On the other hand, 53 per cent of respondents affirmed that they would not be able to set a balanced budget in 2026/27 without the statutory override (or a suitable alternative), rising to 63 per cent in 2027/28, and 65 per cent in 2028/29. The remaining proportion were uncertain on their ability to set a balanced budget. The full results are shown in Table 18 and Figure 3.

### Table 18: Impact of the planned ending of the statutory override on the treatment of DSG deficits on ability to balance the general fund budget

| | Our council could set a balanced budget in 2026/27 | Our council could set a balanced budget in 2027/28 | Our council could set a balanced budget in 2028/29 |
|---|---|---|---|
| Yes | 33% | 9% | 2% |
| No | 53% | 63% | 65% |
| Don’t know | 14% | 27% | 32% |

Base: all single-tier and county councils (60).

## Figure 3: Impact of the planned ending of the statutory override on the treatment of DSG deficits on ability to balance the general fund budget




Base: all single-tier and county councils (60).

# Housing Revenue Accounts (HRAs)

Respondents from single-tier and district councils were asked whether or not their authority has a Housing Revenue Account (HRA). Across England, 162 single-tier and district councils have an HRA; 48 respondents to the survey said they have an HRA, meaning 30 per cent of HRA authorities responded to this survey. Of the 92 single-tier and district councils responding to the survey, 53 per cent said they have an HRA, whilst 47 per cent do not. The results are shown in Table 19.

### Table 19: Single tier and shire district councils with HRAs

| | Per cent |
|---|---|
| Yes | 53% |
| No | 47% |

Base: all single tier and shire district councils (92).

## Setting a balanced budget for the HRA in 2025/26

Respondents with an HRA were asked the likelihood that they would need to take certain revenue-raising or cost-cutting measures in order to set a balanced budget for their HRA for the 2025/26 financial year. All respondents with an HRA (100 per cent) reported that they would be very or fairly likely to raise rents within allowable limits to set a balanced budget for 2025/26. Almost three quarters of respondents with an HRA (72 per cent) reported that they would be very or fairly likely to draw down on reserves, whilst two-thirds (67 per cent) were very or fairly likely to reduce the revenue costs of their HRA capital programme for existing stock, or reduce real-terms spending on supervision and management. Sixty per cent were very or fairly likely to reduce the revenue costs of their HRA capital programme for new builds, whilst 57 per cent were very or fairly likely to reduce real-terms spending on repairs and maintenance. The full results are shown in Table 20.

### Table 20: Likelihood of taking the following actions in order to set a balanced budget for the HRA

| | Very or fairly likely |
|---|---|
| Raising rents (within allowable limits) | 100% (48) |
| Drawing down on reserves | 72% (33) |
| Reducing the revenue costs of your current HRA capital programme for existing stock | 67% (31) |
| Reducing real terms spending on supervision and management | 67% (30) |
| Reducing the revenue costs of your current HRA capital programme for new builds | 60% (30) |
| Reducing real terms spending on repairs and maintenance | 57% (28) |

Base: all single-tier and district councils with an HRA (48). *Weighted percentages are adjusted to reflect the target population, meaning they may not correspond directly to the unweighted counts.*

## Impact of proposed five-year social housing settlement of Consumer Price Index (CPI) +1%

The Autumn Budget announced a consultation on a five-year social housing rent settlement of CPI+1%, to be introduced from the 2026/27 financial year. Respondents with an HRA were asked how confident they would be in the robustness of their HRA across a range of measures in the five years from 2026/27, if this settlement were to be introduced. Sixty-one per cent of respondents felt very or fairly confident that they could balance their HRA budget annually over the next five years if this settlement were introduced, whilst 60 per cent felt very or fairly confident that they could maintain supervision and management services to the necessary level. Just over half of respondents (55 per cent) were very or fairly confident that they could maintain their HRA reserves at a prudent level over the next five years, whilst a similar level (53 per cent) felt very or fairly confident in their ability to invest in their existing housing stock to ensure it meets necessary standards, and 52 per cent felt very or fairly confident in their ability to repair and maintain existing stock to necessary standards. Just 38 per cent were very or fairly confident in their ability to invest in planned new build housing. The full results are shown in Table 21.

