



Ministry of Housing,
Communities &
Local Government

2025-26 Provisional Local Government Finance Settlement and 26-27 Reform

Local Government Association Finance Conference

January 2025



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Local Government

The 25-26 provisional LGFS provides support for the pressures faced today and supports future reform

This Settlement provides an uplift to the funding available to local authorities in England.

Taken together, the additional funding announced by the Chancellor at the Autumn Budget and at the 2025-26 provisional Local Government Finance Settlement will provide over £5 billion of new funding for local services.

New funding recognises the acute pressures facing the sector.

- The above includes an additional £2 billion of grant through the LGFS, on top of a guarantee that authorities will receive at least £1.1 billion in total from the new Extended Producer Responsibility scheme (EPR). We are also providing a further £233 million of additional funding for homelessness and an uplift to the Social Care Grant of £880 million. As the IFS notes, including EPR funding in Core Spending Power results in a 5.5% average increase in funding in real terms.

These steps in 2025-26 lay the groundwork for further reform to fix challenges at their root.

The government is consulting on a new one-off Recovery Grant, worth £600 million. Targeted towards areas with greater need and demand for services, this grant is the first step in directing funding where it is needed most. An updated assessment of needs and resources will come forward from 2026-27.

We recognise that some councils may require exceptional financial support.

A framework is in place for councils that need exceptional support and councils should contact the department if they believe this is required.



The 26-27 Settlement will fundamentally improve the local government funding system for the long term

New funding for 25-26 recognises the service pressures facing councils today – but reform must be part of the long-term solution to support sector sustainability.

- Alongside the consultation on the Provisional Settlement, we have launched a consultation on **the principles and objectives of distributional reforms from 26-27**. This Settlement will build on the previous government's review of local authorities' relative needs and resources.
- A long-term programme of recovery and reform will mean funding going where it's most needed, achieving better outcomes and value for money for local people. We plan for 26-27 to be the **first multi year Settlement in a decade**, alongside reducing the myriad of funding pots to give councils more flexibility to focus on priority outcomes.
- **This initial consultation on reform is open until the 12 February**. We want the sector to provide feedback on the principles and objectives of distributional reform. This includes how we assess need, on funding simplification and other potential changes to the local government funding system, as well as providing views on the pressures facing the provision of services.
- After the Spending Review in Spring, we will consult on the firmer proposals, including delivery.



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Our engagement will run over the course of the calendar year up to the 2026/27 LGFS

Consultation/Engagement	Timings	Purpose
Local Government Funding Reform Strategic Group	Monthly	<ul style="list-style-type: none"> Stakeholder discussion and update to discuss changes to the funding system. The group includes a cross-section of the sector including the LGA, sector bodies, think tanks, s151s/CEXs, and individual academics and experts
Leaders Council	Quarterly	<ul style="list-style-type: none"> A regular forum for key sector representatives to discuss strategic questions impacting local government, including finance, to share key and evolving challenges, and to co – design solutions.
Principles and objectives of Reform Consultation	Open until 12 Feb	<ul style="list-style-type: none"> To seek views on principles, choices and trade-offs of distributional reform plans, the future of the New Homes Bonus, and other changes
Business Rates Reset technical consultation	Early Spring	<ul style="list-style-type: none"> To seek views on technical details of delivering the business rates reset, such as the approach to measuring income to set new Business Rate Baselines, treating reliefs and appeals
Funding Reform consultation – further detailed proposals	Following Phase 2 of the Spending Review	<ul style="list-style-type: none"> To seek views on specific proposals, following the Spending Review
2026/27 Provisional Local Government Finance Settlement	Later in 2025	<ul style="list-style-type: none"> To seek views on proposed allocations

We will also continue to engage widely with you at both ministerial and official level at key LGF moments and through other regular forums, including regional meetings and treasurer groups.



Reform to the Settlement is not in isolation

System-wide reform is required to fix the foundations of local government

We have launched a strategy to simplify the local audit system through the establishment of the Local Audit Office. This reform will combine the functions of the existing system and ensuring the core underpinnings are fit for purpose.

We are strengthening the local government standards system to support councils to deliver the high standards that they strive for.

We will undertake a significant transfer of power out of Westminster to England's regions. The government will provide mayors with unprecedented powers, also facilitating a programme of local government reorganisation, developing unitary councils that lead to better outcomes for citizens.

We have also announced the establishment of a commission on adult social care reform. The commission will support the government's ambition of creating a better adult social care service for the future alongside the government's support for the here and now.

Questions

Thank you

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