

# Local Government Association

## Provisional Local Government Finance Settlement 2022/23

### On the Day Briefing

16 December 2021



## 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 2022/23. We expect the final 2022/23 settlement to be laid before the House of Commons, for its approval, in late January or early February 2022.

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

## Key messages

- It is good that the Government has listened to our calls to publish the Provisional Local Government Finance Settlement for 2022/23 ahead of the Christmas period. It has provided a potential increase of 6.9 per cent in council core spending power in cash terms, including new government grants, to support vital local services. The potential increase will support councils to meet extra cost and demand-led pressures next year to keep providing services at pre-pandemic levels.
- However, these Government forecasts are based on the assumption that every local authority 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.
- 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 in need of reform. Increasing council tax raises different amounts of money in different parts of the country, unrelated to need.
- Steadily growing demand has seen councils with responsibility for children's and adult's social care devoting nearly two-thirds of their total spending to these services. While the additional funding these services is good, it will not go far enough in addressing the very real existing pressures these vital services face.
- 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 New Homes Bonus to be able to plan their budgets beyond next year and into the medium term. Any changes should come

# Briefing

Laura Johnson, Public Affairs and Campaigns Adviser  
Email: [laura.johnson@local.gov.uk](mailto:laura.johnson@local.gov.uk)  
Tel 07921604235 / [www.local.gov.uk](http://www.local.gov.uk)

with transitional funding to ensure that local authority services that residents rely on are not put at risk.

- With the spread of Omicron, COVID-19 pressures are intensifying and costs are rising, underlining the urgency for government to extend outbreak funding for councils beyond March, to tackle rising cases and meet a surge in demand for local contact tracing.
- The public health grant also needs to be published as soon as possible, so councils know how much they can budget for essential services to help keep people healthy throughout their lives, including for treating drug misuse and tackling obesity.
- The Government should now provide clarity on which local government funding reforms will happen and when. It needs to push ahead with the Fair Funding Review, including looking both at the data and the formulas used to distribute funding. We look forward to resuming our work with Government on the Review to ensure overall local government funding is sufficient when any funding distribution changes are introduced and that no council sees its funding reduce as a result.
- While funding reforms make it difficult for a government to set out a multi-year settlement for local government, this is the fourth on-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.
- We will continue to promote the role all councils play in making a huge difference to the lives of our residents and communities. We will be continuing to campaign for local services to be provided with a long-term, sustainable future which gives councils clarity and certainty over their funding. This will allow local government to play our full part as we improve outcomes and value for money in public services, rebuild our economy, get people back to work, level up inequalities some face and create new hope in our communities.

### *Summary of Council Tax Referendum Principles*

The following Band D council tax referendum principles were announced:

- a core principle of up to 2 per cent applying to shire county councils, unitary authorities, London boroughs, and the Greater London Authority (GLA) and fire and rescue authorities.
- up to 2 per cent or £5, whichever is higher, for shire district councils
- a continuation of the Adult Social Care precept, with an additional 1 per cent flexibility available for social care authorities on top of the core principle.

- Those social care authorities which did not use the entirety of the 3 per cent adult social care precept in 2021/22 can use the unused flexibility in 2022/23.
- a £5 referendum principle for the 8 lowest-charging fire and rescue authorities.
- A maximum of £10 for Police and Crime Commissioners including the police element of the GLA.
- no referendum principle for Mayoral Combined Authorities or town and parish councils.

## **The settlement in detail**

The Department for Levelling Up, Housing and Communities (DLUHC) has announced the [provisional local government finance settlement for 2022/23](#).

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.

Today's statement is broadly in line with the indicative figures for 2022/23 announced in the [2021 Autumn Budget and Spending Review](#) in October 2021.

**The closing date for responses to the [consultation document](#) to DLUHC is 13 January 2022.** We expect the final settlement to be published in late January / early February 2022.

The 2022 [Virtual Annual Local Government Finance Conference](#) will take place online on 13 January 2022 and will provide further analysis of the settlement. This webinar provides the opportunity to raise questions with senior experts from the sector. We will explore the outcome of the 2021 Spending Review, the 2022/23 provisional local government finance settlement, as well as consider what next for local government finance reform.