### Table 21: Impact of proposed five-year social housing rent settlement of CPI+1% in the five years from 2026/27

| | Very or fairly confident |
|---|---|
| Balance the HRA budget annually | 61% (30) |
| Maintain supervision and management services to the necessary level (revenue spend) | 60% (30) |
| Maintain HRA reserves at a prudent level | 55% (27) |
| Invest in existing stock to ensure it meets necessary standards (capital programme) | 53% (25) |
| Repair and maintain existing stock to the necessary standards (revenue spend) | 52% (26) |
| Invest in planned new build programmes (capital programme) | 38% (18) |

Base: all single-tier and district councils with an HRA (48).

# Local Government Reorganisation

In December 2024, the government published the English Devolution White Paper, setting out plans to devolve more power to local government, as well as plans for the local government reorganisation, focusing on two-tier areas. Respondents were asked what impact, if any, these announcements have had on their budget setting for the upcoming financial year. Overall, a third of respondents (34 per cent) reported that recent announcements have had a very or slightly negative impact on budget setting for 2025/26. This was higher among district councils, with just over half (52 per cent) reporting a very or slightly negative impact, compared to 34 per cent of counties, and only 9 per cent of single-tier authorities. Eighty-one per cent of single-tier councils reported that reorganisation announcements have had no net impact on their budget setting, compared to 59 per cent of counties and 38 per cent of district councils. Five per cent of district councils reported that the announcements have had a slightly or very positive impact on their budget setting. The full results are shown in Table 22.

### Table 22: Impact of recent Government announcements on local government reorganisation on 2025/26 budget setting

| | Total | County councils | District councils | Single-tier councils |
|---|---|---|---|---|
| **Very or slightly negative** | **34%** | **34%** | **52%** | **9%** |
| Very negative impact | 19% | 10% | 28% | 7% |
| Slightly negative impact | 15% | 24% | 23% | 1% |
| No net impact | 56% | 59% | 38% | 81% |
| Slightly positive impact | 2% | 0% | 2% | 1% |
| Very positive impact | 2% | 0% | 2% | 2% |
| Don’t know | 6% | 7% | 5% | 8% |

Base: all respondents – total (105); counties (13); districts (45); single-tiers (47).

County councils involved in the reorganisation programme have had the opportunity to apply to postpone the May 2025 local elections. County council respondents were asked whether or not they had applied to delay the elections, whilst district council respondents were asked whether or not their county council had applied. Table 23 shows the impact of reorganisation on budget setting in two-tier areas, broken down by whether or not the county council has applied to delay the elections.

The table shows that more than half (55 per cent) of county and district respondents in areas applying to delay the elections reported that announcements have had a very or slightly negative impact on their 2025/26 budget setting, compared to the overall total of 34 per cent shown in Table 22. This is also higher among those in two-tier areas not applying to delay elections, with 41 per cent reporting a very or slightly negative impact, yet around half (49 per cent) of two-tier respondents not delaying elections reported no net impact on 2025/26 budget setting.

## Table 23: Impact of recent Government announcements on local government reorganisation on 2025/26 budget setting

| | Two-tier areas applying to delay elections | Two-tier areas not applying to delay elections |
|---|---|---|
| **Very or slightly negative** | **55%** | **41%** |
| Very negative impact | 29% | 20% |
| Slightly negative impact | 27% | 21% |
| No net impact | 34% | 49% |
| Slightly positive impact | 3% | 0% |
| Very positive impact | 3% | 0% |
| Don’t know | 4% | 10% |

Base: county/district councils – applied to delay elections (41); have not applied to delay elections (14).

Respondents had the opportunity to further explain the impact of local government reorganisation on their 2025/26 budget setting. A total of 67 respondents provided further comments, and these have been grouped into common themes.

Around a third of comments explained that reorganisation has had no immediate impact on their budget setting, but that they anticipate an impact as the programme progresses. There was, however, a general sense of uncertainty around what the impact would be, as respondents explained that further guidance would be useful for future planning. As one district explained,

> "Until we have further information about the geographical composition and timing of the creation of a unitary authority, we have approached the budget setting as 'business as usual'."

Around a fifth of comments explained that there was no net impact on their budget setting as their authority would not be involved in the reorganisation programme.

A further fifth of respondents discussed the resources needed to fund reorganisation. Some mentioned the use of reserves, whilst others discussed how existing budgets may need to be reallocated to fund the programme, as explained by one district:

> "Until more clarity on timing and likely activity required, we have not made an allocation of resources to drive reorganisation. In reality this would divert [resources] away from core services."

