

# Local Government Association

## Provisional Local Government Finance Settlement 2024/25

### On the Day Briefing

18 December 2023



## Introduction

The local government finance settlement is the annual determination of funding to local government from central government. This briefing covers the [provisional local government finance settlement for 2024/25](#) which was announced on 18 December 2023. We expect the final 2024/25 settlement to be laid before the House of Commons, for its approval, in late January or early February 2024.

The LGA has issued a [media statement](#) responding to today's statement.

## Key messages

- The evidence of the financial strain on councils has been growing and today's settlement does not provide enough funding to meet the severe cost and demand pressures which have left councils of all political colours and types warning of the serious challenges they face to set balanced budgets next year. Councils in England continue to face a funding gap of £4 billion across this year and next and today's announcement does not change the funding gap facing councils.
- It is therefore unthinkable that Government has not provided desperately needed new funding for local services in 2024/25. Although councils are working hard to reduce costs where possible, this means the local services our communities rely on every day are now exposed to further cuts.
- Shire district councils - which provide vital services like planning and waste and recycling collection - will see a lower core spending power increase on average next year compared to other councils, which is something the Government should address in the final settlement.
- However, these Government forecasts are based on the assumption that councils will raise their council tax by the maximum permitted without a referendum. This leaves councils facing the tough choice about whether to increase council tax bills to bring in desperately-needed funding at a time when they are acutely aware of the significant burden that could place on some households in a year of economic uncertainty and increased costs.
- The LGA has long highlighted that council tax rises – particularly the adult social care precept – have never been the solution to the long-term pressures faced by councils, particularly in social care which is desperately

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in need of reform. Increasing council tax raises different amounts of money in different parts of the country, unrelated to need.

- The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities and we welcome the confirmation of the provisional amount for 2024/25. Councils need clarity on the future of the New Homes Bonus to be able to plan their budgets beyond next year and into the medium term. Any changes should come with transitional funding to ensure that local authority services that residents rely on are not put at risk.
- Councils hold reserves for a reason. Earmarked reserves are held so they can plan for the future and deal with known risks; unallocated reserves so that councils can respond to immediate events and emergencies. Reserves can only be spent once and using reserves is not a solution to the long-term financial pressures that councils face.
- The Government should commit to the Fair Funding Review, reviewing both the formulas and the underlying data used for the assessment of relative needs and resources. Transitional mechanisms attached to the outcome of the review should provide sufficient funding to ensure that no council experiences a loss of income. There should also be transitional arrangements for any business rates reset.
- This is the sixth one-year settlement in a row for councils which continues to hamper financial planning and their financial sustainability. Only with adequate long-term resources, certainty and freedoms, can councils deliver world-class local services for our communities, tackle the climate emergency, and level up all parts of the country.

## **The settlement in detail**

The Department for Levelling Up, Housing and Communities (DLUHC) has announced the [provisional local government finance settlement for 2024/25](#).

We have provided a glossary of Local Government Finance terms which provides a brief explanation of some of the language used in this briefing. This can be found at Annex B.

**The closing date for responses to the [consultation document](#) is 15 January 2024.** We expect the final settlement to be published in late January / early February 2024.

Our, in person, Local Government Finance conference on 9 January 2024 will cover the 2024/25 provisional local government finance settlement and what it means for local authorities, as well as look to the longer-term outlook for local government in the current economic climate. It will also cover other current topics that local government finance officers and politicians are addressing in their local authorities. [Book your place here](#).

## **Core Spending Power**

The Government figures indicate that total Core Spending Power will rise by 6.5 per cent in 2024/25.

Core Spending Power in 2024/25 consists of:

- Settlement Funding Assessment (which consists of Revenue Support Grant, and the baseline funding level);
- Income from council tax assuming that the tax base grows, and councils increase council tax by the maximum possible allowable under council tax referendum principles<sup>1</sup>;
- Compensation for under-indexing the business rates multiplier;
- The New Homes Bonus;
- The Social Care Grant;
- The Improved Better Care Fund;
- Adult Social Care Market Sustainability and Improvement Fund;
- Adult Social Care Discharge Fund;
- Rural Services Delivery Grant;
- The Services Grant;
- A Funding Guarantee, to ensure that all councils have an increase of 3 per cent in core spending power before any changes in council tax levels are taken into account.

Detailed Core Spending Power figures are included in Annex A.

### **LGA view:**

- The evidence of the financial strain on councils has been growing and today's settlement does not provide enough funding to meet the severe cost and demand pressures which have left councils of all political colours and types warning of the serious challenges they face to set balanced budgets next year. Councils in England continue to face a funding gap of £4 billion across this year and next and today's announcement does not change the funding gap facing councils.
- Shire district councils - which provide vital services like planning and waste and recycling collection - will see a lower core spending power increase on average next year compared to other councils, which is something the Government should address in the final settlement.
- The increase is based on the assumption that councils will increase council tax bills the maximum permitted by referendum limits. This will place a significant financial burden on households in a year of economic uncertainty and increased costs.

