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[Department for Levelling Up,  
Housing & Communities](#)

Policy paper

# Local government finance policy statement 2023-24 to 2024-25

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**Applies to England**



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Today the government sets out its intentions for the local government finance settlement for the next 2 years. For 2023-24, the government recognises that providing councils with greater certainty on key aspects of their funding is incredibly important for their budget setting process and their ability to plan for the future. We will consult on the proposals within this document at the provisional local government finance settlement in the usual way, which will include allocations. This policy statement sets out the following intentions:

For the core settlement:

- The Autumn Statement announced the freezing of the Business Rates Multiplier for 2023-24 at 49.9p. We will compensate local authorities for the reduction in income as a consequence of this decision. From 2023-24 we will align this level of compensation, including the increase in baseline funding levels, with the default link, established by government policy in 2018-19, between the Business Rates Multiplier and the standard Consumer Price Index (CPI) measure rather than the Retail Price Index (RPI).
- We will increase Revenue Support Grant (RSG) in line with CPI.
- We will continue to eliminate so-called 'negative Revenue Support Grant'.

For council tax, the government is giving local authorities in England additional flexibility in setting council tax by:

- Protecting local taxpayers from excessive increases in council tax, by setting the referendum threshold at 3% per year from April 2023 for shire counties, unitary authorities, London boroughs, and the Greater London Authority, without a local referendum. Councils can set higher increases if they wish, via consent of a local referendum.
- In addition, local authorities with social care responsibilities will be able to set an adult social care precept of up to 2% per year, without a referendum.
- A bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts.

- A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority (GLA), as requested by the Mayor of London – while this request will not be opposed, the government is disappointed that London taxpayers are having to foot the bill for the GLA's poor governance and decision-making.
- Setting no council tax referendum principles for Mayoral Combined Authorities (MCAs).
- Setting no council tax referendum principles for town and parish councils.
- A £5 referendum principle on Band D bills for all fire and rescue authorities. A £15 referendum principle on Band D bills for police and crime commissioners.

It is for individual authorities to determine whether to use the flexibilities detailed above.

The Autumn Statement announced additional funding of up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025 for social care and discharge. This includes £1 billion of new grant funding in 2023-24 and £1.7 billion in 2024-25, further flexibility for local authorities on council tax and delaying the rollout of adult social care charging reform from October 2023 to October 2025:

- Repurposed money from delaying charging reform:
  - £1.265 billion in 2023-24 and £1.877 billion in 2024-25 will be distributed to local authorities through the Social Care Grant for adult and children's social care. This is in addition to the existing Social Care Grant. We will continue to equalise against the adult social care precept.
- New grant funding:
  - £600 million will be distributed in 2023-24 and £1 billion in 2024-25 through the Better Care Fund to get people out of hospital on time into care settings, freeing up NHS beds for those who need them. The funding will be split 50:50 between the Department for Levelling Up Housing and Communities' Local Government DEL and the Department for Health and Social Care DEL, meaning Local Government DEL will allocate and distribute £300 million in 2023-24 and £500

million in 2024-25. This will be in addition to the existing improved Better Care Fund, for which the current distribution will remain.

- £400 million in 2023-24 and £683 million in 2024-25 will be distributed through a grant ringfenced for adult social care which will also help to support capacity and discharge. Alongside this, the funding package for adult social care retains £162 million per year of Fair Cost of Care funding and its distribution to reflect the progress councils and providers have made this year on fees and cost of care exercises.

The government expects this new grant funding to enable local authorities to make tangible improvements to adult social care in particular to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector. There will be reporting requirements placed on the new Adult Social Care Grant and the Better Care Fund regarding performance and use of funding to support improvement against these objectives. The government will provide further details on reporting in due course.

Remaining settlement grants:

- The Rural Services Delivery Grant will remain unchanged.
- The Services Grant will reduce in 2023-24. This is in part because there will no longer be an increase in National Insurance Contributions, therefore the government will not be compensating local government for these contributions from 2023-24. In addition, some funding will go to increase the funding for the Supporting Families programme. The same as last year, the remainder of the Services Grant will be distributed by the Settlement Funding Assessment.

In recognition of the inflationary pressures across the sector, we will repurpose the Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments to create a new one-off, funding guarantee. This will 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.

There will be new rounds of New Homes Bonus (NHB) payments in 2023-24. Although, as with last year, these will not attract new legacy payments. NHB allocations for 2023-24 will continue to be paid for in the usual way. There will be no changes to the calculation process from 2022-23 except the expiration of legacy payments.

