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

Policy paper

Local government finance policy statement 2024 to 2025

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Applies to England



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Today I am setting out the government's intentions for the Local Government Finance Settlement (the 'Settlement') for 2024 to 2025. I recognise that providing councils with greater certainty on key aspects of their funding is vital for the budget setting process. In December 2022, we published a policy statement to give councils forward notice of our proposals for the 2024 to 2025 Settlement - this policy statement builds on that by providing additional details of the upcoming Settlement.

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Core Settlement

- We will increase the Revenue Support Grant in line with the Consumer Price Index (CPI) of inflation.
- We have no desire to introduce 'negative Revenue Support Grant'.
- Local authorities will see an increase in baseline funding levels (BFLs) and compensation grant as if both business rating multipliers had increased by CPI. It was announced at the Autumn Statement that the small business rating multiplier will be frozen at 49.9p, and the standard business rating multiplier will increase to 54.6p in line with the September 2022 to September 2023 change in CPI. For 2024 to 2025, BFLs will increase to reflect the uprating of the standard multiplier, and this will be done by using proxy data from the Valuation Office Agency's compiled local rating list, published on 3 April 2023. We will also compensate local authorities for the reduction in income as a consequence of the decision to freeze the small multiplier.
- The government has consulted recently on changes to the way baseline funding levels, top-ups and tariffs are uprated, as well as how to continue calculating compensation for lower than consumer price index increases to the small and standard business rates multipliers. A consultation response will be published shortly before the provisional Settlement consultation is launched.

Council tax referendum principles

The government will continue to protect local taxpayers from excessive council tax increases. The proposed package of referendum principles strikes a fair balance and is an additional local democratic check and balance. The council tax referendum provisions are not a cap, nor do they force councils to set taxes at the threshold level. These actions are to protect hard-working people from excessive tax rises.

The proposed referendum principles are:

- a core council tax referendum limit for local authorities of up to 3%;
- a council tax referendum principle of up to 3% or £5, whichever is higher, for shire district councils;
- an adult social care precept of 2% for all authorities responsible for adult social care services;
- a council tax referendum principle of £13 for police authorities;
- the core council tax principle of up to 3% will apply to fire and rescue authorities; and
- no council tax referendum principles for mayoral combined authorities or town and parish councils, but the government will review the decisions taken by these authorities when considering referendum principles in future years.
- 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.

It is for individual local authorities to determine whether to use the flexibilities detailed above, taking into consideration the pressures many households are facing.

Social care grants

The government announced at the 2022 Autumn Statement up to £4.7 billion additional funding for social care and discharge in 2024-25. Furthermore, the Department of Health and Social Care announced £600 million of additional funding in July 2023, which includes £205 million of new grant funding for social care in 2024-25.

Including funding announced at the 2022 Autumn Statement, additional grant resources for social care in 2024-25 will therefore be as follows:

- an additional £692 million will be distributed to local authorities through the **Social Care Grant** for adult and children's social care. This will bring the overall size of the Social Care Grant to £4,544 million. We will continue to equalise against the adult social care precept in the usual way.
- an additional £200 million will be distributed in 2024 to 2025 through the **Discharge Fund** to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care. This will bring the overall size of the local authority component of the Discharge Fund to £500 million.
- the Discharge Fund will be in addition to the existing improved **Better Care Fund**, for which the quantum of £2,140 million and the distribution will remain the same as in 2023-24.
- £1,050 million in 2024 to 2025 will be distributed for adult social care through the **Market Sustainability and Improvement Fund (MSIF)**, which continues to include £162 million per year of Fair Cost of Care funding. It also includes £205 million MSIF - Workforce Funding, a 2-year fund announced in July 2023 which will be rolled into the existing MSIF. In total, the combined MSIF and MSIF Workforce Fund are worth £123 million more than in 2023 to 2024.

For 2023 to 2024, the government set an expectation that the additional funding made available to adult social care should lead to a substantial increase in planned adult social care spending, given the additional resources which were made available in

that year. The Department of Health and Social Care will continue to monitor local authority budgeting and expenditure in 2024 to 2025, with an expectation that the following will be allocated to adult social care:

- an appropriate share of the local authority's additional Social Care Grant allocation for 2024 to 2025, in line with aggregate use of this funding in previous years
- the local authority's share of the 2024 to 2025 MSIF and Discharge Fund
- the resources raised in 2024 to 2025 from the adult social care precept
- we also expect local authorities to make use of the increase in income from unhypothecated sources. We expect spending on adult social care will increase by a necessary share of this income.

There will continue to be grant conditions placed on these grants regarding performance and use of funding to support improvement against these objectives.

Remaining Settlement grants

- The government continues to recognise the importance of protecting the funding position of councils as far as possible. In recognition of pressures across the sector, we will continue to 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 through a Funding Guarantee.
- There will be new rounds of New Homes Bonus (NHB) payments in 2024 to 2025. In line with last year, these payments will not attract new legacy payments. NHB allocations for 2024 to 2025 will continue to be paid for in the usual way, applying the same the calculation process as in 2023 to 2024.
- The Rural Services Delivery Grant will continue as in 2023 to 2024.
- As with last year, the Services Grant will reduce in 2024 to 2025 and the remainder will continue to be distributed by the Settlement Funding Assessment distribution

methodology.