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<sup>1</sup> Different assumptions on maximum council tax are built into the published core spending power figures for shire districts, police, fire authorities and the Greater London Authority.

## **Council tax**

The Government has announced the following referendum principles for 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 3 per cent.
- £13 for police authorities and police and crime commissioners including the Greater Manchester and West Yorkshire Combined Authorities' precepts.
- The non-police element of the Greater London Authority (GLA) will have a referendum principle of £24.26.
- Bespoke council tax referendum principles for Thurrock, Slough and Woking Borough Councils.
- There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions. In these cases the PCC principle will apply. There are no referendum principles for parish and town councils.

## **LGA view:**

- An increase in council tax of up to 5 per cent will place a significant burden on households particularly during a year of economic uncertainty and increased costs. In addition, increasing council tax raises different amounts of money in different parts of the country not related to need.
- It is disappointing that the Government has continued to rely on council tax and the social care precept to fund adult social care. As we have previously stated, council tax is not the solution for meeting long-term pressures facing high-demand national services such as adult social care.
- We agree that shire districts should have the extra flexibility but would propose a limit of £10 rather than £5. We would also call for standalone fire and rescue authorities to be given the £5 flexibility as was the case in 2023/24.

- We have always maintained that the council tax referendum limit should be abolished so councils and their communities can decide, when the time is right, how local services are paid for, with residents able to democratically hold their council to account through the ballot box.

### **Revenue Support Grant**

The Government is not proposing to change the distribution of Revenue Support Grant (RSG) from that used in 2023/24. The Government proposes to increase 2023/24 RSG levels in line with change between September 2022 and September 2023 [Consumer Price Index](#) (6.7 per cent). This is before accounting for rolled in grants.

The Government will continue to eliminate 'negative RSG'.

The Government 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.

The Government remains committed to improving the local government finance system more broadly in the next Parliament. This will include consideration of how they can go further to simplify and reduce the administrative burden of the funding landscape.

### **LGA view:**

- We welcome the increase in Revenue Support Grant in line with the Consumer Price Index.
- We will be reviewing the implications of the consolidation of the Home Office's Fire and Pensions Grant.

### **Business rates and business rates retention**

As announced in the 2023 Autumn Statement, the small business rates multiplier will be frozen for 2024/25 at 49.9p. The standard business multiplier will rise by CPI to 54.6p. The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2023 Consumer Prices Index (CPI), meaning that, taken together, the increase in the Baseline Funding Level (BFL) and the multiplier under-indexation grant for 2024/25 provide an increase of 6.7 per cent.

Areas currently on 100 per cent business rates retention arrangements will continue in 2024/25, with Greater Manchester Combined Authority and West Midlands Combined Authority moving onto new 10-year trailblazer arrangements. The Greater London Authority will also continue to benefit from increased levels of business rates retention in 2024/25. The Government will

review enhanced 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.

The business rates revaluation took effect from 1 April 2023, as well as a transfer of some properties from local lists to the central list. The [Government consulted](#) last year on a methodology to make these adjustments for the 2023 revaluation. The year 2 adjustment has been made. A calculator has been provided alongside this consultation for local authorities to see how the adjustment to their tariff or top-up for 2024/25 has been calculated. Councils will also be compensated for their losses from the transferral of properties to the central list.

The Government has [responded](#) to the recent consultation on changes to the way baseline funding levels, top-ups and tariffs are updated, as well as how to continue calculating compensation for lower than consumer price index increases to the small and standard business rates multipliers. The response confirms that the Government will go ahead with the changes and outlines how they will deal with the need to collect more granular data. The Autumn Statement on 22 November confirmed that new burdens funding will be paid to billing authorities to acknowledge the additional administrative and IT costs associated with these changes.

DLUHC is consulting on 24 business rates pools.

#### **LGA view:**

- We welcome the fact that local government will be fully compensated for the freezing of the small business rates multiplier in 2024/25. However, freezing the multiplier reduces buoyancy in the business rates system, and without alternative means of funding or compensation, council income would reduce in the medium term.
- We also welcome the fact that the Government has announced that they will pay New Burdens Funding to deal with the consequences of increasing the standard business rates multiplier whilst freezing the small business rates multiplier.

#### **Social care**

The Government has confirmed the following grants for social care in the 2024/25 settlement:

- The Social Care Grant will be £4.5 billion in 2024/25, an increase of £692 million. The Social Care Grant can be used on either adult or children's social care services. The Government will continue to equalise against the adult social care precept.
- £2.14 billion through the Improved Better Care Fund. This is the same quantum as 2023/24. The distribution is also unchanged.

