

26 January 2023

2023/24 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 2023/24 Local Government Finance Settlement and approach to the 2023 Spring 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

2023/24 Provisional Local Government Finance Settlement

Introduction

1. This report provides a summary of the work by the LGA on the Provisional 2023/24 Local Government Finance Settlement and approach to the 2023 Spring Statement / Budget.
2. As we reported to your December meeting, the LGA campaigned heavily in advance of both the Autumn Statement and the provisional Settlement to maximise visibility of key messages and facts, highlighting in particular the impact of existing cost pressures and the risks of spending cuts overall and in particular services. Activity included letters to the new Prime minister, [Chancellor](#) and ministers, [the LGA's Autumn Budget submission](#), press releases and media coverage including broadcast media, engagement with parliamentarians, explainers on [cost pressures](#), [reserves](#), and how [council funding is spent](#) as part of our [Save Local Services campaign](#).

Summary of the Provisional Local Government Finance Settlement

3. On 19 December the Secretary of State for Levelling Up, Housing and Communities delivered the Provisional Local Government Finance Settlement for 2023/24 via a [written ministerial statement](#). The [published figures](#) set out details for all local authorities across England, including fire and rescue authorities.
4. The funding announcements for 2023/24 follow the 2022 Autumn Statement. There will be a potential increase of 9.2 per cent in Core Spending Power available to local authorities in 2023/24, assuming all councils raise council tax by the maximum allowable limit without a referendum¹. This includes:
 - 4.1. An increase in Revenue Support Grant of 10.1 per cent in line with the September 2022 Consumer Prices Index (CPI). Retained business rates income also rises by 10.1 per cent. The business rates multiplier is frozen at the 2022/23 level, but due to the 2023 revaluation, the Baseline Funding Level rises by 3.7 per cent; the remaining 6.4 per cent is provided through an increase in the multiplier under-indexation grant.
 - 4.2. Over £2 billion of new grant funding for social care, including:
 - 4.2.1. A £1.3 billion increase in the social care grant which can be used for both adults and children's social care (delivered by allowing councils to retain the funding previously allocated for charging reforms which have now been delayed)

¹ For fire and rescue authorities and for the Greater London Authority provisional Core Spending Power does not reflect the published referendum principles; we would expect this to be updated in the final settlement.

26 January 2023

- 4.2.2. £400 million of new grant funding within the £562 million Adult Social Care Sustainability and Improvement Fund, which also incorporates the previous £162 million Market Sustainability and Fair Cost of Care Fund.
- 4.2.3. A new £300 million Adult Social Care Discharge Fund.
- 4.3. New Homes Bonus (NHB) provisionally worth £291 million for 2023/24. There will no longer be any NHB legacy payments.
- 4.4. A reduction in the un-ringfenced Services Grant from £822 million in 2022/23 to £464 million in 2023/24.
- 4.5. A new Funding Guarantee of £136 million which will give all authorities an increase of 3 per cent in Core Spending Power before any decisions about council tax levels for 2023/24. This will go to 161 councils, of which 154 are shire districts, 5 are fire and rescue authorities and 2 are unitary authorities.
- 4.6. Continuation of the Rural Services Delivery Grant at its 2022/23 level of £85 million.
- 4.7. Council tax referendum principles of:
 - 4.7.1. a core increase of 3 per cent for all councils, with a 3 per cent or £5 increase (whichever is higher) for shire districts;
 - 4.7.2. an additional 2 per cent adult social care precept for authorities with social care responsibilities;
 - 4.7.3. a £5 increase for fire and rescue authorities;
 - 4.7.4. a £15 increase for Police and Crime Commissioners;
 - 4.7.5. a £23.55 increase for the non-police element of the Greater London Authority;
 - 4.7.6. No referendum principles for Combined Authorities or town and parish councils.
- 5. Four grants previously paid separately, worth a total £239 million, will be consolidated into the settlement. All of the four grants will keep their existing distribution. Three of these grants, including the Local Council Tax Support Administration Subsidy grant, will roll into the Revenue Support Grant and the fourth grant, the Independent Living Fund, is being rolled into the Social Care grant.
- 6. An additional £100 million to deliver support to those already receiving council tax support, and for councils to determine local approaches to support other vulnerable households in their area. This is not in Core Spending Power. [Guidance](#) for the fund was issued by DLUHC on 23 December along with funding allocations.

Other Funding

- 7. The settlement included no information on public health funding for 2023/24.

