

## PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/24

### 1 OVERVIEW

1.1 The Government published the Provisional Local Government Finance Settlement for 2023-24 on 19 December 2022:

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

<https://questions-statements.parliament.uk/written-statements/detail/2022-12-19/hcws469>

1.2 On 12 December 2022, a Policy Statement announced the key principles that ministers intended to use in the provisional settlement, and these remain unchanged:

[Local government finance policy statement 2023-24 to 2024-25 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/local-government-finance-policy-statement-2023-24-to-2024-25)

1.3 The final 2023/24 settlement is expected to be laid before the House of Commons, for its approval, in late January or early February 2023.

1.4 Local government was a major beneficiary of the Autumn Statement 2022, with larger increases in funding than any other part of the public sector. Much of the increase was directed towards social care, but even authorities without social care responsibilities have done better than assumed at the time of the statement.

1.5 The settlement is the best in cash terms that local government has received for over a decade. However, against the current background of inflation, the settlement will still leave many local authorities with significant financial pressures in real terms, although authorities with higher levels of deprivation will receive larger increases in Core Spending Power.

1.6 The Policy Statement gave local authorities advanced notice of the principles that ministers would use in both the 2023-24 and 2024-25 local government finance settlements. There have been no changes in these principles in the provisional settlement, but there are now financial values to accompany the principles. These are referred to in subsequent sections of this Appendix, and a number of other points to note include the following:

- Council tax referendum principles (see below) have been confirmed for 2023/24 and 2024/25. In considering Core Spending Power, the settlement assumes that all authorities will make use of the maximum increases under these.
- The Government has confirmed that the Review of Relative Needs and Resources (also known as the Fair Funding Review) and the business rates reset will not be implemented in this Spending Review period.

- Although there are principles in place for 2024/25, this is not a fixed two-year settlement and there remain some uncertainties in respect of the position for that year.

## **2 COUNCIL TAX**

2.1 The Government has confirmed the following referendum principles for 2023/24 and 2024/25:

- A core referendum principle of up to 3 per cent will apply to shire county councils, shire unitary authorities, metropolitan districts and London boroughs.
- Shire districts will have a referendum principle of up to 3 per cent or £5, whichever is higher.
- Social care authorities will be able to set a 2 per cent adult social care precept without a referendum (in addition to the existing basic referendum threshold referred to above).
- Fire and Rescue Authorities will have a principle of up to £5.
- £15 for police authorities and police and crime commissioners.
- £23 for the non-police element of the Greater London Authority (GLA).
- There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions.
- No referendum principles will be set for parish and town councils.

## **3 BUSINESS RATES RETENTION SCHEME (BRRS)**

3.1 The decision to freeze the business rates multiplier will be fully funded, and, from 2023/24 onwards, compensation to authorities for under-indexation will be paid based on Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

3.2 The business rates multiplier is “frozen” (remaining at 49.9p), but contains a reduction to reflect increases in rateable values in the 2023 Revaluation and an offsetting uplift for inflation. Compensation for this will be part-paid via an uplift to Baseline Funding Level (BFL), with the remainder paid via section 31 grant. The Baseline Funding Level (BFL) has been uplifted by the inflation within the multiplier (3.74%)

3.3 A 2023 Revaluation Technical Adjustment has been calculated to offset the impact of revaluation for each local authority. This adjustment is applied to the authority’s top-up or tariff, and ensures that authorities’ do not benefit solely from the effect of valuation changes.

3.4 Business Rates pooling and pilots will continue in 2023/24, and Suffolk Chief Finance officers have received a letter from DLUHC confirming that the Suffolk Business Rates Pool will operate in 2023/24.

3.5 Business rates and Section 31 Grant estimates for 2023/24 that are currently included in the General Fund Budget and MTFS will be revised following confirmation of relevant details in the Settlement, and will be based on the NNDR1 return to Government, which is due to be completed by 31 January 2023.

## **4 FUNDING**

### **4.1 Revenue Support Grant (RSG)**

Methodology for RSG has not changed, and for 2023/24 RSG will increase at 10.1%. There will continue to be no adjustment for “negative RSG”. Family Annex Council Tax Discount Grant and LCTS Administration Subsidy grant have been rolled into RSG in 2023/24.