- An additional £200 million will be distributed in 2024/25 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.
- £1.05 billion in 2024/25 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).

### **LGA view:**

- Whilst the investment made at Autumn Statement 2022 was very welcome, it is disappointing and concerning that the 2024/25 Local Government Finance Settlement provides no new investment for adult social care beyond that. People who draw on care and support will be understandably worried about the continuing impact of significant pressures on the service. Waiting lists for care assessments or the provision of support remain stubbornly high; serious recruitment and retention challenges continue to beset the workforce; unmet and under-met need remains; instability continues to characterise the provider sector; and directors of adult social services remain worried that their budgets are insufficient to meet all of their statutory duties.
- We also continue to call for a long-term workforce plan for adult social care equivalent to that for the NHS. Councils commission the majority of direct adult social care from external providers. Pressures on the frontline care workforce are acute and challenges around recruitment and retention are well-known. Increases in the National Living Wage (NLW) are therefore welcome, but providers will likely expect to see their increased wage costs reflected in the fees councils pay. This will pose a significant additional pressure on adult social care budgets, which are already considered by many directors to be insufficient to meet all statutory duties.
- With record numbers of children needing support, councils – alongside [charities and campaigners](#) – are united on the urgent need for funding to ensure all children and their families get the support they need, as soon as they need it. Additional funding is urgently needed to stabilise the children's social care system before it is pushed to the brink. The lack of investment in the 2023 Autumn Statement, and the 2024/25 local government finance settlement, risks councils' ability to provide the critical care and support that children rely on every day, and risks diverting essential funding from other council services.
- Recent [LGA research](#) highlighted a sharp increase in the number of placements for children in care that cost more than £10,000 per week. Work to increase transparency around the costs of residential placements for children is therefore welcome, and we continue to discuss with the Department for Education options to expand placement capacity to ensure

that every child lives in a loving home that meets their needs.

### **Services Grant**

The Services Grant will decrease from its 2023/24 level of £483.3 million to £76.9 million for 2024/25. This will be distributed through the Settlement Funding Assessment, in the same way as in 2023/24.

The Government has held a small proportion of the Services Grant back as contingency to cover unexpected movements between the provisional and final settlement.

#### **LGA view:**

- The un-ringfenced Services Grant will provide vital resources for local authority services. There will be some concern in the sector that it has significantly reduced from its 2023/24 level and consideration should be given to the impact of this reduction on individual councils.

### **New Homes Bonus**

Core spending power includes a provisional amount of £291.4 million for the New Homes Bonus (NHB) in 2024/25, compared with £291.3 million in 2023/24. The method for calculating the NHB will not change from 2023/24 and new payments will not attract legacy payments. The threshold over which the bonus is paid remains at 0.4 per cent.

#### **LGA view:**

- The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities. Councils need clarity on the future of the NHB following a consultation in 2021. Any changes should come with transitional funding to ensure that local authority services that residents rely on are not put at risk.

### **Funding Guarantee**

The Government has announced that as in 2023/24 it will pay a Funding Guarantee 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. The Funding Guarantee will be funded through the Services Grant.

For eligible authorities, the value of the Funding Guarantee will be the difference between a 3% increase in their 2023/24 Core Spending Power, and their actual increase in Core Spending Power in 2024/25 before any increases to council tax levels. The increase in Core Spending Power used for this calculation excludes any newly rolled-in grants but includes growth in the



council tax base as calculated in the normal way, increases in Baseline Funding Levels and growth in compensation for under-indexing the multipliers. The Funding Guarantee total for 2024/25 is £196.5 million, compared with £133.3 million in 2023/24.

#### **LGA View:**

- Councils receiving this funding will welcome the protection this guarantee offers although this is well below the level of CPI inflation which is currently 6.7 per cent. The majority of councils receiving the funding guarantee are shire district councils and this emphasises the need for them to have access to the additional funding which a higher of 3 per cent and £10 council tax referendum limit would bring.

#### **Rural Services Funding**

The Government proposes to roll-forward the 2023/24 allocations of the £95 million Rural Service Delivery Grant for 2024/25.

#### **LGA view:**

- Councils in rural areas will welcome the continuation of this funding even though it is a real-terms reduction.

#### **Reform**

In the [Local government finance policy statement 2024 to 2025](#) published on 5 December 2023 the Government stated that it remains committed to improving the local government finance landscape in the next Parliament and that at the 2023/24 Settlement, they heard calls from the sector for stability. They say that 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.

#### **LGA view:**

- The Government should commit to the Fair Funding Review, reviewing both the formulas and the underlying data used for the assessment of relative needs and resources. Transitional mechanisms attached to the outcome of the review should provide sufficient funding to ensure that no council experiences a loss of income. There should also be transitional arrangements for any business rates reset.