26 January 2023

8. On 16 December 2022, the DfE set out the [detail](#) of the allocation of an additional £1.9 billion for schools and high needs funding for 2023/24. This is made up of £1.45 billion in schools block funding and £400 million of high needs funding. DLUHC also confirmed that the statutory override for the Dedicated Schools Grant will be extended for the next three years from 2023/24 to 2025/26. The override had been due to expire at the end of March 2023.

Local government finance policy statement 2023/24 to 2024/25

9. On 12 December the Government published a [local government finance policy statement](#) covering both 2023/24 and 2024/25. As well as the announcements for 2023/24 set out above, it included the following information for 2024/25:
 - 9.1. Confirmation that the Review of Relative Needs and Resources and a reset of accumulated business rates growth will not be implemented in this Spending Review period, although the government said that it remains committed to improving the local government finance landscape in the next Parliament.
 - 9.2. Continuation of the same core referendum principles as in 2023/24 – 3 per cent basic plus a 2 per cent adult social care precept for authorities with adult social care responsibilities.
 - 9.3. Revenue Support Grant will continue and be uplifted in line with Baseline Funding Levels so that councils receive an increase equivalent to the September 2023 level of the Consumer Prices Index (CPI).
 - 9.4. The Social Care Grant and other social care grants will increase as set out at the 2022 Autumn Statement.
 - 9.5. Local authorities can also expect to receive new income, subject to the Extended Producer Responsibility for Packaging (pEPR) coming into force during 2024/25. The Government will assess the impact of additional pEPR income on the relative needs and resources of councils, particularly shire district councils.
10. The statement also encourages local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account of the need to maintain appropriate levels of reserves to support financial sustainability and future investment and says that the Government will explore releasing a user-friendly publication of the reserves data. It will consult further with trusted partners, including the LGA, about doing this.

LGA activity on the day of the provisional settlement and our response

11. 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 16 January deadline. The response was cleared by the LGA Chairman, Group Leaders and Resources Board Lead Members.

26 January 2023

12. We made the following key points:

- 12.1. The increase in local government core spending power will help councils deal with inflationary and other cost pressures next year. However, we continue to have concerns that the increase in spending power has been achieved through a combination of measures that still do not address many of the underlying financial pressures local authorities face in funding and protecting vital local services.
- 12.2. While the Local Government Association welcomes an overall increase in baseline funding for local authorities, we express concern that a significant proportion of the increase in core spending power for 2023/24 has been achieved through a combination of potentially one-off grants, ring-fenced funding, re-allocation of existing funding, and the assumption that local authorities will implement council tax increases. We continue to make the case for multi-year settlements and for more long-term certainty around funding and budgets.
- 12.3. Shire districts, which provide vital services like planning and waste and recycling collection, and some unitary authorities, will see a lower core spending power increase next year, due to a number of factors including the discontinuation of the Lower Tier Services Grant. This is something the Government should address in the final settlement.
- 12.4. Core Spending Power increases 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 during a cost of living crisis.

Further activity and next steps

13. The LGA held a sold out local government finance conference on 10 January where a range of speakers from Government, the Opposition and local government discussed the 2023/24 settlement and the longer-term outlook for local government in the current economic climate.
14. 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 Statement/Budget 2023 submission

15. The Chancellor's 2023 Spring Budget will take place on 15 March 2023 and will include Office for Budget Responsibility (OBR) forecasts for the economy. The Government has invited representations to be submitted to HM Treasury by 1 February.

26 January 2023

16. Given the short timescales between the Autumn Statement, 2023/24 Finance Settlement and the 2023 Spring Budget, and the fact that significant resources were secured as part of the announcements in 2022, the Chairman and Group Leaders agreed that the LGA's submission to the 2023 Spring Budget should be a letter focussing on some key priority areas. These will include children's and adults social care, housing, devolution of powers to local government, net zero and local government finance.
17. The letter in advance of any Spring announcement will be signed off by the Chairman and Group Leaders.

Next steps

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

Implications for Wales

20. 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

21. The work described in this paper is part of the LGA's core programme of work and is funded from core LGA 2022/23 budgets.

Equalities Implications

22. 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. It goes on to state that improving the funding position of councils should help them to be able to fund services that are provided to their residents.

26 January 2023

23. The [LGA response](#) recommends that, in addition to the draft policy impact statement, the Government should review whether their distribution methodology leads to disparities on the basis of protected characteristics (for example in terms of resource going to areas with higher Black, Asian and minority ethnic (BAME) communities. It also notes that socioeconomic status should be considered, particularly given the strong evidence of health inequalities and economic impacts. This is in order to mitigate economic and financial inequality and ensure all communities are supported through economic recovery. Finally, it refers the Government to responses of individual member authorities.