A smaller proportion of comments raised the poor timing of the announcement, launched just before Christmas and as authorities were finalising their budgets for the upcoming year.

> "The timing of the announcement has diverted capacity and focus to reorganisation rather than balancing the budget."

A similar proportion of comments suggested that reorganisation could foster a short-term approach to council finances, as the uncertainty of the future structure makes long-term financial planning more difficult.

A small proportion of comments mentioned other financial pressures, such as the increase in employer NICs, the loss of the Rural Services Delivery Grant, and the Internal Drainage Board levy, highlighting their negative impact on balancing the budget for 2025/26.

A few respondents offered a positive outlook on the impact of reorganisation on the budget, reporting that they had set aside funds to begin to plan for reorganisation, or that new funding streams had improved their authority's financial position.

## Final comments

Respondents had the opportunity to express any final comments relating to their authority's financial position. Thirty-six respondents provided comments, and these have been grouped into common themes.

Just over a quarter of comments raised the issue of the changes to employer National Insurance Contributions (NICs), reporting that these changes represent a "significant and unexpected" burden for councils, in relation to both directly employed staff and externally commissioned service staff. Some respondents also expressed frustration at the government's offer of partial rather than full compensation of additional costs incurred by NICs changes, as well as the uncertainty around whether or not the compensation will continue in future financial years.

A similar proportion of respondents raised the issue of the upcoming fair funding review, a topic which was not covered in the survey. The majority of comments on this topic were negative, as respondents highlighted that funding may be diverted away from authorities which are on the verge of needing to apply for EFS. As one authority explained, the review may "possibly take some councils out of financial trouble but definitely put others into financial trouble", with other comments expressing that the review has brought further uncertainty to future financial years. One respondent was however positive about the review, reporting that the change is "welcome and well overdue".

Around a fifth of comments discussed the need for multi-year financial settlements to bring greater certainty and allow for longer-term financial planning. As one respondent explained, “getting critical budget information just a couple of months ahead of budget setting is utterly bewildering from a business management perspective”.

Around a tenth of comments discussed the struggles faced by the housing service including increasing costs of temporary accommodation and housing the homeless, the impact of rising NICs on the HRA, and the inability to invest in housebuilding due to lack of funds.

Themes mentioned by a smaller number of respondents each included:

- Significant negative impact of the ending of the IFRS9 statutory override
- Resorting to use of reserves to balance the budget
- A need for wholescale reform of the sector, either through a complete funding review or a review of the responsibilities of local government
- Significant negative impact of the loss of the Rural Services Delivery Grant
- Inadequacy of SEND funding
- Cost pressures incurred by the increase in National Living Wage (NLW)
- Potential negative financial impact of local government reorganisation
- Potential negative impact of the Business Rates reset
- Raising council tax by an exceptional amount as the only means of balancing the budget
- Increasing costs of external audit procedures
- Cost pressures posed by the Internal Drainage Board (IDB) levy
- The withdrawal of the Recovery Grant.

# Annex A: Questionnaire

## Local Government Budget Setting – LGA Survey

Ahead of the final local government finance settlement, and in the lead up to the 2025 Spending Review, the LGA will be engaging with Government through multiple channels to make the case for local government. We will be campaigning strongly to secure the additional resources councils need to meet growing demand and cost pressures.

As part of our campaign, we want to set out a clear picture of the financial pressures facing the sector and the extent to which they have (or have not) been addressed by recent Government announcements. In particular, the 2024 Autumn Budget and the provisional local government finance settlement (PLGFS) announced new funding for local government through a range of different funding streams. But there are also new costs to councils.

To support this work, we would be very grateful if you could complete the following short survey on your council's financial position and the impact of recent Government announcements. Robust and up to date statistics on these issues are hugely powerful in influencing central government.

The survey focuses on your budget setting for 2025/26 and the likelihood that your council will need to apply for exceptional financial support (EFS). We also look briefly at the impact on your finances of a range of other Government announcements on specific issues, such as the compensation for the changes to employer national insurances contributions (NICs).

The survey will take around ten minutes to complete. All questions ask for opinions or broad estimates rather than for specific details or figures.

Please note that this survey is completely anonymous, and does not require you to identify yourself or your council. All responses will be treated confidentially. Information will be aggregated in all publications, and any comments you provide which may identify yourself or your council will be treated with strict confidence and will not be shared beyond the LGA.