#### **Reserves and other areas**

The Government notes that whilst local authority reserves are falling, they remain significantly higher than prior to the pandemic. The Government

continues to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of pressures.

The Government has extended the flexibility to use capital receipts, to fund the revenue costs of reducing costs and improving efficiency, to March 2030. It has also committed to engage with the sector to explore additional capital flexibility options to enable invest-to-save and transformation initiatives.

The Government says that 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. The Government states that where councils need additional support, they should take every possible step to minimise the need for that support to be funded by national taxpayers, while also recognising the cost-of-living pressures on families. As part of that process, the Government will consider representations from councils, including on council tax provision.

#### **LGA view:**

- Councils hold reserves for a reason. Earmarked reserves are held so they can plan for the future and deal with known risks; unallocated reserves so that councils can respond to immediate events and emergencies. Reserves can only be spent once and using reserves is not a solution to the long-term financial pressures that councils face.
- The extension of the flexible use of capital receipts scheme for an additional four years up until March 2030 is welcome. We continue to call on the Government to make the arrangement permanent. We look forward to discussing proposals for additional capital flexibility options with the Government.
- The Exceptional Financial Support that has been offered has been either an increased council tax referendum limit, or a capitalisation direction. The latter enables revenue costs to be spread over more than one year by being funded by borrowing or by capital receipts. Both of these will be funded by the local taxpayer.

#### **Four day working week' practice and equivalent arrangements**

The Government is issuing a data collection, to run alongside the consultation period, to determine which local authorities' current or proposed operations for 2024/25 fall within the definition of the 'four day working week'. The Government has said it is considering which financial levers could be used in future settlements to disincentivise local authorities from operating a 'four day working week' (or equivalent arrangements of part time work for full time pay) and want to seek the views of the sector about how this could be affected and what impact it would have.

## **LGA view:**

- More than nine in 10 councils are experiencing staff recruitment and retention difficulties across a diverse range of skills, professions and occupations. It is councils who know what works best for their community, workforce and in their wider labour market conditions. They should be free to pilot innovative solutions to address local challenges and deliver crucial services to their residents without being penalised financially. Local voters should be the ones making a judgement on whether local council leaders have made good choices and delivered value for local taxpayers.

## **Education and early years**

The Department for Education has announced that [High needs funding is increasing by £440 million, or 4.3 per cent, in 2024/25](#). The high needs national funding formula (NFF) will ensure that every council receives at least a 3 per cent increase per head of their 2-18 population, with the majority of councils seeing gains of more than 3 per cent.

The Department has also announced that [funding through the mainstream schools NFF is increasing by 1.9 per cent per pupil in 2024/25](#).

To support the early years education and childcare expansion, the Department for Education has recently announced [the hourly funding rates for the funding of early education entitlements](#) for each local authority. There has also [been grant funding](#) announced to support local authority early education teams with the expansion. In a [response](#) to a consultation on the expansion, the Government has highlighted that all entitlement formulae and additional funding streams will be extended to all children under the entitlements.

The Department for Levelling Up, Housing and Communities announced, as part of the [local government policy statement 2024 to 2025](#), the statutory override for the Dedicated Schools Grant will continue up to the 31<sup>st</sup> March 2026.

## **LGA view**

- While we welcome the previously announced additional £440 million, or 4.3 per cent increase in council high needs funding for 2024/25, this does not go far enough in helping councils support all children and young people with SEND, when demand for Education, Health and Care Plans (EHCPs) continues to rise year-on-year. A total of 517,000 children and young people currently have an EHCP, an increase of 9 per cent in the last year alone.
- Many schools have been raising concerns about their financial stability with councils. Schools are facing increased costs from fuel, energy and food for school meals, alongside the need to fund agreed staff pay rises, and support a growing number of pupils experiencing disadvantage. We are therefore concerned that the 1.9 per cent increase in per pupil funding for 2024/25 does not go far enough in addressing the funding challenges that schools are currently facing. The [Institute of Fiscal Studies' annual](#)

[education spending](#) report, published on the 11 December, estimates that the core schools budget of £58.6 billion for 2024/25, while reversing past reductions, will only return per-pupil school spending to 2010 levels, based on standard measures of economy-wide inflation.

