

2024/25 Provisional Local Government Finance Settlement

Purpose of Report

For information.

Is this report confidential? No

Summary

This report provides a summary of the work by the LGA on the Provisional 2024/25 Local Government Finance Settlement

LGA Plan Theme: A sustainable financial future

Recommendation(s)

Recommendation

That Members of the Executive Advisory Board note this update.

Action

Officers will proceed with the delivery of the LGA's work on local government finance.

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2024/25 Provisional Local Government Finance Settlement

Background

1. This report provides a summary of the work by the LGA on the Provisional 2024/25 Local Government Finance Settlement.

Summary of the Provisional Local Government Finance Settlement

2. On 18 December the Secretary of State for Levelling Up, Housing and Communities delivered the [Provisional Local Government Finance Settlement for 2024/25](#) via a [written ministerial statement](#). The published figures set out details for all local authorities across England, including fire and rescue authorities. We issued an [on the day briefing](#), highlighting key information from the settlement.
3. There will be a potential increase of 6.5 per cent in Core Spending Power available to local authorities in 2024/25. This includes:
 - 3.1. An increase in Revenue Support Grant of 6.7 per cent in line with the September 2023 Consumer Prices Index (CPI). Assumed income from retained business rates and the compensation for under-indexing the business rates multiplier, together, rise by 6.7 per cent. The small business rates multiplier is frozen at the 2023/24 level.
 - 3.2. A £1 billion increase in grant funding for social care.
 - 3.3. New Homes Bonus (NHB) provisionally worth £291 million for 2024/25. As in 2023/24, there are no NHB legacy payments in respect of previous years.
 - 3.4. A reduction in the un-ringfenced Services Grant from £464 million in 2022/23 to £77 million in 2023/24.
 - 3.5. A Funding Guarantee worth £196 million which will give all authorities an increase of 3 per cent in Core Spending Power before any decisions about council tax levels for 2024/25. This will go to 210 authorities, of which 160 are shire districts.
 - 3.6. Continuation of the Rural Services Delivery Grant at its 2023/24 level of £95 million.
4. Core Spending Power also includes the assumption that all councils will raise council tax by the maximum permitted by council tax referendum principles:
 - 4.1. a core increase of 3 per cent for all councils, with a 3 per cent or £5 increase (whichever is higher) for shire districts;
 - 4.2. an additional 2 per cent adult social care precept for authorities with social care responsibilities.

- 4.3. a 3 per cent increase for fire and rescue authorities.
 - 4.4. a £13 increase for Police and Crime Commissioners.
 - 4.5. a £24.26 increase for the non-police element of the Greater London Authority.
 - 4.6. Bespoke council tax referendum principles for Thurrock, Slough and Woking Borough Councils.
 - 4.7. No referendum principles for Combined Authorities or town and parish councils.
5. The Government will be consolidating the Home Office's Fire and Pensions Grant, worth £115 million, into the Revenue Support Grant. This grant will maintain its existing distribution.

Other Funding

6. Indicative allocations, amounting to £3.575 billion, for the Public Health Grant in 2024/25 were published in March 2023. No further detail was provided within the provisional Local Government Finance Settlement.
7. The Department for Education confirmed in October that [High needs funding is increasing by £440 million, or 4.3 per cent, in 2024/25](#). The Department also confirmed that funding through the [mainstream schools national funding formula \(NFF\)](#) is increasing an average 2 per cent per pupil in 2024/25.

Other areas covered by the settlement and Local Government Finance Policy Statement

8. A number of announcements on other areas were included in the settlement and/or the [local government finance policy statement for the year 2024 to 2025](#) published on 5 December. The Government:
- 8.1. Confirmed that the statutory override for the Dedicated Schools Grant will continue up to the 31 March 2026.
 - 8.2. Reaffirmed that, in their view, now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth.
 - 8.3. Continues to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of pressures.
 - 8.4. Extended the flexibility to use capital receipts, to fund the revenue costs of reducing costs and improving efficiency, to March 2030 and also committed

to engage with the sector to explore additional capital flexibility options to enable invest-to-save and transformation initiatives.

8.5. Stated that the Exceptional Financial Support framework is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget and where councils need additional support. As part of that process, the Government said it would consider representations from councils, including on council tax provision.

