

The 2024/25 Provisional Local Government Finance Settlement

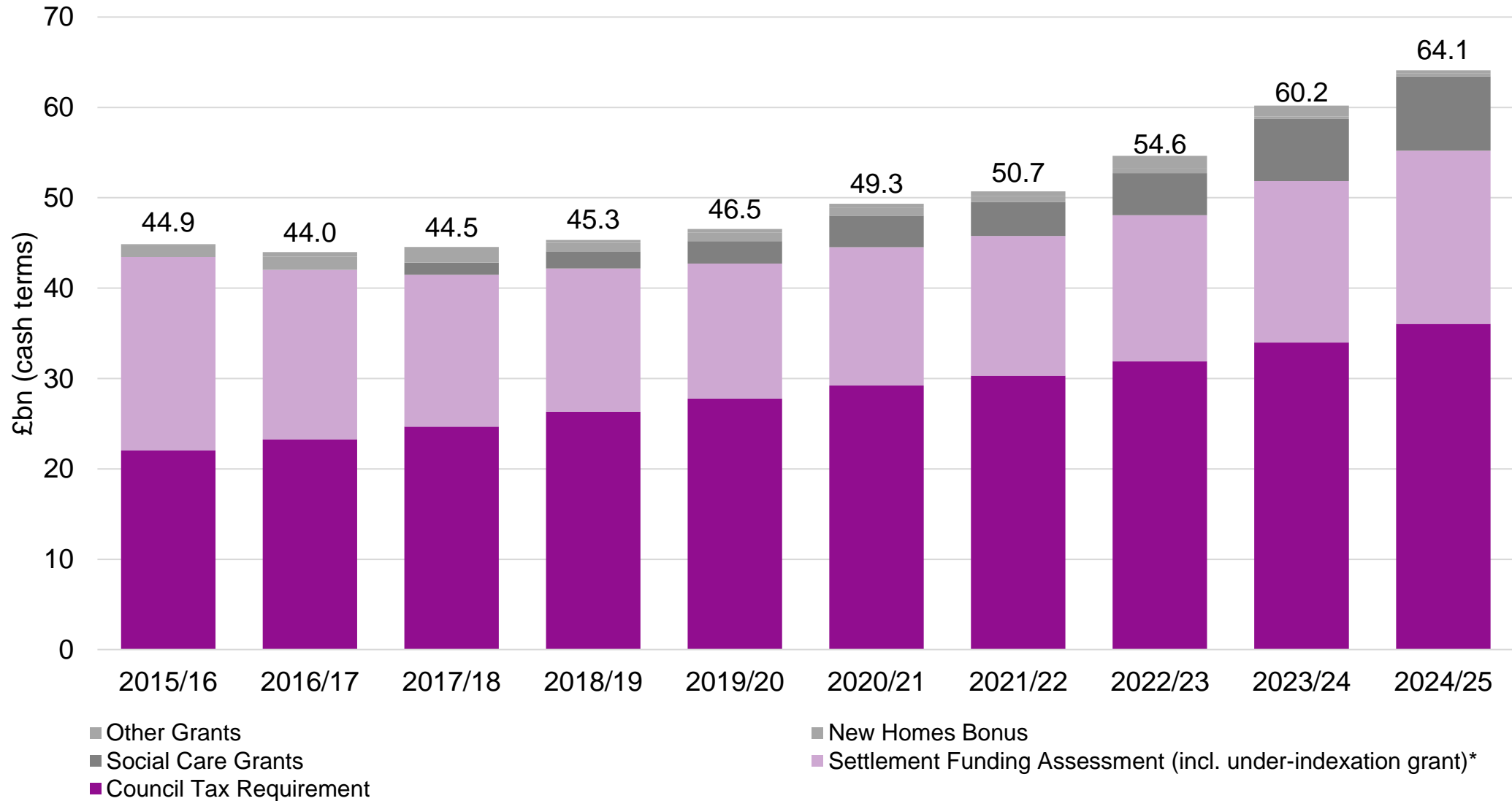
LGA Annual Local Government Finance Conference
January 2024