- Education starts long before school and a strong early years sector can maximise the life chances of all children as part of our shared ambition with Government to level-up communities and reduce inequalities across the country. The recent funding announcements are welcomed but this is based on a historic underfunding of early years entitlements leading to a volatile early years system with providers leaving the market and parents without access to provision. It is not yet clear if the funding rates announced will be sufficient to reverse this. Furthermore, local authority early years teams are under significant pressures and despite some grant funding, have raised concerns about their capacity to support the market alongside limited tools and levers.
- Confirmation that the Statutory Override for the Dedicated Schools Grant will continue until 31<sup>st</sup> March 2026 provides councils with some breathing space regarding high needs deficits, but we are concerned that the lack of certainty beyond 2026 will increasingly impact on council's medium term financial strategies. We therefore continue to call for the Government to write off all high needs deficits as a matter of urgency to provide certainty and ensure that councils are not faced with having to cut other services to balance budgets through no fault of their own or their residents.

## **Public health**

Indicative allocations for the Public Health Grant in 2024/25 were [published in March 2023](#) and will increase to £3.575 billion. No further detail was provided within the provisional Local Government Finance Settlement today.

The Government has previously stated that 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. They are also providing a further £70 million per year from 2024/25 to support local authority-led efforts to stop smoking. According to the Government, this total funding package will deliver a real terms increase of more than 7 per cent in DHSC investment in local authority public health functions over the 2 years 2023/24 and 2024/25.

### **LGA view:**

- The LGA has long been calling for councils to have earlier clarity about their public health funding. It is good the Government has published the indicative grant allocations earlier, this will help councils plan investment in vital sexual health, addiction treatment, health visiting and school nursing services for the year ahead. However, councils still await announcement of their final Public Health Grant allocations.
- Public health teams have faced an unprecedented period of funding and demand pressures and continue to face significant pressures and

challenges. Sufficient ongoing funding is needed to ensure all local authorities can continue to meet their statutory public health responsibilities.

- Local authority public health interventions funded by the grant provide excellent value for money. However, we are concerned about the piecemeal nature of some of this. Although one-off pots of funding are helpful in the short-term, long-term clarity is needed if councils are to truly improve health outcomes in their communities.
- Services such as local sexual health clinics have seen record demand coupled with staffing shortages. At a time when NHS and social care pressures are greater than ever, vital sexual health, drug, alcohol and health visiting services cannot keep living a hand to mouth existence with insufficient resources to meet this demand.
- A coordinated Government wide strategy is required to improve the nation's health together with a commitment to funding public health properly.

### **Fire Funding**

As set out above, Fire and Rescue Authorities (FRAs) will be able to raise their precept by up to 3 per cent in 2024/25.

Fire authorities will also receive an increase in their business rates funding baseline and revenue support grant in line with inflation, including compensation for under-indexing the business rates multiplier and will be entitled to the Funding Guarantee.

The Government 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.

### **LGA view:**

- The referendum limit of 3 per cent is below the £5 given to standalone fire and rescue authorities in 2023/24. This will come as a disappointment. We call for standalone fire and rescue authorities to be given the £5 flexibility as was the case in 2023/24.
- Fire and rescue services need to be funded to take account of the full range of risks, demands and cost pressures they face. The sector also needs to be funded properly in order to engage in meaningful reform and transformation.
- We will be reviewing the implications of the consolidation of the Home Office's Fire and Pensions Grant. The outcomes of the cases on discriminatory practices in the fire fighters pension scheme will have implications for the pension administrative costs and employer contributions to be made by FRAs. Unless these additional cost pressures are funded by Government, they will have a significant impact on FRA budgets in 2024/25

and beyond.

### **Police Funding**

The [Provisional Police Grant Report 2024/25](#) was published by the Home Office on 14 December 2023. Overall funding for policing will rise by up to £922 million compared to the 2023/24 funding settlement (assuming police and crime commissioners raise council tax by the maximum permitted by the referendum principle of £13). This brings the total up to £18.4 billion for the policing system. Over £200 million will go into Government priority projects like funding Violence Reduction Units, tackling county lines and boosting hotspot policing of anti-social behaviour.

### **Further Information**

To help inform the LGA's response to the consultation settlement we will continue to analyse the settlement to develop a deeper understanding of the effect on councils. To further inform the LGA's response please send your responses to, and any comments on, the settlement to [lgfinance@local.gov.uk](mailto:lgfinance@local.gov.uk).

For further information on the content of this briefing please contact Mike Heiser, Senior Adviser (Finance) ([mike.heiser@local.gov.uk](mailto:mike.heiser@local.gov.uk) / 020 7664 3265) and Arian Nemati, Public Affairs and Campaigns Adviser ([arian.nemati@local.gov.uk](mailto:arian.nemati@local.gov.uk) / 07799 038403).