8.6. Announced it will be issuing a data collection exercise, to run alongside the consultation period on the settlement, to determine which local authorities' current or proposed operations for 2024/25 fall within the definition of the 'four day working week'. The Government said it is considering which financial levers could be used in future settlements to disincentivise local authorities from operating a 'four day working week and want to seek the views of the sector about how this could be affected and what impact it would have'.

Activity on the day of the settlement and our response

9. On the day the provisional settlement was announced, we issued a [press release](#) and an [on the day briefing](#), highlighting key information from the settlement. We [responded](#) to the settlement consultation by the 15 January deadline. The response was cleared by the LGA Chairman, Group Leaders and Resources Board Lead Members.

10. Among the points in our [response](#) were:

10.1. The evidence of the financial strain on councils has been growing. The settlement does not provide enough funding to meet the severe cost and demand pressures which have left councils of all political colours and types warning of the serious challenges they face to set balanced budgets next year. Councils in England continue to face a funding gap of £4 billion across this year and next. The 2024/25 provisional settlement does not change the funding gap facing councils.

10.2. It is therefore unthinkable that Government has not provided desperately needed new funding for local services in 2024/25. Although councils are working hard to reduce costs where possible, this means the local services our communities rely on every day are now exposed to further cuts.

10.3. Shire district councils - which provide vital services like planning and waste and recycling collection - will see a lower core spending power increase on average next year compared to other councils. This is something the Government should address in the final settlement. This is especially so

given the dramatic increase in homelessness costs, which also fall upon shire district councils.

- 10.4. Government forecasts for Core Spending Power are based on the assumption that councils will raise their council tax by the maximum permitted without a referendum. This leaves councils facing the tough choice about whether to increase council tax bills to bring in desperately-needed funding at a time when they are acutely aware of the significant burden that could place on some households in a year of economic uncertainty and increased costs.
- 10.5. More than nine in 10 councils are experiencing staff recruitment and retention difficulties across a diverse range of skills, professions and occupations. It is councils who know what works best for their community, workforce and in their wider labour market conditions. They should be free to pilot innovative solutions to address local challenges and deliver crucial services to their residents without being penalised financially. Local voters should be the ones making a judgement on whether local council leaders have made good choices and delivered value for local taxpayers.
11. On the 12 January a cross party delegation of LGA members and other sector stakeholder bodies met with Minister Simon Hoare. The Minister set out an analysis of the issues facing the sector that was largely in line with the LGA's views. His assessment was broadly welcomed and recognised by attendees who reinforced existing LGA lines on cost pressures relating to social care, SEND and homelessness in particular. The Minister encouraged all councils to respond to the consultation on the provisional settlement to inform the final settlement. The Minister committed to use the feedback from attendees in his ongoing discussions across Whitehall.

Further activity

12. In the [report](#) to the last meeting of Executive Advisory Board on the Autumn Budget, we updated members on the campaigning activity in the run up to the Chancellor's Autumn fiscal event. Following the Chancellor's Autumn Statement on 22 November 2023, Cllr Shaun Davies made clear in his [interview to the BBC](#) and in our [media response](#) that the lack of sufficient investment for councils in the statement was disappointing. We warned that council residents now face further cuts to services as well as the prospect of council tax rises next year.
13. We sent out a rapid [temperature check](#) the day after the Statement to all council leaders and chief executives to help us strengthen our campaigning activities ahead of the Local Government Finance Settlement. The results showed that one in five council leaders and chief executives in England think it is very or fairly likely their Chief Finance Officer they will receive a Section 114 notice this year or

next. Half of respondents are not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.

14. Other news media activity has included:

- 14.1. Publishing a [press release](#) on 6 December on our survey showing 1 in 5 council leaders and chief executives think it is fairly or very likely their council will face a Section 114 notice this year or next.
- 14.2. This press release and survey findings have been reported widely both on the day and in the following weeks, including by the Financial Times, Times, Telegraph, Mail, Mirror, Express, [New Statesman](#), Guardian, [BBC Online](#) and the Evening Standard.
- 14.3. LGA Chair, Cllr Shaun Davies has been interviewed about the findings on LBC News, ITV News and [Talk TV](#). Cllr Pete Marland, Chair of the LGA's Economy and Resources Board, also discussed the financial challenges facing councils on [Talk TV](#) while the survey findings have been reported on the BBC Radio 4 Today Programme, BBC Radio 4 PM, BBC Radio 2, Channel 5, and across regional radio news bulletins.
- 14.4. Our [statement](#) in response to the provisional Local Government Finance Settlement was reported by the Independent, Financial Times, Evening Standard, Telegraph, Times, Mail, [Sky News](#) and inews.
- 14.5. Cllr Davies discussed the settlement on [Channel 4 News](#) and ITV News at Ten while Cllr Marland was interviewed by [Times Radio](#).