## **Core Spending Power**

The Government figures indicate that Core Spending Power will rise by an average 6.9 per cent in 2022/23 in cash terms. These Government forecasts are on the assumption that every local authority will raise their council tax by the maximum permitted without a referendum.

Core Spending Power in 2022/23 consists of:

- Settlement Funding Assessment (which consists of Revenue Support Grant, and the baseline funding level);
- A new one-off Services Grant for 2022/23
- Compensation for under-indexing the business rates multiplier;
- Income from the New Homes Bonus;
- The Social Care Grant for 2022/23;
- The new Market Sustainability and Fair Cost of Care Fund;

- Improved Better Care Fund;
- The Lower Tier Services Grant;
- Rural Services Delivery Grant;
- Income from council tax assuming that the tax base grows, and councils increase council tax by the maximum possible.

Detailed Core Spending Power figures are included in Annex A.

#### **LGA view:**

- It is good that the Settlement has provided a potential increase of 6.9 per cent in council core spending power, including new government grant, to support vital local services.
- However, this assumes that council tax bills will rise by a maximum 3 per cent next year, including 1 per cent for social care authorities, next year, and this continue will place a significant financial burden on households in a year of economic uncertainty as they recover from the COVID-19 pandemic.

#### **Revenue Support Grant**

The Government is not proposing to change the distribution of RSG from that used in 2021/22. Instead, the Government proposes to increase 2021/22 RSG levels in line with the September 2020 to September 2021 change in the Consumer Price Index (CPI) ([3.1 per cent](#)). On top of this, it will roll in two New Burdens grants into RSG; the Electoral Registration grant worth £1.2 million per year and the Financial Transparency of Local Authority Maintained Schools grant, worth £0.8 million per year. This will be distributed on the basis of the 2013/14 shares of Settlement Funding.

#### **LGA view:**

- We welcome the increase in Revenue Support Grant.
- We note the decision to roll in grants using 2013/14 settlement funding shares. Authorities with those responsibilities will want to ensure that the funding goes to correct tier.

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

When the Business Rates Retention scheme was introduced in 2013/14, the government committed that Baseline Funding Levels (BFLs) and Business Rates Baselines, which are used to determine tariffs and top-ups, would be fixed in real terms until the system was reset. The government therefore proposes not to alter the existing mechanism for determining tariff and top-up payments in 2022/23.

As announced in the 2021 Spending Review, the business rates multiplier will

be frozen for 2022/23. It will remain at 49.9p (small business multiplier) and 51.2p (national business multiplier). In 2022/23, the government plans to freeze BFLs at their 2021/22 levels for all authorities except authorities with increased Business Rates Retention arrangements. BFLs for authorities with increased Business Rates Retention arrangements will be the sum of their 2021/22 BFL and the value of the grant(s) that these authorities will forgo in 2022/23.

The consultation document notes that councils will be compensated for the freeze up to RPI as in previous years but in the provisional settlement CPI is used. The figures in core spending power will be updated at the final settlement to be based on RPI. We estimate compensation up to RPI to be worth around an extra £275 million in core spending power on top of current figures.

2021/22 BFLs included the elimination of so-called 'negative RSG' and this will continue in 2022/23.

Local authorities in 100 per cent business rates retention Devolution Deal areas (Greater Manchester, Liverpool City Region, Cornwall Council, the Combined Authorities of the West of England and the West Midlands) and the Greater London Authority will continue to receive increased levels of business rates retention in 2022/23.

DLUHC is consulting on 27 business rates pools.

#### **LGA view:**

- In our [response to the Call for Evidence for the Business Rates Review](#), we stated that although property continues to provide a good basis for a local tax on business, we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead or as well as a reformed business rates system. We will be replying to the current [consultation on technical reforms to the business rates system](#) and look forward to replying to the consultation on the online sales tax when it is published.
- We welcome the fact that local government will be fully compensated for the freezing of the business rates multiplier in 2022/23. 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 look forward to the government confirming at the final settlement that the under-indexation compensation will be updated to be in line with RPI.

#### **Funding distribution updates**

The Government has stated its commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources, and notes that the data has not been updated for a number of years. It has announced that it will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector

before consulting on any potential changes. This includes options to support local authorities through transitional protection – the one off 2022/23 Services Grant will be excluded from potential transitional protections.