<b>Annex A: Core Spending Power</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Settlement Funding Assessment</b>	<b>21,249.9</b>	<b>18,601.7</b>	<b>16,632.6</b>	<b>15,574.2</b>	<b>14,559.6</b>	<b>14,796.9</b>	<b>14,809.7</b>	<b>14,882.2</b>	<b>15,671.1</b>	<b>16,562.7</b>
<b>Compensation for under-indexing the business rates multiplier</b>	<b>165.1</b>	<b>165.1</b>	<b>175.0</b>	<b>275.0</b>	<b>400.0</b>	<b>500.0</b>	<b>650.0</b>	<b>1,275.1</b>	<b>2,204.6</b>	<b>2,581.3</b>
<b>Improved Better Care Fund</b>	<b>0.0</b>	<b>0.0</b>	<b>1,115.0</b>	<b>1,499.0</b>	<b>1,837.0</b>	<b>2,077.0</b>	<b>2,077.0</b>	<b>2,139.8</b>	<b>2,139.8</b>	<b>2,139.8</b>
<b>Rural Services Delivery Grant</b>	<b>15.5</b>	<b>80.5</b>	<b>65.0</b>	<b>81.0</b>	<b>81.0</b>	<b>81.0</b>	<b>85.0</b>	<b>85.0</b>	<b>95.0</b>	<b>95.0</b>
<b>Transition Grant</b>	<b>0.0</b>	<b>150.0</b>	<b>150.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Adult Social Care Support Grant</b>	<b>0.0</b>	<b>0.0</b>	<b>241.1</b>	<b>150.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New Homes Bonus</b>	<b>1,167.6</b>	<b>1,461.9</b>	<b>1,227.4</b>	<b>947.5</b>	<b>917.9</b>	<b>907.2</b>	<b>622.3</b>	<b>556.0</b>	<b>291.3</b>	<b>291.4</b>
<b>New Homes Bonus - returned funding</b>	<b>32.4</b>	<b>23.1</b>	<b>24.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Winter pressures Grant</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>240.0</b>	<b>240.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Social Care Support Grant</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>410.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Social Care Grant</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,410.0</b>	<b>1,710.0</b>	<b>2,346.4</b>	<b>3,852.0</b>	<b>4,544.0</b>
<b>Market Sustainability and Fair Cost of Care Fund</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>162.0</b>	<b>0.0</b>	<b>0.0</b>
<b>ASC Market Sustainability and Improvement Fund</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>562.0</b>	<b>1,050.0</b>
<b>Lower Tier Services Grant</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>111.0</b>	<b>111.0</b>	<b>0.0</b>	<b>0.0</b>
<b>ASC Discharge Fund</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>300.0</b>	<b>500.0</b>
<b>Services Grant</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>822.0</b>	<b>483.3</b>	<b>76.9</b>
<b>Grants Rolled In</b>	<b>209.2</b>	<b>256.5</b>	<b>247.5</b>	<b>238.8</b>	<b>335.8</b>	<b>338.0</b>	<b>345.1</b>	<b>345.4</b>	<b>480.0</b>	<b>0.0</b>
<b>Funding Guarantee</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>133.3</b>	<b>196.5</b>
<b>Council Tax Requirement</b>	<b>22,035.9</b>	<b>23,247.3</b>	<b>24,665.8</b>	<b>26,331.6</b>	<b>27,767.8</b>	<b>29,226.9</b>	<b>30,308.2</b>	<b>31,922.5</b>	<b>33,984.3</b>	<b>36,062.2</b>
<b>Core Spending Power</b>	<b>44,875.7</b>	<b>43,986.1</b>	<b>44,544.0</b>	<b>45,337.1</b>	<b>46,549.1</b>	<b>49,337.0</b>	<b>50,718.3</b>	<b>54,647.4</b>	<b>60,196.7</b>	<b>64,099.8</b>
<i>Year-on-year Change (£ million)</i>		<i>-889.6</i>	<i>557.9</i>	<i>793.1</i>	<i>1,212.0</i>	<i>2,787.9</i>	<i>1,381.3</i>	<i>3,929.1</i>	<i>5,549.3</i>	<i>3,903.0</i>
<i>Year-on-year Change (%)</i>		<i>-2.0%</i>	<i>1.3%</i>	<i>1.8%</i>	<i>2.7%</i>	<i>6.0%</i>	<i>2.8%</i>	<i>7.7%</i>	<i>10.2%</i>	<i>6.5%</i>

Source: [Core Spending Power Supporting Information](#)