15. Parliamentary and departmental lobbying has included:

- 15.1. Sending the LGA's on-the-day briefing to relevant Ministers and the Levelling Up, Housing and Communities Committee.
- 15.2. Briefing LGA Vice Presidents (MPs and Peers) on the LGA's on-the-day briefing and reiterating the financial problems facing local government.
- 15.3. Briefing all MPs not already covered by our contacts with Ministers and Committees.
- 15.4. Promoting relevant lines from the on-the-day briefing at the LGA Labour Group Vice Presidents dinner and the LGA Parliamentary Reception.
- 15.5. Promoting relevant lines from the on-the-day briefing in the Chair's meetings with the Shadow Secretary of State for Health and Social Care, Wes Streeting MP, and Shadow Minister for Primary Care and Public Health, Preet Kaur Gill MP, as well as at a public health roundtable with the latter.

- 15.6. Submitted written evidence to the Public Accounts Committee inquiry on reforming adult social care, which included the LGA's lines on the disappointment and concern that the 2024/25 Local Government Finance Settlement provides no new investment for adult social care.
16. Social media and digital marketing activity has included:
- 16.1. A [video from Cllr Pete Marland](#) on Twitter and LinkedIn highlighting the financial challenges facing councils following the Autumn Statement according to our survey (23k+ video views).
 - 16.2. Animations across social channels leveraging key statistics from our survey, including [half of local government leaders](#) aren't confident they will have enough funding to fulfil their legal duties next year (19.5k+ impressions).
 - 16.3. Other social media posts focusing on a range of topics, including [housing and homelessness](#), [public health grants](#), and adult and [children's social care](#) (16k impressions).
 - 16.4. Linking the National Children and Adult Services Conference (NCASC) to the settlement during the NCASC period, including a [thread on children's social care placements](#) (78k impressions, 3k engagements, 5.8k video views). This was our most engaged post on the LGA's Twitter in 2023.
 - 16.5. Promoted our [on-the-day briefing across social](#) media (11k+ impressions). Visits to the [web page](#) were up 46% compared to the previous year's on-the-day briefing.
17. The LGA held a sold-out local government finance conference on 9 January where a range of speakers from Government, the Opposition and local government discussed the 2024/25 settlement and the longer-term outlook for local government in the current economic climate.
18. The settlement remains provisional until the Government has concluded the consultation on the proposals. The final settlement is expected to be published in late January or early February and will be debated and voted on in the house Commons as per usual practice. The LGA will provide a briefing for the parliamentary debate on the settlement.

Spring Budget 2023

19. On 27 December 2023 the Government announced that the Chancellor's Spring Budget will take place on 6 March 2024. The deadline for submissions, in the advance of the Spring Budget, is 24 January. At the time of the writing the LGA is drafting a submission to the Chancellor which will focus on the financial challenges facing local government. It will also set out how, with the right funding and freedoms and flexibilities, local government can help Central Government

achieve its policy ambitions such as on housing, net zero, skills and economic growth, and also prevent costs from falling on other public sector bodies such as the NHS. Due to the deadline for submissions, the Chairman and Group Leaders will sign off the response. A link to the submission will be sent to Executive Advisory Board members when the submission has been published.

20. The LGA will campaign on key asks in the Spring Budget submission in the run up to the Chancellor's Budget in March.

Implications for Wales

21. Information on funding to Welsh local authorities was published in the [provisional Welsh local government finance settlement](#). We are in regular contact with the Welsh LGA, and the other local government bodies in the devolved nations, to exchange intelligence, ideas and consider joint work.

Financial Implications

22. The work described in this paper is part of the LGA's core programme of work and is funded from core LGA 2023/24 budgets.

Equalities implications

23. The draft Policy Impact Statement that was published alongside the Provisional Settlement states that as local authorities decide on how their resources are allocated it is not possible to say for certain how changes in funding will affect specific groups of persons sharing a protected characteristic.

Next steps

24. Members of the Executive Advisory Board are asked to note this update.
25. Officers will proceed with the delivery of the LGA's work following the Local Government Finance Settlement, and in advance of the Spring Budget.