The government will be extending the Statutory Override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26.

### **Other areas of the settlement**

The government notes the significant increase in some local authority reserves over the 2 years of the pandemic. We encourage local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils' financial sustainability and future investment. In order to support council members and local electorates to understand the reserves that their authorities are holding and what they are used for, we will also explore releasing a user-friendly publication of the reserves data currently collected in the Local Authority Revenue Expenditure and Financing Outturn statistics. We will consult with trusted partners, including the Local Government Association, about doing this.

We will be consolidating 4 grants totalling £239 million into the local government finance settlement. All of the 4 grants will keep their existing distribution. These are the Independent Living Fund; Council Tax Discounts – Family Annexe; Local Council Tax Support Administration Subsidy; and Natasha's Law.

All current 100% business rates retention areas will continue for 2023-24. During this time the government will review the role of such arrangements as a source of income for areas and its impact on local economic growth, and as part of deeper devolution commitments as set out in the Levelling Up white paper.

Where requested, we will proceed with Business Rates Pooling for 2023-24.

## **Technical adjustment to the Business Rates Retention system**

The government published a consultation in September that set out its [proposed approach to a technical adjustment to the Business Rates Retention \(BRR\) system](https://www.gov.uk/government/consultations/technical-adjustment-to-the-business-rates-retention-system-consultation) (<https://www.gov.uk/government/consultations/technical-adjustment-to-the-business-rates-retention-system-consultation>) in response to the 2023 revaluation and transfers of properties from local lists to the central list. This work delivers on the commitment made at the outset of the BRR system, that at revaluations the government would adjust local authorities' income to ensure that as far as practicable it is no more, or less, than it would have been had the revaluation not taken place.

We received 43 returns to this consultation, most of which were from local authorities and a government response will be published shortly. Feedback on the proposed methodology was positive, with a majority agreeing with the proposed change to the main revaluation adjustment; four-fifths of respondents agreeing we should not make a further adjustment for reliefs at this time, but keep this under review; and nearly two-thirds agreeing that the adjustment for the central list transfers would adequately safeguard the position of affected local authorities.

The government therefore intends to proceed with this modified revaluation adjustment for the implementation of the 2023 revaluation, with the methodology and adjustments to tariffs and top-ups published alongside the provisional local government finance settlement.

Adjustments will subsequently be made to account for compiled rating list data for the 2023 list as at 1 April 2023 and for Outturn Business Rates data for 2022-23 at the 2024-25 local government finance settlement, with the final adjustment at the 2025-26 settlement. The government will keep the revaluation adjustment under review.

**The government is also providing clarity on areas of the 2024-25 local government finance settlement:**

In the longer-term, our ambitions for Levelling Up the country require us to assess our commitments to update local government funding. The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst we can confirm that these will not be implemented in this Spending Review period, the government remains committed to improving the local government finance landscape in the next Parliament.

For 2024-25, the core council tax referendum principles will continue the same as 2023-24. We can confirm that the referendum limit for increases to council tax will remain at 3% per year. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. Councils can set higher increases if they wish via the consent of a local referendum.

The core settlement will continue in a similar manner for 2024-25. The major grants will continue as set out for 2023-24: Revenue Support Grant will continue and be uplifted in line with Baseline Funding Levels; the Social Care Grant and other social care grants will increase as set out at the Autumn Statement. We will proceed with Business Rates Pooling in 2024-25.

2024-25 brings with it a significant new funding stream, subject to successful delivery of the Extended Producer Responsibility for packaging (pEPR) scheme as soon as is feasible within this financial year; local authorities can expect to receive additional income from the scheme whilst being asked to submit data relevant to their waste collection services. Alongside His Majesty's Treasury and the Department for Environment, Food and Rural Affairs, we will be assessing the impact of additional pEPR income on the relative needs and resources of individual local authorities in the coming year.

The government recognises that the position of the lower tier must be understood in the round, therefore we will review the 2024-25 position of funding for lower tier authorities particularly given the possible interactions with the pEPR scheme. We also recognise the need to help councils plan and we will therefore set out the future



position of New Homes Bonus ahead of the 2024-25 local government finance settlement.

The government will provide details on these proposals at the provisional local government finance settlement for 2023-24, including full local authority level allocations for 2023-24 and consultation documents later in December. The government will publish full details of the 2024-25 local government finance settlement in late 2023 at the provisional settlement, in line with the established process.

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