## **Notes**

- The figures presented in Core Spending Power (CSP) do not reflect the changes to Settlement Funding Assessment made for authorities with increased Business Rate Retention arrangements.
- From 2020/21, Winter Pressures Grant allocations were rolled into the Improved Better Care Fund, and no longer ringfenced for alleviating winter pressures.
- From 2020/21, Social Care Support Grant allocations were rolled into the Social Care Grant.
- From 2023/24, Market Sustainability and Fair Cost of Care Fund allocations were rolled into the Adult Social Care Market Sustainability and Improvement Fund.
- CSP total figures may not sum to those published due to rounding.
- The Services Grant allocation for the Isle of Wight council includes an additional £1 million that was allocated to the council for 2022/23, 2023/24 and 2024/25 in recognition of the unique circumstances facing the Isle of Wight and its physical separation from the mainland. This funding is reviewed each year as part of the local government finance settlement.
- Grants rolled in includes the £115 million allocation of Fire Pension Grant for the years 2019/20 to 2023/24; Fire Pensions Grant allocations are included in Settlement Funding Assessment for 2024/25. Grants rolled in includes the £365 million allocation of Market Sustainability and Improvement Fund Workforce Fund for the year 2023/24; this is included in Adult Social Care Market Sustainability and Improvement Fund for 2024/25. Also included in this row are grants rolled in at previous settlements: the Family Annexe Council Tax Discount grant, Local Council Tax Support Administration Subsidy grant, the Independent Living Fund.
- Council Tax calculations for 2024/25 do not take into account the additional flexibilities granted by the Department to councils in extreme financial circumstances. These additional flexibilities have been granted in very specific circumstances by the Secretary of State, where the scale of the issues facing the councils is exceptional.



## **Annex B – Glossary of Local Government Finance Technical Terms**

<b>Adult Social Care Discharge Grant</b>	A grant for 2024/25 to facilitate reduced delays in discharges from hospital. The funding will be required to be pooled as part of the Better Care Fund and will be paid out using the existing Improved Better Care Fund grant shares.
<b>Adult Social Care Market Sustainability and Improvement Fund</b>	A grant ring-fenced for adult social care to support capacity and discharge. It is allocated using the adult social care relative needs formula.
<b>Adult Social Care Precept</b>	Local authorities with responsibility for adult social care have flexibility to raise additional council tax above the referendum threshold. Funding raised through this additional ‘precept’ must be used entirely for adult social care.
<b>Affordable Homes Premium</b>	As part of the New Homes Bonus, affordable homes delivered in an area attract an additional £350 per unit on top of the standard Bonus grant.
<b>Area Cost Adjustment (ACA)</b>	A factor to reflect the differences in service cost delivery in different areas. The current ACA reflects differences in wages (the ‘Labour Cost Adjustment’) and differences in rateable values (the ‘Rates Cost Adjustment’) between local authorities across the country.
<b>Baseline Funding Level</b>	The amount of an individual local authority’s 2013/14 Settlement Funding Assessment provided through the local share of retained business rates income, updated for inflation
<b>Better Care Fund (BCF)</b>	A single pooled budget for health and social care services, based on a plan agreed between the NHS and local authorities.
<b>Business rates baseline</b>	The business rates baseline for each authority determined at the start of the 50 per cent business rates retention scheme in 2013/14, uprated in line with the small business rates multiplier each year.
<b>Business rates baseline funding level (BFL)</b>	The amount of the settlement funding assessment (SFA) provided through the local share of business rates.
<b>Business rates pool</b>	Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates. Top-ups and tariffs, as well as levies and safety nets are calculated at a pool-wide level. Pools have to be approved by DLUHC annually and are set out in the Local Government Finance Report.
<b>Business rates revaluation</b>	A regular exercise by the Valuation Office Agency, to reassess the rateable value of individual non-domestic hereditaments. The results are used to set new business rates bills. A revaluation on the basis of April 2021 values came into effect in April 2023. The next revaluation will be in April 2026.
<b>Central Share</b>	The percentage share of locally collected business rates paid to central government by billing authorities. In 2013/14 when business rates retention began this was set at 50 per cent. The central share is redistributed to local government through grants including the Revenue Support Grant.

<b>Core Spending Power</b>	The government's measure of the core components of local government funding, comprising the Settlement Funding Assessment, assumed income from council tax (including the adult social care precept), New Homes Bonus, Rural Services Delivery Grant, grants for social care and the funding guarantee.
<b>Council Tax referendum principles</b>	These mark levels of council tax increases above which a local authority must hold a referendum which allows residents to approve or veto the increase. The comparison is made between the authority's average Band D council tax level for the current financial year and the proposed average Band D for the next financial year.
<b>Dedicated Schools Grant</b>	The Dedicated Schools Grant is the principal source of funding for schools and related activities in England. It is a ringfenced grant paid to local authorities for maintained schools. School-level allocations are currently determined in consultation with the schools forum in each local authority area. From April 2017 has also included the 'retained duties' element previously paid as part of the Education Services Grant
<b>Devolution Deals</b>	Devolution Deals were introduced in 2014 and are a bespoke arrangement tailored to certain local authorities. They give local government greater powers and more autonomy over budgeting
<b>Equalisation of the Adult Social Care precept</b>	The process through which a proportion of Social Care Grant funding is used to take account of the impact of the distribution of the Adult Social Care council tax precept.
<b>Estimated Business Rates Aggregate</b>	The total business rates forecast at the outset of the Business Rates Retention system to be collected by all billing authorities in England in 2013/14, used to calculate baseline funding levels and business rates baselines in 2013/14.
<b>Funding Guarantee</b>	This is a grant for 2024/25 that ensures all councils have a minimum 3 per cent increase in Core Spending Power before any decisions about efficiencies, use of reserves and increasing the level of council tax.
<b>Improved Better Care Fund (iBCF)</b>	Additional funding for adult social care authorities from 2017/18 onwards that has to be included within the Better Care Fund plans.
<b>Levy</b>	A mechanism whereby any business rates retention gain above a certain level is paid to the Government. The levy rate cannot exceed 50 per cent of business rate retention gains.
<b>Levy account</b>	A Government account into which proceeds from the business rates levy, and any top-slice, are paid and which is used to pay safety net to qualifying authorities. Any surplus is to be returned to authorities.
<b>Local Share</b>	The percentage share of locally collected business rates retained by local government. This was set at 50 per cent at the implementation of business rates retention.

