

27 January 2022

2022/23 Provisional Local Government Finance Settlement

Purpose of report

For information.

Summary

This report provides a summary of the work by the LGA on the Provisional 2022/23 Local Government Finance Settlement and information on the Spring Statement / Budget.

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.

Contact officer: Sarah Pickup
Position: Deputy Chief Executive
Phone no: 020 7664 3141
Email: sarah.pickup@local.gov.uk

27 January 2022

2022/23 Provisional Local Government Finance Settlement

Introduction

1. This report provides a summary of the work by the LGA on the Provisional 2022/23 Local Government Finance Settlement and information on the 2022 Spring Statement / Budget.

Summary of the Provisional Local Government Finance Settlement

2. On 16 December the Secretary of State for Levelling Up, Housing and Communities delivered the Provisional Local Government Finance Settlement for 2022/23 via a [written ministerial statement](#). The [published figures](#) set out details for all local authorities across England, including fire and rescue authorities. LGA officers produced an [on the day briefing](#), highlighting key information from the settlement, which was sent to member authorities.
3. All of the funding announcements in the settlement were in line with the outcome of the 2021 Spending Review. There will be a potential increase of 6.9% in Core Spending Power available to local authorities in 2022/23, assuming all local authorities raise council tax by the maximum allowable limit without a referendum. This includes:
 - 3.1. An inflation level increase in Revenue Support Grant. While the business rates baseline will not change from 2021/22, due to the freeze in the business rates multiplier, councils will be compensated for this.
 - 3.2. £700 million for social care comprised of an inflationary uplift to the improved Better Care Fund, and a £636 million social care grant for adults and children's services.
 - 3.3. The Market Sustainability & Fair Cost of Care Fund, worth £162 million, to support local authorities prepare their markets for reform and move towards paying providers a fair cost of care.
 - 3.4. New Homes Bonus provisionally worth £554 million. There will not be any future legacy payments in respect of 2022/23.
 - 3.5. A one-off, unringfenced, Services Grant worth £822 million in 2022/23.
 - 3.6. Continuation of the £111 million lower tier services grant and the £85 million Rural Services Delivery Grant.
 - 3.7. Council tax principles of:
 - 3.7.1. a core principle increase of 2% for all local authorities, with a 2% or £5 increase (whichever is higher) for shire districts.
 - 3.7.2. an additional 1% adult social care precept (along with any unused flexibility from the previous year).

27 January 2022

- 3.7.3. a £5 increase for the 8 lowest charging fire and rescue authorities; and
- 3.7.4. a £10 maximum increase for Police and Crime Commissioners.
- 3.7.5. No referendum principles for Combined Authorities or Town and Parish Councils.

Local Government Finance Reform

- 4. On the day of the settlement, the Government announced its commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources, and noted that the data has not been updated for a number of years. The Government stated it will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes. It did not explicitly commit to the Fair Funding Review in its full form.
- 5. There was no mention of the future of further business rates retention or the business rates reset at the settlement. However the Secretary of State for Levelling Up, Housing and Communities responded that he thought that a system of 75% business rates retention would go against the principle of levelling up in a session of the Communities, Housing and Local Government Select Committee in November 2021.
- 6. There was no mention of new homes bonus reform. The Government is yet to respond to its [new homes bonus consultation](#), conducted in early 2021.

Other Funding

- 7. The settlement included no information on public health funding for 2022/23.
- 8. In the 2021 Spending Review it was announced that the schools' budget would increase by £4 billion from 2021/22 to 2022/23. Alongside the settlement, the Government confirmed school and early years revenue funding allocations for 2022/23. A [Written Ministerial Statement](#) and the [Dedicated Schools Grant \(DSG\) announcement](#) contained an additional £325 million of High Needs funding in addition to that announced in the Spending Review, bringing the total additional High Needs funding to £1bn this year - a 13 percent increase.

Our response and next steps

- 9. We [responded](#) to the settlement consultation by the 13 January deadline. The response was cleared by the LGA Chairman and Resources Board Lead Members.

27 January 2022

10. The LGA Chairman and Group Leaders met the Minister for Levelling Up Communities on 11 January and summarised the main points we made in our settlement response. This included the pressures in adults and children's social care and special educational needs and the need for clarity on the scope, outcome and timetable for local government finance reform. The minister agreed to meet with the LGA Chairman and Group Leaders more regularly on the issues raised during the meeting.
11. 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.

Spring Statement/Budget 2022 submission

12. On 23 December 2021, the Chancellor [commissioned](#) the Office for Budget Responsibility (OBR) to produce an economic and fiscal forecast for Wednesday 23 March 2022. The Chancellor has not announced a formal Spring Statement or Spring Budget for the 23 March, however one is likely as Chancellors have always responded to OBR forecasts in Parliament.
13. As the Government announced a 3 year Spending Review and Autumn Budget in October 2021 the proposal is to send a letter to the Chancellor in advance of a Spring Statement / Budget rather than a lengthy submission. This will focus on key topics including the need for a long-term sustainable funding settlement for local government, social care, levelling up and other key policy issues. This will be kept under review in case the need for fuller policy submissions becomes more appropriate.
14. The letter in advance of any Spring announcement will be signed off by the Chairman and Group Leaders.

Next steps

15. Members are asked to note this update.
16. Officers will proceed with the delivery of the LGA's work following the Local Government Finance Settlement, and in advance of the Spring Statement / Budget.

Implications for Wales

17. 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

18. The work described in this paper is part of the LGA's core programme of work and is funded from core LGA 2021/22 budgets.