

**Meeting:** LGA Resources Board

**Date:** 28 February 2023



## Local Government Finance update

### Purpose of report

For information.

### Summary

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 15 November 2022 including the final 2023/24 Local Government Finance Settlement, the Local Government Finance Policy Statement from the Government, our approach to the Spring Budget on 15 March 2023, and updates on business rates and local external audit.

**Is this report confidential?** No

### Recommendation

That Members of Resources Board note this update.

### Action

Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments and seek the views of the Board where possible or of Resources Board Lead Members.

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# Local Government Finance update



## Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 15 November 2022 including the final 2023/24 Local Government Finance Settlement, a Local Government Finance Policy Statement from the Government, the LGA's approach to the Spring Budget on 15 March 2023, and updates on business rates and audit issues.

## Summary of the Final Local Government Finance Settlement

2. On 6 February the Secretary of State for Levelling Up, Housing and Communities delivered the final local government finance settlement 2023/24 via a [written ministerial statement](#). The [published data](#) shows that there was limited change from the provisional settlement, which itself broadly reflected the Autumn Statement in November 2022.
3. There will be a potential increase of 9.4% in Core Spending Power (CSP) available to local authorities in 2023/24, assuming all local authorities raise council tax by the maximum allowable without a referendum. The increase in CSP includes:
  - An increase in Revenue Support Grant of 10.1 per cent in line with the September 2022 Consumer Prices Index. The business rates Baseline Funding Level and the multiplier under-indexation grant, taken together, also rise by 10.1 per cent.
  - Over £2 billion of new grant funding for social care. The Government has published an [explanatory note](#) on these funding streams. They include:
    - A £1.3 billion increase in the social care grant which can be used for both adults and children's social care (this is funding previously set aside for charging reforms which have been delayed)
    - £400 million of new grant funding within the Adult Social Care Sustainability and Improvement Fund, added to the 2022/23 £162 million Market Sustainability and Fair Cost of Care Fund.
    - A new £300 million Adult Social Care Discharge Fund.
  - New Homes Bonus (NHB) worth £291 million for 2023/24. There will no longer be any NHB legacy payments.
  - A reduction in the un-ringfenced Services Grant from £822 million in 2022/23 to £483 million in 2023/24.
  - A new Funding Guarantee of £133 million which will give all authorities an increase of 3 per cent in CSP before any decisions about council tax levels for 2023/24. This will go to 159 councils, of which 154 are shire districts, 3 are fire and rescue authorities and 2 are unitary authorities.

- An increase in the Rural Services Delivery Grant by £10 million to £95 million.
  - Council tax referendum principles of:
    - a core increase of 3 per cent for all councils, with a 3 per cent or £5 increase (whichever is higher) for shire districts;
    - a 2 per cent adult social care precept for adult social care authorities;
    - a £5 increase for fire and rescue authorities;
    - a £15 increase for Police and Crime Commissioners;
    - a £23.55 increase for the non-police element of the Greater London Authority;
    - no referendum principles for Combined Authorities or town and parish councils.
4. An additional council tax flexibility of 5 per cent for Thurrock and Slough, and 10 per cent for Croydon, on top of previously announced referendum principles. These additional flexibilities are not included in the CSP figures.
  5. Four specific grants, worth a total £239 million, were consolidated into the settlement keeping their existing distribution.
  6. The Government has also announced an additional £100 million outside of CSP 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. [Guidance](#) for the funding was issued by DLUHC along with funding allocations.
  7. The Government announced authorities will receive a one-off share of £100 million of accumulated surplus from the business rates levy account. This will be returned to the sector based on each local authority's 2013/14 Settlement Funding Assessment. This is not in CSP.
  8. The LGA issued a [press release](#) on the day of the final settlement and [briefed](#) MPs ahead of their debate and vote on the settlement on 8 February. 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. The [response](#) was cleared by the LGA Chairman, Group Leaders and Resources Board Lead Members.

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

9. Ahead of the provisional finance settlement 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:
  - 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.
  - 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.

- 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).
  - The Social Care Grant and other social care grants will increase as set out at the 2022 Autumn Statement.
  - 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.
  11. The LGA has been in contact with DLUHC officials to discuss their plans and timetable in relation to their work on reserves. The LGA will be involved as the work progresses. LGA officers are undertaking work to understand recent changes in council reserves to ensure that the LGA is well-placed to engage with DLUHC on this issue.

## **LGA Submission to the 2023 Spring Budget**

12. 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. Given the short timescales between the 2022 Autumn Statement, 2023/24 Finance Settlement and the 2023 Spring Budget, and the fact that additional 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 would be a letter focussing on some key priority areas.
13. The [letter to the Chancellor of the Exchequer from](#) the Chairman and Group Leaders sets out the priorities for local government where public finance interventions would help councils remain financially sustainable and deliver on shared priorities. It focuses in particular on current financial challenges in relation to housing and homelessness, children's social care, adult social care, culture and leisure services, devolution, net zero and local government finance.

## **LGA finance conference 2023**

14. The LGA held its annual [Finance Conference](#) on 10 January chaired by Cllr Pete Marland. The conference focussed on key finance issues including the 2023/24 settlement and the longer-term outlook for local government in the current economic climate. Keynote speakers included Lee Rowley MP, Parliamentary Under Secretary of State (Local Government and Building Safety), and Sarah Owen MP, Shadow Minister (Levelling-up, Housing, Communities and Local Government) and speakers from the Institute for Fiscal Studies.
15. It was an in-person event and was fully sold out. Attendees provided very positive feedback following the event.