Nicola Morton, Head of Local Government Finance

9 January 2024

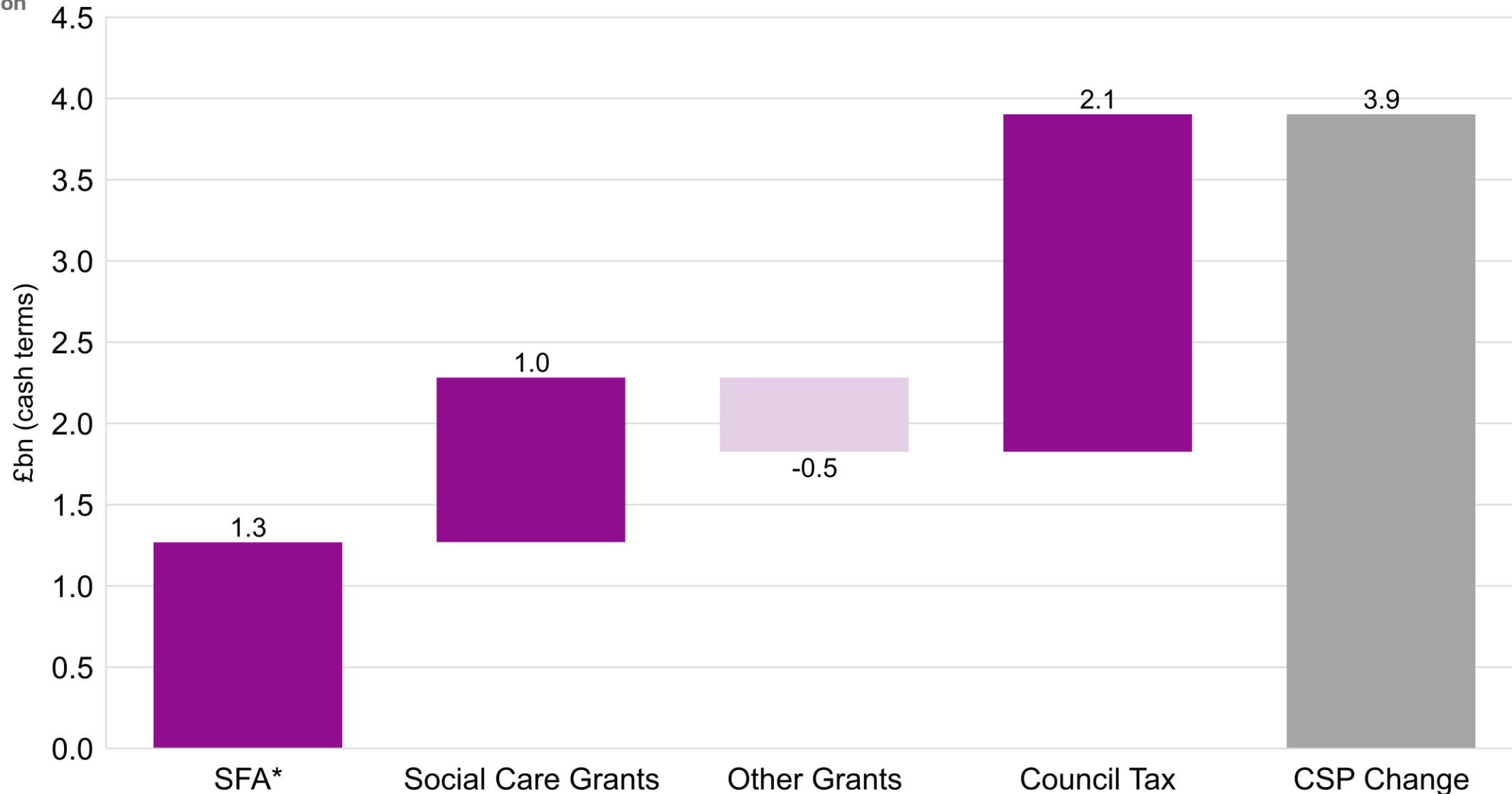
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Core Spending Power 2015/16 to 2024/25



* Settlement Funding Assessment includes Revenue Support Grant, Baseline Funding Level and compensation for under-indexation of the business rates multiplier.

6.5% increase in Core Spending Power in 2024/25



* Settlement Funding Assessment includes RSG, Baseline Funding Level and compensation for under-indexation of the business rates multiplier.