Other areas of the Settlement

- We will be consolidating the Home Office's Fire and Pensions Grant, worth £115 million, into the Revenue Support Grant. This grant will maintain its existing distribution.
- All current enhanced business rates retention areas will continue for 2024 to 2025. During this time the government will continue to 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 2024 to 2025.
- The government asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The government continues to explore ways to move councils away from establishing '4 day working week' practices, as they do not represent good value for taxpayers' money. In the meantime, those councils operating or considering a 4 day working week pattern should stop.
- The Statutory Override for the Dedicated Schools Grant will continue until 31 March 2026.
- Where possible, councils should invest in areas that help place children's social care services on a sustainable financial footing. This includes investment in expanding family help and targeted early intervention, expanding kinship care, and boosting the number of foster carers.

- The National Minimum Allowance (NMA) for foster carers is routinely uplifted each year, taking into account changes in inflation and what is affordable for local government. We have uplifted the NMA by 6.88% for this financial year and full details will be published on Gov.UK.
- Government will work closely with councils to increase transparency around the costs of residential placements for children, as a precursor to wider commissioning and market shaping reforms being rolled out through Regional Care Co-Operatives.
- 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, including where there has been local financial failure. Where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.

Technical adjustment to the business rates retention system

- Last year, the government consulted on its proposed approach to a technical adjustment to the business rates retention system in response to the 2023 revaluation and transfers of properties from local lists to the central list. This work delivered on the commitment made at the outset of the business rates retention system, that at revaluations it 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.
- The initial adjustment was implemented in 2023 to 2024, and the government intends to continue with this modified revaluation adjustment for the 2024 to 2025 Settlement, with the methodology and adjustments to tariffs and top-ups published alongside the provisional Settlement.

- Adjustments will account for compiled rating list data for the 2023 list as at 1 April 2023, and for outturn business rates data for 2022 to 2023. The final adjustment will occur at the 2025 to 2026 Settlement. The government will continue to keep the revaluation adjustment under review.

Reform

- The government remains committed to improving the local government finance landscape in the next Parliament.
- At the 2023 to 2024 Settlement, we heard calls from the sector for stability. 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. This continues to be the government's position.

Funding outside the Settlement – public health funding

- In addition to the core Settlement, local authorities will continue to receive funding to provide a range of public health services. Indicative allocations for the Public Health Grant in 2024 to 2025 [have been published](https://www.gov.uk/government/publications/public-health-grants-to-local-authorities-2023-to-2024) (<https://www.gov.uk/government/publications/public-health-grants-to-local-authorities-2023-to-2024>) and will continue to increase to nearly £3.6 billion. Further specific investment will continue to improve the start for life offer and support improvements in the quality and capacity of drug and alcohol treatment. We are also providing a further £70 million per year from 2024/25 to support local authority-led efforts to stop smoking. This total funding package will deliver a real terms increase of more

than 7% in DHSC investment in local authority public health functions over the 2 years 2023 to 2024 and 2024 to 2025.

Next steps

We will set out further detail on measures in the Settlement, including allocations, and consult on them at the provisional Settlement later this calendar year before the House rises for the Christmas recess. We will then consider responses to the consultation, before publishing a final Settlement in the new year.

The Settlement measures above are therefore subject to change following the consultation. In previous years, we have made changes following the provisional Settlement consultation. In recent years these changes have included very small adjustments to New Homes Bonus allocations following updated data, and uplifts grants such as the Rural Services Delivery Grant.

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Local Government Finance Policy Statement 2024-25

Settlement component	2024-25
Locally retained business rates - baseline funding levels	<ul style="list-style-type: none"> Local authorities will see an increase in baseline funding levels (BFLs) and compensation grant as if both business rating multipliers had increased by Consumer Price Index of inflation
Locally retained business rates - Under indexation	<ul style="list-style-type: none"> Increase to compensate for the difference between the business rate multipliers and the consumer price index of inflation
Revenue Support Grant	<ul style="list-style-type: none"> Increase by the Consumer Price Index of inflation Roll the £115m fire pension grant into the Revenue Support Grant. This grant will maintain its existing distribution.
Council Tax	<ul style="list-style-type: none"> A core council tax referendum limit for local authorities of up to 3% A council tax referendum principle of up to 3% or £5, whichever is higher, for shire district councils An adult social care precept of 2% for all authorities responsible for adult social care services A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority A council tax referendum principle of £13 for police authorities The core council tax principle of up to 3% will apply to fire and rescue authorities No council tax referendum principles for Mayoral Combined Authorities or town and parish councils
Social Care Grant	<ul style="list-style-type: none"> Increase by £692m to £4,544m
Discharge Fund	<ul style="list-style-type: none"> Increase by £200m to £500m
Improved Better Care Fund	<ul style="list-style-type: none"> No change at £2,140m
Market Sustainability and Improvement Fund (MSIF)	<ul style="list-style-type: none"> Increasing to £845m and combining with MSIF – Workforce Fund (£205m in 24/25) increases the total value to £1,050m
Funding Guarantee	<ul style="list-style-type: none"> Ensure all authorities see a 3% core spending power increase before any decision on organisational efficiencies, use of reserves, and council tax levels
New Homes Bonus	<ul style="list-style-type: none"> Maintain the 2023-24 approach, making 2024-25 in-year payments only
Rural Services Delivery Grant	<ul style="list-style-type: none"> No change at £95m

Services Grant	<ul style="list-style-type: none">• As in 2023-24, the Services Grant will reduce and the remainder will continue to be distributed using the Settlement Funding Assessment distribution methodology
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