## Business Rates

16. In the [2022 Autumn Statement](#) the Government announced that:
- The 2023 business rate revaluation will go ahead from 1 April 2023 with a transitional relief scheme funded by the Government. The draft 2023 list was published by the Valuation Office Agency on the same date;
  - The business rates multipliers will be frozen in 2023/24 at their 2022/23 levels;
  - Support for eligible retail, hospitality, and leisure businesses is being extended and increased and there is support for the smallest businesses losing eligibility or seeing reductions in Small Business Rates Relief or Rural Rate Relief. [Guidance](#) has now been published for all these reliefs.
  - A delay until April 2024 of the previously announced relief for business for improvements to property;
  - The Government announced local authorities will be compensated for the loss of income due to these measures including for administrative and IT costs.
17. In December 2022, the Government also [published](#) final figures for the distribution of the Covid-19 Additional Relief Fund (CARF). Of the £1.5 billion allocated, 80 per cent was distributed to businesses by councils.

## Energy Bills Support Scheme – Alternative Energy

18. The Energy Bill Support Scheme – Alternative Funding scheme was [announced](#) in December by the Department for Business, Energy and Industrial Strategy (BEIS) (now the Department for Energy Security and Net Zero (DESNZ)). This scheme covers households who are not eligible for the main Energy Bill Support Scheme as they do not have a direct relationship with a domestic electricity supplier, such as residents of park homes and some care home residents. They will need to apply through a Government portal. The Government will perform initial checks. The role of billing authorities is to perform final checks and distribute payments.
19. At the time of writing, the scheme is due to commence on Monday 27 February, having been postponed from 27 January. DESNZ has sent councils draft guidance on the scheme, details on the digital management solution, data sharing agreements and grant determination letters covering funding to local authorities for support payments and new burdens funding, which they are planning to pay in the week starting 20 February.
20. Graham Stuart MP, Minister of State in the Department of Energy Security and Net Zero wrote on 9 February to Leaders, copied to Chief Executives and section 151 officers confirming that the EBSS AF will start on February 27, and also announced that councils will be responsible for delivering the Alternative Fuel Payment (AFP) for those without a direct relationship with their energy supplier, estimated at around 10 per cent of the total entitled to the AFP.
21. We are in touch with DESNZ on these schemes and have commented on drafts of guidance. We have also picked up concerns from councils that they are being

required to implement this at the busiest time of the year for revenues and benefits teams and we have made this point to DESNZ and other government departments.

## Local Authority Accounts and Audit

22. In December, CIPFA and DLUHC published an [update to the accounting code](#) and a [statutory override](#) to the Capital Finance and Accounting Regulations to provide a temporary solution (until 2024/25) to the infrastructure assets problem. CIPFA also published a bulletin for practitioners ([CIPFA Bulletin 12](#)) which covers both the update to the code, the statutory provisions and other relevant guidance. The changes made should now enable completion of many of the 2020/21 accounts that had been stalled and allow finalisation of the 2021/22 accounts to progress. Resources Board Lead Members approved a [response](#) to a [very quick consultation](#) supporting the action, prior to the override being made.
23. We are continuing discussion with DLUHC about a long-term solution to the problems facing local audit. In conjunction with the IDeA Board and the Chairman of the LGA we are hoping to set up a round table with the relevant Minister and new Director of Local Audit at the Financial Reporting Council and other relevant stakeholders.

## Capital and investments

24. Members will recall that we submitted the [response](#) to the [consultation](#) on the future of the [statutory override](#) for International Financial Reporting Standard 9 (IFRS 9), mitigating the impact of fair value movements of pooled investment funds. The override means that councils do not have to reflect nominal (or “paper”) fluctuations in the values of pooled investment funds in their revenue accounts and so don’t have to cover these with real money in the short term. The LGA’s response, which was cleared at the September meeting of Resources Board, argued that as a minimum the statutory override should be extended, though preferably it should be made permanent. In December DLUHC informed Chief Finance Officers that Ministers have decided to extend the override for a further 2 years until 31 March 2025. We expect DLUHC to publish the full response to the consultation shortly; we expect that to give further details about what will happen at the end of the two-year extension.

## Implications for Wales

25. 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 on local government finance.

## Financial Implications

26. The work covered in this paper is included in the LGA’s core budget.

## **Equalities implications**

27. This paper outlines how the LGA is working on a range of initiatives on finance and funding issues. These issues affect councils and their residents as a whole and it is difficult to assess what individual impacts there are on people with protected characteristics. Improving the funding position of councils should help them to fund work that improves equalities. Working with the Government on improving guidance on finance should also help with enabling better outcomes.
28. The [outcome from DLUHC on the consultation on the provisional settlement](#) noted that a number of responses to the consultation included comment on the impact of the settlement (and by implication finances) on those with protected characteristics, with the majority commenting on age and some also commenting on socio economic status, with several arguing that although this is not a protected characteristic itself it does link to several protected characteristics.

## **Next steps**

29. Members are asked to note this update.
30. Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments and seek the views of the Board where possible or of Resources Board Lead Members.