### **4.2 New Homes Bonus (NHB)**

New Homes Bonus (NHB) will continue for one (or perhaps two) more years, but there will be no more legacy payments. A decision on whether NHB will continue into 2024-25 will be made before next year's settlement.

#### **4.3 Funding Guarantee Allocation (FGA)**

The Government has announced that it will repurpose the 2022/23 Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments to ensure that all councils will see at least a 3 per cent increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. For eligible authorities, the value of the guarantee will be based on the difference between a 3 per cent increase in their 2022/23 Core Spending Power adjusted for actual council tax requirement in 2022/23, compared to their increase in Core Spending Power (excluding rolled in grants) before any assumed increases to council tax Band D levels in 2023/24

#### **4.4 Services Grant**

The Services Grant has been reduced from its 2022/23 level due in part due to the fact that there will no longer be an increase in National Insurance Contributions. The Government has also held a small proportion of the Services Grant back as contingency to cover unexpected movements, and will review whether this contingency is necessary for the final local government finance settlement. Any contingency left unused at that point will go back into the Services Grant.

#### **4.5 Rural Services Funding**

The Government proposes to roll-forward the 2022/23 allocations of the £85 million Rural Service Delivery Grant for 2023/24.

#### **4.6 2024/25**

In addition to the points noted in respect of Policy Statement principles in 1.6 above, the core settlement will continue in a similar manner for 2024/25. The major grants will continue as set out in 2023/24. Revenue Support Grant will be uplifted in line with BFLs so that councils receive an increase equivalent to the September 2023 level of the Consumer Prices Index (CPI), and Business rate pooling will continue.

Local authorities can also expect to receive new income, subject to the Extended Producer Responsibility for Packaging (pEPR) coming into force during 2024/25. The Government will assess the impact of additional pEPR income on the relative needs and resources of councils, particularly shire district councils.

#### **4.7 Funding Summary**

A summary of the funding changes (excluding any Business Rate measures) arising from the settlement compared with the assumptions in the revised December 2022 MTFS is shown in the table below.

**East Suffolk Council**

**Provisional Local Government Finance Settlement 2023/24 (One Year Settlement) – Funding Allocations**

<b>Funding Allocations</b>	<b>ESC December 2022 MTFS 2023/24 £</b>	<b>DLUHC Provisional Settlement 19-Dec-22 2023/24 £</b>	<b>Funding Change between December 2022 MTFS assumptions and the Provisional Settlement (Additional)/Less Grant Income 2023/24 £</b>	<b>Comments</b>
Lower Tier Services Grant	(310,600)	0	<b>310,600</b>	This grant has been abolished from 2023/24 and repurposed towards the Funding Guarantee allocation.
Services Grant	(477,400)	(269,000)	<b>208,400</b>	This grant has been reduced in part due to the removal of funding for the National Insurance increase and to pay for other parts of the settlement such as Revenue Support Grant.
Revenue Support Grant	(339,500)	(702,800)	<b>(363,300)</b>	Provisional Settlement includes - 2022/23 Revenue Support Grant increased by 10.1%, plus other grants rolled into RSG. This includes the Family Annexe Council Tax Grant £61,300 and Local Council Tax Scheme Administration Grant £267,600.
Rural Services Delivery Grant	(260,300)	(260,300)	<b>0</b>	Roll forward of the 2022/23 grant with no increase.
Local Council Tax Scheme Admin Subsidy Grant	(271,600)	0	<b>271,600</b>	The provisional settlement proposes to roll this grant into the Revenue Support Grant above - £267,600 for 2023/24.
Funding Guarantee Allocation	0	(1,553,200)	<b>(1,553,200)</b>	This is new funding for 2023/24 to ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels.
New Homes Bonus	(447,000)	(447,100)	<b>(100)</b>	One year allocation with no legacy payments.
<b>Total</b>	<b>(2,106,400)</b>	<b>(3,232,400)</b>	<b>(1,126,000)</b>	

Source: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2023-to-2024>