

Local Government Finance Update

Purpose of Report

For information.

Summary

This report provides a summary of the work by the LGA on various local government finance issues since the last meeting of the Resources Board on 5 December 2023.

LGA Plan Theme: A sustainable financial future

Recommendation(s)

That the Board note this update.

Action

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

Contact details

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Local Government Finance Update

Background

1. This report provides a summary of the work by the LGA on various local government finance issues since the last Economy and Resources Board meeting on 5 December 2023.

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, and a [press release](#). We also [responded](#) to the settlement consultation. The response was cleared by the LGA Chairman, Group Leaders and Lead Members of your Board.
3. 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, homelessness and Special Educational Needs and Disabilities (SEND).
4. On 24 January, following a campaign by the LGA and others in sector highlighting the financial challenges councils are facing, the Secretary of State issued a further [written update](#) announcing an additional £600 million of funding for local government. This was confirmed in the [Final Local Government Settlement](#) which was published on 5 February and approved by Parliament on 7 February.
5. Overall there will now be a potential increase of 7.5 per cent in Core Spending Power available to local authorities in 2024/25. This includes:
 - 5.1. 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.
 - 5.2. A £1.5 billion increase in grant funding for social care.
 - 5.3. New Homes Bonus (NHB) worth £291 million for 2024/25. As in 2023/24, there are no NHB legacy payments in respect of previous years.

- 5.4. A reduction in the un-ringfenced Services Grant from £483 million in 2023/24 to £87 million in 2024/25.
- 5.5. A Funding Guarantee worth £269 million which will give all authorities an increase of 4 per cent in Core Spending Power before any decisions about council tax levels for 2024/25.
- 5.6. An increase of £15 million in the Rural Services Delivery Grant to £110 million.
6. Core Spending Power also includes the assumption that all councils will raise council tax by the maximum permitted by council tax referendum principles:
 - 6.1. a core increase of 3 per cent for all councils, with a 3 per cent or £5 increase (whichever is higher) for shire districts;
 - 6.2. an additional 2 per cent adult social care precept for authorities with social care responsibilities;
 - 6.3. a 3 per cent increase for fire and rescue authorities;
 - 6.4. a £13 increase for Police and Crime Commissioners;
 - 6.5. a £24.26 increase for the non-police element of the Greater London Authority;
 - 6.6. Bespoke council tax referendum principles for Woking Borough Council, Slough Council and Thurrock Council. The bespoke referendum principle for Birmingham City Council is outside of Core Spending Power.
 - 6.7. No referendum principles for Combined Authorities or town and parish councils.

Lobbying and other activity in the run up to the settlement

7. Alongside the settlement there was considerable media and lobbying activity. The results of the rapid [temperature check](#), sent to all council leaders and chief executives to help us strengthen our campaigning activities ahead of the Local Government Finance Settlement, showed that one in five council leaders and chief executives in England think it is very or fairly likely they will receive a Section 114 notice this year or next. Half of respondents were not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.
8. News media activity included publishing a [press release](#) on 6 December on our survey. This press release and the survey findings were reported widely both on the day and in the following weeks. Our [statement](#) in response to the provisional Local Government Finance Settlement was also reported widely.

9. Parliamentary and departmental lobbying included: sending the LGA's on-the-day briefing to relevant Ministers and the Levelling Up, Housing and Communities Committee; and briefing LGA Vice Presidents (MPs and Peers) on the LGA's on-the-day briefing, reiterating the financial problems facing local government. We also 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 provisional Local Government Finance Settlement provided no new investment for adult social care.
10. Social media and digital marketing activity included a [video from Cllr Pete Marland](#) on Twitter and LinkedIn highlighting the financial challenges facing councils following the Autumn Statement, according to our survey (23,000+ video views), and promoting our [on-the-day briefing across social](#) media (11,000+ impressions). Visits to the [web page](#) were up 46% compared to the previous year's on-the-day briefing.

Other Announcements

11. Allocations for the Public Health Grant in 2024/25 amounting to £3.6 billion, were published alongside the final Local Government Finance Settlement. The Department for Education confirmed that [High needs funding is increasing by £440 million, or 4.3 per cent, in 2024/25](#) and that funding through the [mainstream schools national funding formula \(NFF\)](#) is increasing an average 2 per cent per pupil in 2024/25.
12. A number of other announcements were made on the day of the provisional and final settlements, and/or the [local government finance policy statement for the year 2024 to 2025](#). The Government also returned to some of these themes in the [Written Ministerial Statement](#) published alongside the final settlement on 5 February 2024. The Government:
 - 12.1. Confirmed that the statutory override for the Dedicated Schools Grant will continue up to the 31 March 2026.
 - 12.2. 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. In the statement on 5 February the Government said it was “committed to improving the local government finance system beyond this settlement in the next Parliament” and said that the Minister for Local Government will be engaging with the sector over the coming months.
 - 12.3. Continued to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of pressures.