Adult Social Care Grants in Core Spending Power

Name	2024/25 allocations	Change from 2023/24	Distribution
Social Care Grant (Ringfenced for both adult and children's social care)	£4.54 billion	£692 million	ASC relative needs formula & ASC precept equalisation
ASC Market Sustainability and Improvement Funding	£1.05 billion (includes £205m Workforce Fund)	£123 million	ASC relative needs formula
ASC Discharge Grant (to be pooled as part of BCF)	£500 million	£200 million	In line with iBCF allocations
Improved Better Care Fund (continue to pool with BCF)	£2.14 billion	No change	No change
Total	£8.2 billion	£1.0 billion	

Settlement Funding Assessment

Revenue Support Grant

- Increases by change between September 2022 and 2023 CPI (6.7%) before grant rolled in.
- Fire Pensions Grant (£115 million) rolled into RSG, maintaining existing distribution.
- Continue to eliminate negative RSG.

Baseline Funding Level and Under-indexation Compensation

- The small business rates multiplier will be frozen for 2024/25. Government will compensate local authorities up to CPI
- The standard multiplier will be updated in April by September's CPI figure
- Taken together, the increase in the Baseline Funding Level and the multiplier under-indexation grant for 2024/25 provide an increase of 6.7 per cent.
- Tariffs and top-ups adjusted for revaluation

Other grants in Core Spending Power (CSP)

Services Grant (£76.9 million)

- Reduced from £483.3 million in 23/24 fund increases to other settlement grants, and equalisation of the adult social care precept
- Proportion held back as contingency.

New Homes Bonus (£291.4 million)

- An increase of £0.1 million in 2024/25. No increase to threshold (stays at 0.4%). New payments will not attract legacy payments.

Rural Services Delivery Grant (£95 million)

- Unchanged from 2023/24.

Funding Guarantee (£196.5 million)

- Funded through the Services Grant to ensure at least a 3% increase in CSP before any decisions about organisational efficiencies, use of reserves and council tax.
- Based on the difference between a 3% increase in 23/24 CSP and actual increases in 24/25 CSP before assumed increases in CT levels.