1. What is your council type?

- County
- District
- London borough
- Metropolitan district
- Unitary

2. And in which region is your council?

- East of England
- East Midlands
- Greater London
- North East
- North West
- South East
- South West
- West Midlands
- Yorkshire and the Humber

**Financial overview**

3. Following the Provisional Local Government Financial Settlement (PLGFS) and Autumn Budget, compared to previous years, how difficult or not will it be to set a balanced budget for 2025/26? *Please tick one box only*

- Very difficult
- Fairly difficult
- Not very difficult
- Not difficult at all
- Don't know

4. How confident are you or not that your authority will have enough funding to fulfil all your statutory duties in the following years? *Please tick one box on each row*

Years:

- 2025/26
- 2026/27

Scale:

- Very confident
- Fairly confident
- Not very confident
- Not at all confident
- Don’t know

5. The Autumn Budget and PLGFS included some additional general fund pressures for councils, such as an increase in the National Living Wage and additional National Insurance Contributions (NICs), as well as some additional funding in Core Spending Power, compensation for NICs, additional funding from the Extended Producer Responsibility scheme and support for homelessness services.

On balance, taking these new pressures and new funding streams in the round, how, if at all, have they affected your 2025/26 general fund revenue budget setting?
*Please tick one box only*

- Significantly increased pressure
- Moderately increased pressure
- No net change to pressure
- Moderately decreased pressure
- Significantly decreased pressure
- Don't know

**Business rates reset**

6. Has the announcement of the business rates reset in 2026/27 made your council's budget planning for 2025/26 more or less difficult?

- Much more difficult
- Slightly more difficult
- No overall difference
- Slightly less difficult
- Much less difficult
- Don't know

7. Please explain your answer, if possible. *Please write in*

**Exceptional financial support (EFS)**

8. Which of the following, if any, applies to your council in relation to exceptional financial support (EFS) in 2024/25 or before? *Please tick one box on each line*

Statements:

- The council applied for EFS to support your 2024/25 or earlier budget
- The council received EFS to support your 2024/25 or earlier budget

Scale:

- Yes
- No
- Don't know

9. How likely or not is it that your council will apply for EFS to support your budget in future years? *Please tick one box in each column*

Statements:

- To support your 2025/26 budget
- To support your 2026/27 budget

Scale:

- Have already applied
- Very likely to apply
- Fairly likely to apply

- Not very likely to apply
- Not at all likely to apply
- Don’t know

10. How, if at all, have the new general fund pressures and new funding announced in the PLGFS and Autumn Budget affected the likelihood of your council needing to apply for EFS to set your future budgets?
**Needing to apply for EFS to set future budgets is now…** *Please tick one box on each line*

Statements:

- 2025/26 budget
- 2026/27 budget

Scale:

- Much more likely
- More likely
- No change
- Less likely
- Much less likely
- Don’t know

**Employer National Insurance Contributions (NICs)**

11. The Government has announced that local authorities will be provided with £515 million in compensation in 2025/26 for the costs of the changes to NICs. The PLGFS then provided a method for individual councils to estimate the share of that funding each will receive. Based on your estimate of the level of NICs compensation

your council will receive, what proportion of the costs to your council from the changes to employer NICs for **staff directly employed by your council** (excluding schools staff) do you estimate will be covered? *Please tick one box only*

- 0-9 per cent
- 10-19 per cent
- 20-29 per cent
- 30-39 per cent
- 40-49 per cent
- 50-59 per cent
- 60-69 per cent
- 70-79 per cent
- 80-89 per cent
- 90-99 per cent
- 100 per cent
- Don’t know

12. The changes to employer NICs may also have an impact on the cost base of providers of outsourced and commissioned services to your council. Providers may pass these costs directly to council or they could seek to manage these pressures without increasing the cost of their services.

How likely do you think it is that your providers will seek to pass their increased costs due to NICs to your council through higher costs of services they provide in 2025/26? *Please answer separately for each of the following service areas:*

Service areas:

- Adult social care

- Children's social care
- Highways and transport
- Culture and leisure
- Housing services
- Environmental and regulatory services
- Planning and development services
- Public health
- Central services
- Other, please specify

Scale:

- Very likely
- Fairly likely
- Not very likely
- Not at all likely
- Don’t know

**Packaging Extended Producer Responsibility (pEPR)**

13. The pEPR is a new funding stream. This income is designed to cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support investment in the waste and recycling industry.