### **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.
- As a first step, the Government needs to review progress it made prior to the pausing of this work to ensure that it is still fit for purpose, or flexible enough to deal with shifts in available data and council service models as a result of COVID-19.
- We welcome the Government's intention to engage with the sector, and consult, on potential future changes to the system. This process should be as open and transparent as possible.
- Transitional mechanisms attached to the outcome of the review should provide sufficient funding to ensure that no council experiences a loss of income.

### **Council tax**

A core referendum principle of up to 2 per cent will apply to shire county councils, unitary authorities, London boroughs, and the Greater London Authority (GLA) and fire and rescue authorities.

Shire districts will have a referendum principle of up to 2 per cent or £5, whichever is higher.

As previously announced, social care authorities will be able to levy a 1 per cent adult social care precept (in addition to the existing basic referendum threshold referred to above). Those social care authorities which did not use the entirety of the 3 per cent adult social care council tax precept in 2021/22 can use the unused flexibility in 2022/23.

The Government proposes to provide the 8 lowest-charging fire and rescue authorities with the flexibility to increase band D precepts by £5 for one year only in 2022/23. The consultation says that this is to assist them in addressing immediate pressures and to maintain a sustainable income baseline for future years. This flexibility has not been included in the published core spending power figures.

As announced in the Spending Review, the Police and Crime Commissioner (PCC) precepts, including the Police element of the Greater London Authority precept, and the PCC component of the Greater Manchester Combined Authority and West Yorkshire precept will be allowed to increase by up to £10 on a Band D bill.

There will be no referendum principles for mayoral combined authorities (MCAs). The Government will continue with its policy of not setting referendum limits for parish and town councils. It will take account of the increases set by parishes in 2022/23 when reviewing next year's settlement.

The consultation notes that the Mayor of London is considering his approach to the future funding of Transport for London. The Government is awaiting proposals from the Mayor of London, as part of the responses to this consultation, on the GLA referendum principle.

### **LGA view:**

- Whilst it is good that there will be flexibility for councils to raise the adult social care precept by a further 1 per cent in 2022/23, there is a very real risk that local residents will feel they are paying twice with an increased social care precept, on top of the new health and social care levy, yet see their experience of social care services deteriorate due to dwindling resources and ever greater pressure on providers, the care workforce and unpaid carers.
- An increase in council tax of up to 3 per cent will place a significant burden on households. In addition, increasing council tax raises different amounts of money in different parts of the country not related to need.
- We have always maintained that the council tax referendum limit should be abolished so councils and their communities can decide how local services are paid for, with residents able to democratically hold their council to account through the ballot box.
- We agree that shire districts should have the extra flexibility but in view of the proposed £10 threshold proposed for Police and Crime Commissioners, we would call for a higher limit than £5.

### **Adult and children's social care**

The Government has confirmed there will be an additional £700 million provided for social care as part of the additional resources identified in the 2021 Spending Review funding.

This includes an inflationary uplift to the improved Better Care Fund worth £63 million, with distribution of funding unchanged, and additional funding through the un-ringfenced Social Care Grant of £636 million for adult and children's services. This is in addition to all existing social care funding continuing in 2022/23.

Of the additional £636 million through the social care grant, £556 million will be distributed on the basis of the 2013/14 adult social care relative needs formula, with £80 million used to adjust for the funding that could potentially be raised through the adult social care precept in 2022/23.

The announcement of the £162 million Market Sustainability & Fair Cost of Care Fund is covered in the next section of this briefing.

As mentioned above, the Government is also consulting on a 1 per cent adult social care precept. This is in addition to any unused part of the 3 per cent flexibility in 2021/22. Taken together, the Government estimates that this could provide councils with up to £1 billion in funding specifically for social care.