<b>(Business Rates) Multiplier</b>	The business rates multiplier when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. Unless the Government decides to set a lower increase, these multipliers are updated annually by the Consumer Prices Index.
<b>Negative Revenue Support Grant (RSG)</b>	A downward adjustment of a local authority's business rates top-up or tariff resulting in no revenue support grant and a reduction in the business rates baseline funding level. This occurs as a consequence of changes to the distribution methodology adopted at the 2016/17 settlement.
<b>New Homes Bonus (NHB)</b>	A grant paid to reward local authorities for the number of homes built and brought back into use. The level of funding for an area reflects additional housing supply in that area. For 2024/25 this will be paid for one year only.
<b>Precept</b>	A council tax charge from local authorities which do not issue bills themselves. These include county councils, police and crime commissioners, fire and rescue authorities, the Greater London Authority, combined authority mayors, and town and parish councils. Billing authorities – usually shire district councils or unitary authorities – collect council tax on behalf of precepting authorities and pass the proceeds to them.
<b>Referendum Threshold</b>	A referendum threshold is an amount set by Central Government by which local authorities can increase council tax without needing to hold a referendum to seek approval from residents on the increase.
<b>Relative Needs Formula (RNF)</b>	A relative needs formula provides a way of assessing the relative need for a particular service or set of services across different local authorities. Relative Needs Formulas are used to estimate the relative funding requirement for each local authority in England and incorporate factors such as demography and deprivation.
<b>Revenue Support Grant</b>	A grant paid to local authorities as part of the Settlement Funding assessment (see below) which can be used to fund revenue expenditure on any service.
<b>Rural Services Delivery Grant</b>	A grant paid to the top quartile of local authorities on the basis of the super-sparsity indicator, in recognition of possible additional costs for rural councils.
<b>Safety Net</b>	A mechanism to protect any authority which sees its business rates income drop, in any year, by more than a given level below their baseline funding level. In 2024/25 this level is set at 7.5 per cent for authorities with 50 per cent business rates retention and 3 per cent for authorities with 100 per cent business rates retention.
<b>Section 31 Grant</b>	A grant paid to local councils under Section 31 of the Local Government Act 2003, under such conditions as the minister may determine. This

	mechanism is used to compensate local authorities for the costs of additional business rates reliefs announced by Government.
<b>Services Grant</b>	An unringfenced grant distributed using local authority shares of 2013/14 Settlement Funding Assessment, adjusted for local authority restructuring where necessary.
<b>Settlement Funding Assessment (SFA)</b>	This is a local authority's share of the local government spending control total which will comprise its Revenue Support Grant for the year in question and its baseline funding level.
<b>Small Business Rate Relief</b>	Businesses with a property with a rateable value of £12,000 and below receive 100 per cent relief on business rates. Businesses with a property with a rateable value between £12,000 and £15,000 receive tapered relief.
<b>Social Care Support Grant</b>	A non-ringfenced grant for adult and children's social care services.
<b>Top-Ups and Tariffs</b>	The difference between an authority's business rates baseline (the amount expected to be collected through the local share of business rates) and its baseline funding level (the amount of SFA provided through the local share). Tariff authorities make a payment and top-up authorities receive a payment. Tariffs and top-ups are uprated in line with the small business rates multiplier each year. After a revaluation they are recalculated so that authorities do not have gains or losses solely due to business rates revaluation.
<b>Under-indexing grant</b>	A grant provided by the Department of Levelling Up Housing and Communities (DLUHC) to compensate councils for the impact of the Government's decisions to increase the business rates multiplier by lower than the Consumer Price Index (the Retail Prices Index before 2023/24) (so-called 'underindexing'). This is intended to make sure that councils do not experience funding reductions as a result of this policy.