Council Tax Referendum Principles for 2024/25

Adult social care
precept: up to 2%
flexibility

Shire districts:
the higher of £5 or
3% Band D

The non-police
element of the GLA
have a referendum
principle of £24.26

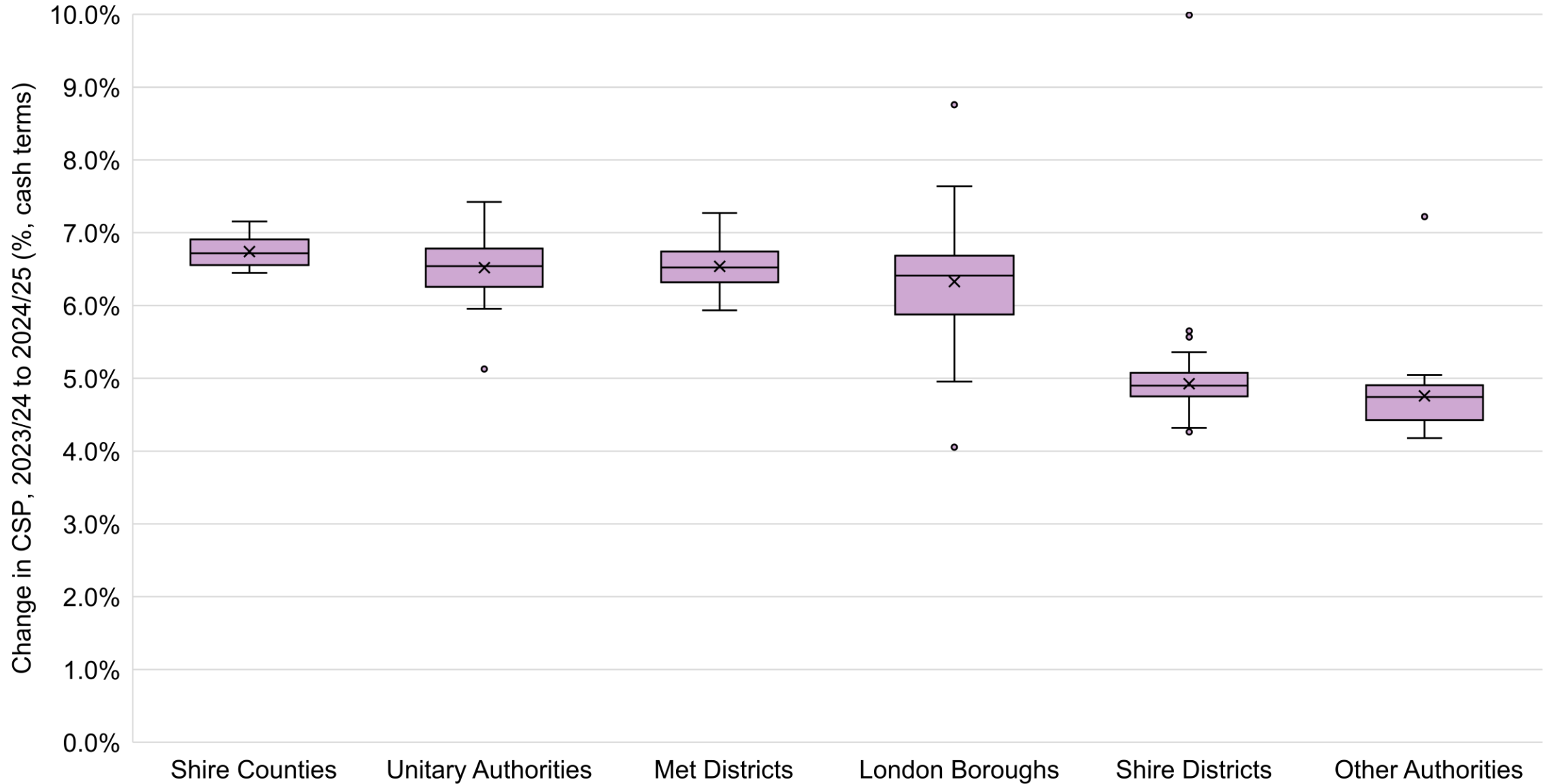
**3% general
referendum limit**

Fire and Rescue
Authorities will have
a principle of up to
3%

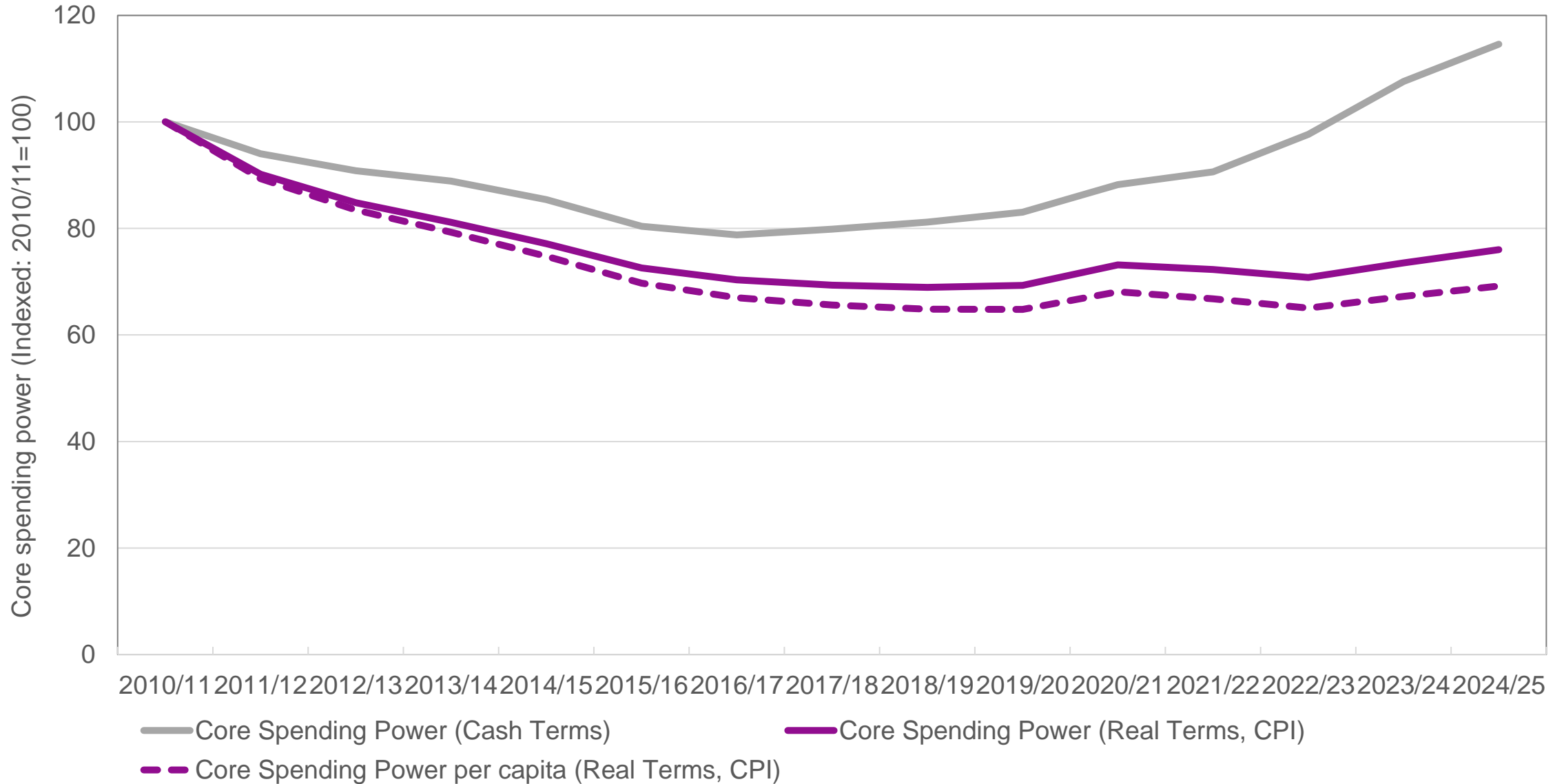
Mayoral Combined
Authorities and Town
and Parish Councils - no
referendum principles