Do you think your council’s estimated payment for the first year of pEPR funding is adequate to cover the costs associated with managing household packaging waste in 2025/26?

- Yes
- No
- Don’t know

14. Given that the scheme is designed to cover your existing costs (which are already covered by your existing resources) for managing household packaging waste, how much of the existing resource from your waste budget will be released to support your council’s wider finances as a result of your pEPR payment for 2025/26? *Please tick one box only*

- **None** – entirety of existing budget currently used for managing household packaging waste and pEPR payment will be used to manage household packaging waste in 2025/26
- **A small amount** – pEPR payment will allow for up to a third of existing budgets currently used for managing household packaging waste to be released to support the council’s wider finances in 2025/26
- **A moderate amount** - pEPR payment will allow for between a third and two thirds of existing budgets currently used for managing household packaging waste to be released
- **A large amount** – pEPR payment will allow for more than two thirds (but not all) of existing budgets currently used for managing household packaging waste to be released
- **All** – pEPR payment will allow for all of existing budgets currently used for managing household packaging waste to be released
- Don’t know

**Children’s services**

*Ask all except district councils:*

15. To what extent has the additional £1bn of high needs funding, which was recently announced, addressed your council's Special Educational Needs pressures?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know

*Ask all except district councils:*
16. If the statutory override on the treatment of Dedicated Schools Grant (DSG) deficits ends as planned in March 2026, without an alternative method for addressing these deficits being introduced, how would your ability to set a balanced (general fund) budget in future years be affected?

Statements:

- Our council could set a balanced budget in 2026/27
- Our council could set a balanced budget in 2027/28
- Our council could set a balanced budget in 2028/29

Scale:

- Yes
- No
- Don't know

**Housing Revenue Accounts (HRAs)**
*Ask all except county councils:*

17. Does your council have a Housing Revenue Account (HRA)?

- Yes
- No

*Ask if council has an HRA:*

18. In order to set a balanced budget for your HRA for the 2025/26 financial year, how likely is it you will you need to take the following actions? *Please tick one box on each row*

Statements:

- Drawing down on reserves
- Reducing the revenue costs of your current HRA capital programme for existing stock (e.g. by reducing capital expenditure financed by the revenue account (CERA) or delaying/reducing borrowing)
- Reducing the revenue costs of your current HRA capital programme for new builds (e.g. by reducing capital expenditure financed by the revenue account (CERA) or delaying/reducing borrowing)
- Reducing real terms spending on repairs and maintenance
- Reducing real terms spending on supervision and management (such as managing tenancies, right to buy administration and rent collection, recovery and accounting)
- Raising rents (within allowable limits)

Scale:

- Very likely
- Fairly likely
- Not very likely
- Not at all likely
- Don’t know

*Ask if council has an HRA:*

19. In the Autumn Budget the Government announced a consultation on a 5-year social housing rent settlement of CPI+1%. If this settlement was introduced (from 2026/27) how confident, or not, are you that over this five-year period, your council would be able to… *Please tick one box in each row*

Statements:

- Balance the HRA budget annually
- Maintain HRA reserves at a prudent level
- Repair and maintain existing stock to the necessary standards (revenue spend)
- Maintain supervision and managements services to the necessary level (revenue spend)
- Invest in existing stock to ensure it meets necessary standards (capital programme)
- Invest in planned new build programmes (capital programme)

Scale:

- Very confident
- Fairly confident
- Not very confident
- Not at all confident
- Don’t know

**Local government reorganisation**

20. And finally, what impact, if any, have the recent Government announcements on local government reorganisation had on your budget setting for 2025/26?

*Please tick one box only*

- Very negative impact
- Slightly negative impact
- No net impact
- Slightly positive impact
- Very positive impact
- Don’t know

21. Please explain your answer, if possible. *Please write in*

*Ask if district council:*

22. Is your council in an area where the county council has applied to delay the May 2025 local elections? *Please tick one box only*

- Yes
- No
- Don’t know

Ask if county council:

22. Has your council applied to delay the May 2025 local elections? *Please tick one box only*

- Yes
- No
- Don’t know

23. Do you have any other comments on the topics covered in this survey? *Please write in*

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