#### **LGA view:**

- Steadily growing demand has seen councils with responsibility for children's and adult's social care devoting nearly two-thirds of their total spending to these services. This demonstrates councils' commitment to protecting these crucial services, but it both comes at the expense of funding for other important services and is also completely unsustainable.
- This additional funding is welcome and will help to tackle the most immediate budget pressures. However, it will not be sufficient to invest in the preventative and early help services or improve the quality of care in all settings that councils and their partners are committed to. It will tackle neither unmet and under-met need nor workforce challenges, including the key issue of care worker pay for adult social care, across both sectors.
- Additional investment for here and now pressures and core services is an essential foundation for future adult social care reforms if councils are to play their part in delivering on the Government's ambition as set out in its recent white paper. We continue to call for a greater share of the new Health and Social Care Levy for the social care frontline to help secure that investment.
- We look forward to the outcome of the Independent Review of Children's Social Care, which we hope will make clear the investment needed to give children and families the help they need to thrive, and how local and central government can work together to achieve that goal.

#### **Adult social care white paper funding**

The Government outlined at Spending Review 2021 that social care reform funding would be part of Core Spending Power. In 2022/23, this will be the Market Sustainability & Fair Cost of Care Fund worth £162 million. The Government is consulting on the methodology for distribution of this fund, with the preferred option of using the existing adult social care relative needs formula.

The Department for Health and Social Care has [separately published further detail on the purpose and conditions of this funding](#).

In summary, the 2022 to 2023 funding is designed to ensure local authorities



can prepare their markets for reform (particularly the impact of section 18(3)) and move towards paying providers a fair cost of care, as appropriate to local circumstances. The Government expects local authorities will carry out activities such as:

- conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
- engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
- strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
- use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

The statement makes further funding for this purpose, worth £600 million in 2023/24 and another £600 million in 2024/25, conditional upon the conclusion of the cost of care exercise, a publication of a provisional 3-year market sustainability plan on how councils intend to move to a sustainable rate fee and a grant spending report.

The Department will make available ongoing support and there will be ongoing monitoring and governance of fund spend that councils must participate in across the three-year period.

#### **LGA View:**

- We are not convinced that the £3.6 billion funding over three years to implement fair cost of care reform, the care cost cap and extension of the means test threshold (part of the wider £5.4 billion allocated for social care through the new Health and Social Care Levy) is sufficient. Our estimate of the provider market funding gap is £1.5 billion now, rising to £1.8 billion by 2024/25. Tackling this alone is more than the funding allocated for reform, leaving nothing for other practical implementation matters associated with the reforms, such as setting up necessary IT systems and conducting additional assessments, or the actual implementation costs of the cap and floor.
- In a scenario in which the costing exercise reveals a deeper level of unsustainability in provider fee rates, we need assurances that additional funding will be made available. Equally, as the pandemic continues to exert major pressure on councils' staff capacity, the Government must be mindful of the challenging timetable they are expecting councils to adhere to. Conducting cost of care exercises, proper engagement with providers and strengthening capacity for market oversight and improved market management will take time if they are to be done comprehensively. The

Department must therefore publish its promised supporting templates and guidance as soon as possible and ensure its monitoring of councils is light-touch and proportionate.

- More widely, councils will be unable to play their part in delivering the Government's white paper ambitions if certain key challenges are not addressed as an immediate priority, in particular unmet and under-met need and action on care worker pay. The funding announced today – both for social care grants and the Market Sustainability & Fair Cost of Care Fund – will not enable councils to make meaningful progress on these issues and run the risk of further destabilising the foundations for social care reform.
- We therefore call on the Government to immediately redirect a significantly greater share of the Levy to frontline adult social care.

### **2022/23 Services Grant**

The Government proposes to introduce a one-off Services Grant worth £822 million in 2022/23. This new grant will be distributed through the existing formula for assessed relative need across the sector, using 2013/14 shares of Settlement Funding Assessment. The government says that the new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It includes funding for local government costs for the increase in employer National Insurance Contributions.

The grant will not be ring-fenced. The Government intends this to be a one off grant for 2022/23 and to work closely with local government on how to best use this funding from 2023/24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any potential future system changes.

#### **LGA view:**

- We welcome the new unringfenced grant which will provide vital resources for local authority services. There will be some concern in the sector that its one-off nature makes planning for 2023/24 and beyond more difficult.

### **New Homes Bonus**

Core spending power includes a provisional amount of £554 million for the New Homes Bonus (NHB) in 2022/23.

The bonus consists of the legacy payment for 2019/20 and the new money for 2022/23, as well as the Affordable Homes Premium across those years. The England total of allocations for 2022/23 alone (excluding the 2019/20 legacy payments) is £333 million.