- 12.4. 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.
- 12.5. Announced 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'. In the statement alongside the final settlement it said that it would "consider responses carefully as part of continuing policy development to deter local government from operating these practices, with any changes at future Settlements subject to further consultation."

LGA submission to the 2024 Spring Budget

13. The Chancellor's 2024 Spring Budget will take place on 6 March 2024 and will include Office for Budget Responsibility (OBR) forecasts for the economy. The Chair and Group Leaders agreed that the [LGA's submission to the 2024 Spring Budget](#) would be a letter focussing on the financial challenges faced by the sector, and also setting out how local government can support the Chancellor in delivering his budget. The letter was cleared by the Chair and Group Leaders. In order to meet HM Treasury's official submissions deadline. The letter was submitted before the £600 million of funding was announced.
14. The first part of the letter set out the financial challenges currently faced by the sector. It focused in particular on the pressure created by the 9.8% increase in the National Living Wage for 2024/25. To address current financial issues the letter restated our asks for sufficient funding provided through multi-year settlements.
15. The second part of the letter provided evidence on the contribution that councils can make to support the Chancellor in delivering his budget. The letter used a framework developed from the LGA's ongoing thinking for the White Paper around the themes of: driving economic growth; delivering better life opportunities while protecting the public purse; and acting as convenors of place to improve public services. Within this framework we restated a range of the LGA's key asks in areas such as: housing; social care; culture and leisure; and delivering net zero.

LGA Local Government Finance conference

16. The [LGA Local Government Finance Conference](#) was held on 9 January at Smith Square. The conference was chaired by the Chair of the Board. Speakers, at the sold-out event, included Simon Hoare MP, Minister for Local Government; Jim

McMahon MP, Shadow Minister for Local Government and Devolution; and Cllr Shaun Davies, the Chair of the LGA as well as senior officers from the sector, Government officials and economists from the Institute for Fiscal Studies.

Business rates

17. Councils have been working with the Valuation Office Agency following the passing into law of the [Non-Domestic Rating Act 2023](#) including the introduction of the one year Improvement Relief in April 2024.
18. The Government has not yet replied to its Summer 2023 [consultation on business rates avoidance and evasion](#). The [LGA response](#) which was signed off by Lead Members of your Board, welcomed the consultation and the methods proposed to tighten up on avoidance including giving billing authorities more discretion on reliefs, provided that authorities do not lose resources through business rates reliefs being made discretionary rather than mandatory.

Council tax

19. A response to the DLUHC consultation on [exemptions for the empty and second homes council tax premium](#) is still awaited. As reported to your last meeting, the LGA's [response](#) says that the Government needs to assure itself that it has adequately taken account of the sector's views on whether new regulations are necessary, or whether expanding the [existing guidance on empty homes](#) is sufficient. Meanwhile councils are proceeding with planning for charging council tax premiums for homes which have been empty for one year from 1 April 2024, and for second homes from 1 April 2025.

Capital

20. Lead members of the board approved a [response](#) to DLUHC's [call for views on wider flexibilities for the use of capital finance and borrowing](#). In our response, we welcomed proposed new flexibilities to use capital to finance some revenue activities, but we emphasised that capital receipts can only be spent once and that the flexibilities are no substitute for a long-term plan to sufficiently fund local services through multi-year settlements.
21. Lead Members also approved [a response](#) to a consultation on revised guidance on Minimum Revenue Provision (MRP). This followed a [consultation](#) in 2021 to which we [responded](#), and a further [post consultation survey](#) on revised proposed regulations that we also [responded](#) to. In our latest response, we welcomed changes that had been made to the proposals to avoid the potential problems with drafting in the original proposals, that we and others in the sector highlighted. However, we called for the implementation to be delayed until the financial year 2025/26. This is because the timing of the consultation means that

the regulations will be laid after councils have set their 2024/25 budgets and MRP policies, and also the original consultation highlighted significant possible financial consequences that have not been addressed.

Audit

22. Lead Members approved a [response](#) to a [consultation from HM Treasury](#) on the valuation of non-investment assets for financial reporting purposes. This followed on from HM Treasury's [Thematic Review](#) of the same topic last year, [to which we responded](#). The consultation was for the whole public sector and we expect there to be a separate consultation focussed on local government in the future.

Economic Activity of Public Bodies (Overseas Matters) Bill

23. The Bill has now reached the House of Lords with second reading on 20 February 2024. The LGA [issued a further briefing](#) ahead of second reading.

24. Informal discussions with the Bill team have continued and have included discussions with the team at The Pensions Regulator responsible for implementing the enforcement element of the Bill in relation to the Local Government Pension Scheme.

Implications for Wales

25. The new funding announced in the final local government financial settlement will have an impact on Welsh councils through the Barnett consequential system and subsequent decisions by the Welsh government. The Welsh LGA is leading on work related to this although we are engaging regularly with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work.

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 local government finance 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 councils to fund work that improves services for those with protected characteristics. Working with the Government on improving guidance on finance should also help with enabling better outcomes.

Next steps

28. Members are asked to note this update.

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