Department for Levelling Up,
Housing & Communities

Lee Rowley MP
Parliamentary Under-Secretary of State for Local Government and Building Safety

Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London
SW1P 4DF

Clive Betts MP
Chair, Levelling Up, Housing and Communities Committee

6 February 2023

Dear Clive,

Final 2023/24 Local Government Finance Settlement

Local government plays a vital role in supporting, improving and helping communities up and down the land – councils do amazing work, every day and often away from the headlines, on a huge range of many different subjects and important issues.

Today, the Secretary of State has laid before the House the Local Government Finance Report (England) 2023 to 2024, the Referendums Relating to Council Tax Increases (Principles) (England) Report 2023 to 2024, and the Referendums Relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2023 to 2024. Together, these form the final Local Government Finance Settlement for 2023/24. On Wednesday (8 February), the House will have the opportunity to consider these reports.

In recognition of the work undertaken by councils, this Settlement makes available an increase of 9.4% in cash terms of national level Core Spending Power. This makes available £5.1 billion in additional resources to help local authorities to support their communities through challenging times.

The major parts of the Settlement are as announced in December. Local government delivers a broad range of services for all our communities. That is why we are supporting all tiers of local government through this Settlement with a new, one-off Funding Guarantee that ensures all local authorities will see a minimum 3% increase in their Core Spending Power before taking any local decisions on raising council tax.

The Government's manifesto commits to continuing to protect local taxpayers, in normal circumstances, from excessive council tax increases. The package of referendum principles we are proposing strikes a fair balance. This Settlement confirms our intention for referendum principles of up to 3% for core council tax and up to 2% for the adult social care precept in 2023/24 - significantly below headline rates of inflation. These provisions are not a cap, nor do they force councils to set taxes at the threshold level. When taking decisions on council tax levels, I expect Councillors, mayors, police and crime commissioners and local councils to take into consideration the pressures many households are facing.

The Mayor of London has requested flexibility to levy an additional £20 on Band D bills to the Greater London Authority (GLA) precept to provide extra funding for Transport for London (TfL). The Government has expressed ongoing concern about the management of TfL by this Mayor, and it is disappointing that London taxpayers are having to foot the bill for the GLA's poor governance and decision-making. Whilst the Government will not oppose this request, any decision to increase the precept is solely one for the mayor, who should take into account the pressures that Londoners are currently facing on living costs and his decision to raise his share of council tax by 8.8% last year.

This Settlement ensures a significant additional taxpayer subsidy for social care services. Ahead of any consideration of council tax, it provides around £2 billion in additional grant for social care in 2023/24. This includes:

- £300 million to be distributed through the Better Care Fund to get people out of hospital on time into a care setting.
- £1.3 billion to be distributed to councils through the Social Care Grant for adults' and children's social care, on top of the rollover in funding from 2022/23.
- £400 million additional Adult Social Care grant announced at the Autumn Statement. This will be combined with the retained £162 million distributed in 2022/23.

I am also pleased to announce that we have published an explanatory note on social care funding, setting out more detail on the different social care grants provided for through this Settlement.

We have received 157 responses to our consultation, and these responses have been given full consideration. I am very grateful to all who participated in the process.

Following the consultation and engagement process on the provisional Settlement, we have made the following changes:

- Alongside the provisional Settlement, we asked local authorities to check the accuracy of homebuilding data they have returned to us and tell us if it is inaccurate. Following these representations, we have increased New Homes Bonus allocations by £0.63 million and funded this through contingency set aside at the provisional Settlement.
- In recognition of specific cost pressures in rural areas the Government is increasing the Rural Services Delivery Grant by £10 million, bringing the total value to £95 million. This is funded through contingency set aside at the provisional Settlement.
- Increasing Services Grant by £19.1m above the provisional Settlement proposals, by distributing unused contingency back into local government as proposed at the provisional Settlement, through the Services Grant.
- To account for changes between the provisional and final Settlement, the Funding Guarantee has been recalculated to ensure that ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. Any funding no longer going to the Funding Guarantee has been allocated back through the Services Grant.

Every authority in England will receive a share of the accumulated surplus currently held in the business rates levy account. I can confirm that £100 million will be returned to the sector on a one-off basis to be distributed based on each local authority's 2013/14 Settlement Funding Assessment.

These changes seek to address some of the concerns that have been raised during the consultation period on our proposals. In particular to better provide local authorities with the tools to support their local communities, continue to reform their services for the long-term, and to help communities prepare for the future. Further details on the final settlement, including allocations for individual local authorities, can be found in the documents published today at:

https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2023-to-2024

Copies of the three reports which constitute the final Settlement will be placed in Vote Office and are available electronically at the link above. I look forward to debating this package with you and our colleagues in the House.

Yours sincerely,

Lee,

LEE ROWLEY MP
Parliamentary Under-Secretary of State
for Local Government & Building Safety