As previously announced, there is no legacy payment in respect of 2020/21 or 2021/22, and there will be no legacy payment in respect of 2022/23 in

forthcoming years. The threshold over which the bonus is paid remains at 0.4 per cent.

The Government has not yet responded to its consultation on new homes bonus reform.

**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 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.

**District-level services**

The Government has announced the continuation of the lower tier services grant. It remains worth £111 million as in 2021/22, however the allocations differ slightly in comparison to last year.

Most of the distribution will be based on assessed relative needs for lower tier services. Alongside this, the minimum funding floor from 2021/22 will be updated to ensure that no authority sees an annual reduction in Core Spending Power (CSP) in 2022/23.

To do this, the Government has increased the amount distributed via shares of lower tier funding within the 2013/14 Settlement Funding Assessment from £86 million in 2021/22 to £91 million in 2022/23, and decreased the amount allocated to a funding floor from £25 million in 2021/22 to £21 million in 2022/23.

	2021/22 (£m)	2022/23 (£m)
Lower tier services grant		
Amount allocated via lower tier funding shares from 2013/14 SFA	86	91
Amount allocated via funding floor	25	21
<b>Total</b>	<b>111</b>	<b>111</b>

**LGA View:**

- Councils receiving this funding will welcome the additional resource.

**Education**

In the 2021 Spending Review the Government confirmed that the schools budget will increase by £4 billion from £49.8 billion in 2021/22 to £53.8 billion in 2022/23. The Government also announced that £2.6 billion of capital funding

was being allocated for school places for children with Special Educational Needs and Disabilities (SEND). Today's [Written Ministerial Statement](#) and [Dedicated Schools Grant \(DSG\) announcement](#) contains an additional £325 million of High Needs funding in addition to that announced in the Spending Review, bringing the total additional High Needs funding to £1bn this year - a 13 percent increase. A package of £1.8 billion over the Spending Review period for education recovery was also confirmed, including a £1 billion Recovery Premium for the next two academic years for schools. As a result of the DSG announcement every local authority area is forecast to see a cash terms increase of at least 4.7 per cent per pupil in its mainstream school funding, alongside the high needs funding increases.

#### **LGA view:**

- The LGA welcomes the Government's announcement to increase schools budgets by £4 billion for 2022/23. Additional funding to support education recovery is also welcome, but we are calling for the Government to commit to funding a programme that goes beyond academic achievement to include measures to support children and young people's socialisation, communication and mental health and well-being.
- We welcome both the £2.6 billion for school places for children with SEND and the additional £1 billion high needs funding for 2022/23. The Government should urgently complete its ongoing review of the SEND system, setting out reforms that increase mainstream inclusion, provide councils and schools with long-term certainty of funding to meet the needs of all children with SEND, and give councils the power to hold education and health partners to account if their provision for identifying and supporting children with SEND is not adequate. The Government should also work with councils to tackle Dedicated Schools Grant (DSG) deficits and extend the statutory override on the treatment of DSG deficits beyond the end of the 2022/23 financial year.
- The LGA welcomes the increased funding for early entitlements, particularly the increase to Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) and the commitment to continuing supplementary funding for maintained nursery settings to 2024/25. However, early years providers continue to struggle following from COVID-19, the ongoing crisis in recruitment and retention and the increase in national minimum wage results in a challenging picture for early years providers. It is crucial to retain good quality early education and childcare that improves children's outcomes and reduces the disadvantage gap and this requires a review of the early education and childcare system.

#### **Public health**

The settlement includes no information about the national total, or individual council allocations, of the public health grant for 2022/23.

#### **LGA view:**

- We call on government to provide councils with clarity on the funding for public health as soon as possible. The current delay to the announcement is making it extremely difficult for councils to plan effectively at a time when public health services are vital to the fight against COVID-19.
- 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 public health responsibilities beyond COVID-19 as well.
- The additional £533m in funding for locally commissioned drug and alcohol treatment services announced on 6 December is welcome news. We call on government to provide councils with funding allocations, and certainty beyond 2022/23 as soon as possible.