£13 for Police
and Crime
Commissioners inc.
GLA and the WY and
GM Mayors

Change in Core Spending Power by Authority Type 2023/24 to 2024/25



Change in Councils' Core Spending Power 2010/11 to 2024/25



Other announcements in the Settlement

- Encourage local authorities to consider the use of their reserves, where possible, to maintain services.
- Extended the flexibility to use capital receipts to fund revenue costs to March 2030.
- Explore additional capital flexibility options to enable invest-to-save and transformation initiatives.
- Committed to improving the local government finance landscape in the next Parliament.
- Statutory override for the Dedicated Schools Grant will continue up to the 31st March 2026.
- Considering which financial levers could be used in future settlements to disincentivise local authorities from operating a '4 day working week' (or equivalent arrangements of part time work for full time pay).

LGA key messages – Draft (1)

- Evidence of the financial strain on councils has been growing. Councils face a funding gap of £4 billion across this year and next.
- Unthinkable that Government did not provide additional funding for 2024/25.
- Shire district councils will see a lower core spending power increase next year. Government should address this in the final settlement.
- Assumes councils will raise council tax by the maximum permitted which could place a significant financial burden on households.
- Council tax is not the solution for meeting long-term pressures.
- Increasing council tax raises different amounts of money in different parts of the country, unrelated to need.
- Clarity needed on the future of the New Homes Bonus alongside transition funding to ensure that services are not put at risk.

LGA key messages – Draft (2)

- Sixth annual settlement in a row. Hampers financial planning and sustainability.
- The Government should commit to the Fair Funding Review, both data and formulae, and provide transitional funding to ensure no council experiences a loss of income.
- Reserves are not a solution to the long-term financial pressures councils face.
- Extension of the flexible use of capital receipts scheme is welcome but should be made permanent.
- Welcome confirmation that the statutory override for Dedicated Schools Grant will continue until March 2026 but Government should write off all high needs deficits as a matter of urgency.
- Councils should be free to pilot innovative solutions to address local challenges and deliver crucial services to their residents without being penalised financially.

- Closing date for responses to the Settlement Consultation is 15th January 2024.
- Please send us your responses and comments to lgfinance@local.gov.uk.
- Final Settlement – late January/early February 2024.
- Debate and approval in Parliament.
- Spring Budget - 6 March 2024, deadline for submissions – 24 January 2024.

Happy to take questions!