### **Rural Services Funding**

The Government proposes to roll-forward the 2021/22 allocations of the £85 million Rural Service Delivery Grant for 2022/23, with the quantum of the grant unchanged. The Government is minded to retain the current method of distributing the grant but has included a consultation question on this.

#### **LGA view:**

- Councils in rural areas will welcome this additional funding.
- We encourage affected local authorities to respond to the consultation.

### **Fire Funding**

As set out above, Fire and Rescue Authorities will be able to raise their precept by 2 per cent in 2022/23, with 8 fire and rescue authorities with the lowest council tax level able to increase Band D council tax by up to £5.

Fire authorities will also receive an increase in their revenue support grant in line with inflation, an increase in the compensation grant for under-indexing the business rates multiplier and a share of the £822 million Services Delivery Grant.

#### **LGA view:**

- Fire and rescue services need to be funded to take account of the full range of risks, demands and cost pressures they face. While we would prefer council tax referendum limits to be removed, in view of the £10 flexibility given to Police and Crime Commissioners, an increase in the precept flexibility for Fire and Rescue Authorities (FRAs) would help. As a first step, whilst it is welcome for the 8 lowest council tax FRAs to be able to raise their

precept by £5 it is disappointing that this, or increased, flexibility has not been given to all FRAs

- The sector also needs to be funded properly in order to engage in meaningful reform and transformation
- The outcomes of the cases that have been brought that are about 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 2022/23 and beyond.
- We note that funding for building safety is not mentioned in the settlement, including funding for local authority building control and for fire services to increase capacity to deliver the functions of the Building Safety Regulator. This is a concern as sufficient funding will be required to enable local authorities to support the regulator in its work to deliver meaningful change to the built environment.

## **Police Funding**

The [Provisional Police Grant Report \(England and Wales\) 2022/23](#) was published by the Home Office today in a written Ministerial statement. Funding to Police and Crime Commissioners (PCCs) will increase next year by up to an additional £796 million (5.8%), assuming full take-up of precept flexibility. PCCs will be able to increase their Band D precept by up to £10 in 2022/23 (which could raise up to £246 million), without the need to call a local referendum. In addition, the Minister announced that PCCs will have up to £10 of precept flexibility in 2023/24 and 2024/25 to use according to their local needs.

The Minister announced the Government will continue to provide vital support for counter-terrorism (CT) policing, ensuring they have the resources they need to meet and deal with the threats we face. Counter terrorism policing funding will total more than £1 billion in 2022/23, although specific PCC allocations for counter terrorism policing are not made public for security reasons.

The Minister also announced that the settlement provides £1.4 billion for national priorities in 2022/23 including cutting crime to make communities safer and there will be investment in critical priority areas including drugs and county lines activity, violent crime reduction, child sexual abuse and exploitation, fraud, and modern slavery.

## **LGA view:**

- As well as investing in counter terrorism policing we need to retain investment in the wider terrorism prevention space at a local level, including initiatives to counter extremism and support those at risk of radicalisation. The Government has already withdrawn funding for the Building a Strong Britain Together (BSBT) programme, including specialist counter-extremism Community Coordinator posts in around 40 areas, as well as funding for the Special Interest Group on Countering Extremism (SIGCE). We urge the

Government to continue to invest in these broader measures to build resilience, help stop individuals from being drawn into terrorism and criminality and prevent division and polarisation from taking hold.

- As part of this investment in cutting crime to make communities safer we would like to see the Government extend the Violence Reduction Unit (VRU) model - currently in 18 police force areas – to all police forces in England and Wales and for them to be given a five-year funding settlement, rather than year-on-year commitments. This would be especially helpful given that some VRUs are looking to expand their focus beyond public space serious violent crime, to consider domestic abuse and wider Violence Against Women and Girls (VAWG) issues.

### **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 Laura Johnson, Public Affairs Adviser ([laura.johnson@local.gov.uk](mailto:laura.johnson@local.gov.uk) / 07921 604235).

## Annex A: Core Spending Power

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Business Rates Baseline</b>	11,323.2	11,417.7	11,650.6	12,000.7	12,275.7	12,475.7	12,475.7	12,475.7
<b>Revenue Support Grant</b>	9,926.8	7,183.9	4,982.1	3,573.5	2,284.0	2,321.2	2,334.0	2,406.5
<b>Compensation for under-indexing the business rates multiplier</b>	165.1	165.1	175.0	275.0	400.0	500.0	650.0	1,025.1
<b>Improved Better Care Fund</b>	0.0	0.0	1,115.0	1,499.0	1,837.0	2,077.0	2,077.0	2,139.8
<b>Rural Services Delivery Grant</b>	15.5	80.5	65.0	81.0	81.0	81.0	85.0	85.0
<b>Transition Grant</b>	0.0	150.0	150.0	0.0	0.0	0.0	0.0	0.0
<b>Adult Social Care Support Grant</b>	0.0	0.0	241.1	150.0	0.0	0.0	0.0	0.0
<b>New Homes Bonus</b>	1,167.6	1,461.9	1,227.4	947.5	917.9	907.2	622.3	554.5
<b>New Homes Bonus - returned funding</b>	32.4	23.1	24.5	0.0	0.0	0.0	0.0	0.0
<b>Winter pressures Grant</b>	0.0	0.0	0.0	240.0	240.0	0.0	0.0	0.0
<b>Social Care Support Grant</b>	0.0	0.0	0.0	0.0	410.0	0.0	0.0	0.0
<b>Social Care Grant</b>	0.0	0.0	0.0	0.0	0.0	1,410.0	1,710.0	2,346.4
<b>Market Sustainability and Fair Cost of Care Fund</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	162.0
<b>Lower Tier Services Grant</b>	0.0	0.0	0.0	0.0	0.0	0.0	111.0	111.0
<b>Services Delivery Grant</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	822.0
<b>Council Tax</b>	22,035.9	23,247.3	24,665.8	26,331.6	27,767.8	29,226.9	30,326.9	31,728.5
<b>Core Spending Power</b>	44,666.5	43,729.5	44,296.5	45,098.3	46,213.3	48,999.1	50,392.0	53,856.4
<i>Year-on-year Change (£ million)</i>		-936.9	566.9	801.8	1,115.0	2,785.7	1,392.9	3,464.5
<i>Year-on-year Change (%)</i>		-2.1%	1.3%	1.8%	2.5%	6.0%	2.8%	6.9%

### Notes

Winter Pressures Grant rolled into Improved Better Care Fund from 2020/21

Social Care Support Grant rolled into Social Care Grant from 2020/21

Source: [CSP Supporting Information](#)



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

<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>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>Better Care Fund (BCF)</b>	A single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.
<b>Business rates revaluation</b>	A regular exercise by the Valuation Office Agency, last carried out in 2017, to reassess the rateable value of individual non-domestic hereditaments. The results are used to set new business rates bills. The next revaluation will occur in 2023.
<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 and the improved Better Care Fund and Adult Social Care Support Grant
<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>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 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>Lower Tier Services Grant</b>	A grant introduced in 2021/22 to provide funding for shire district councils and unitary authorities providing shire district-level services (so called ‘lower tier services’ by the Government).
<b>Market Sustainability and Fair Cost of Care Fund</b>	This fund is to support local authorities prepare their markets for reform and move towards paying providers a fair cost of care. In 2022/23 it is proposed to be allocated using the existing adult social care relative needs formula.

<b>(Business Rate) 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, the small business multiplier is updated annually by the Consumer Prices Index and the other multiplier adjusted accordingly.
<b>Net Collectable Debit</b>	The total amount that authorities expect to collect if every taxpayer paid the full amount for which they are liable for the current financial year after discounts and benefits.
<b>New Homes Bonus (NHB)</b>	A grant paid to reward local authorities for the number of homes built and brought back into use.
<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 2022/23 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>2022/23 Services Grant</b>	A one off unringfenced grant distributed using local authority shares of 2013/14 Settlement Funding Assessment, adjusted for local authority restructuring where necessary. The grant will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.
<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 self-funding at the outset of the scheme and updated in line with the small business rates multiplier each year, except for recalculation 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 Ministry for Housing, Communities and Local Government to compensate councils for the impact of the Government's decisions to increase the business rates multiplier by lower than the Retail Prices Index (so-called 'underindexing'). This is intended to make sure that councils do not experience funding reductions as a result of this policy.
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