House of Commons Library

Research Briefing

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Local Government Finance Settlement 2023/24

Contents

Summary

This briefing paper sets out the details of the Local Government Finance Settlement for England for the 2023/24 financial year. The Settlement distributes a range of grant funds to all local authorities in England. The provisional Settlement was published on 19 December 2022, alongside a Written Ministerial Statement. The final version of the Settlement was published on 6 February 2023, and will go before the House of Commons for approval on Wednesday 8 February 2023.

In 2023/24, the final settlement includes £17.1 billion in settlement funding (which consists of Revenue Support Grant and redistributed business rates revenue). This is a cash terms increase of £789 million (4.8%) on the previous year.

Core spending power (an estimate of the total amount of money that councils have to take decisions, including council tax revenue) increased by rather more than this in the final settlement, going up by £5.1 billion (9.4%) to a total of £59.7 billion.

This briefing paper explains a number of elements within the 2023/24 settlement. These include the Government's funding guarantee for local authorities; the provisions for referendums on council tax increases; provisions for social care funding; and the contents of the Government's policy statement for local government funding for financial years 2023/24 and 2024/25. It then analyses the distribution of funds for 2023/24 between different classes of authority (shire districts, shire county councils, unitary authorities and metropolitan districts, and London boroughs).

Local government finance is devolved to Scotland, Wales and Northern Ireland. The Local Government Finance Settlement covers England only and is managed by the Department for Levelling Up, Housing and Communities (DLUHC).

1 Introduction to local government finances

The provisional 2023/24 Local Government Finance Settlement was published on 19 December 2022. The responsible department is the Department for Levelling Up, Housing and Communities (DLUHC).

The settlement was accompanied by a Written Statement, but no debate took place in the House of Commons.[1] This was the second year in a row in which no debate took place on the provisional settlement. With the exception of 2020/21, following the snap general election of December 2019, a debate has normally taken place in previous years (see for instance the debates on the 2021/22 and 2019/20 settlements).

The provisional settlement was open for consultation until 16 January 2023. The Government then published a final local government finance settlement on 6 February 2023. The House of Commons must approve the final settlement before it can take effect. The debate will take place on Wednesday 8 February 2023. The settlement applies in England only, as local government is devolved in Scotland, Wales and Northern Ireland.

The Government also published a local government finance policy paper on 12 December, covering the 2023/24 and 2024/25 financial years. This paper appeared in the context of calls from the local government sector for finance settlements lasting more than one year, which would assist with budget planning. The Government has not explicitly committed to a two-year settlement, but the policy paper makes several significant commitments in respect of the 2024/25 financial year, which are summarised below.

1 See HCWS469 2022-23, 19 Dec 2022

2 Summary of the settlement

2.1 Reading the settlement

The Local Government Finance Settlement distributes Revenue Support Grant and a number of other ring-fenced grants to local authorities in England. It also includes the amounts of each local authority's 'tariff' allocation or 'top-up' payment within the Business Rates Retention Scheme (see the Library briefing Reviewing and reforming local government finance for further information on the retention scheme).

The settlement also includes figures for the 'core spending power' available to each local authority. Core spending power is a concept created by central government, intended to represent a core sum of money over which local authorities can take spending decisions. It therefore includes settlement funding, but it also includes other grants such as the Improved Better Care Fund, the New Homes Bonus and the Social Care Grant.[2] It also takes into account an estimate of the amount of money that local authorities are expected to raise through council tax, and assumes that they raise their council tax rates by the maximum permitted without triggering a local referendum in order to do this (see section 2.4 below). An explanation of how core spending power is calculated is available on the website of the Department for Levelling Up, Housing and Communities (DLUHC).

Documentation related to the settlement includes:

- The spreadsheet Key information for local authorities, which contains a breakdown of the funding allocated to each local authority in respect of the Settlement Funding Assessment (SFA). This comprises business rates revenue and funding from the Revenue Support Grant (RSG);
- The spreadsheet Core spending power: supporting information, which includes allocations of funding from the Settlement Funding Assessment, from all of the other grants covered by the Local Government Finance Settlement, and also figures for local authorities' council tax requirement. Both this and the spreadsheet above also include data from previous years;

[2] Core spending power does not include some sources of income, such as income from commercial investments and from fees and charges, or income from fixed-term grants, such as the Levelling Up Fund.

- Further reports setting out provisional allocations of funding from the New Homes Bonus, social care grant, and a one-year services grant to each local authority in England;
- A paper explaining the operation of business rate retention in areas that are permitted to retain 100% of business rate receipts locally;
- Statutory reports setting out the 'referendum principles' relating to council tax for 2023/24: that is, the thresholds above which local authorities wishing to raise council tax must obtain local approval in a referendum (see section 2.4 below).

2.2 The grants within the Settlement

The spreadsheet Core Spending Power: Supporting Information lists allocations of funding by the Local Government Finance Settlement to local authorities, from the following sources:

- Settlement Funding Assessment (i.e. Revenue Support Grant and retained business rates);
- Compensation for under-indexing the business rates multiplier[3]
- Council Tax Requirement
- Improved Better Care Fund
- New Homes Bonus
- Rural Services Delivery Grant
- Social Care Grant
- Adult Social Care Market Sustainability and Improvement Fund
- Adult Social Care Discharge Fund
- Services Grant
- Funding Guarantee

Most of the funding distributed via the Local Government Finance Settlement is not ring-fenced: that is, local authorities are not required to spend it on particular activities. The exceptions are:

3 This source of funding is provided as compensation for revenue lost to local government arising from various changes made by Government to the business rates system since 2017. It includes compensation for freezing the business rates multiplier in recent financial years, and also lost revenue arising from adjustments to small business rate relief in 2017.

- The Improved Better Care Fund. This is managed jointly by local authorities and the NHS;
- The named grants related to social care: the Social Care Grant and the Market Sustainability and Improvement funding. Government will require local authorities to report against their spending of these grants, to ensure they are used for social care.

Local authorities may spend the other funds listed above as they see fit. Government has described this type of grant as a "visible line of funding" in the past. This term conveys that the funding is intended for particular purposes but local authorities will not be obliged to spend it on those matters.

Increasing these named grants amounts to providing local authorities with general funding that is subject to alternative distribution methodologies, reflecting the Government's current priorities. Some of these methodologies are set out in additional reports published alongside the Settlement. The Government's 'funding guarantee' can also be described in this way.

2.3 Statistical summary

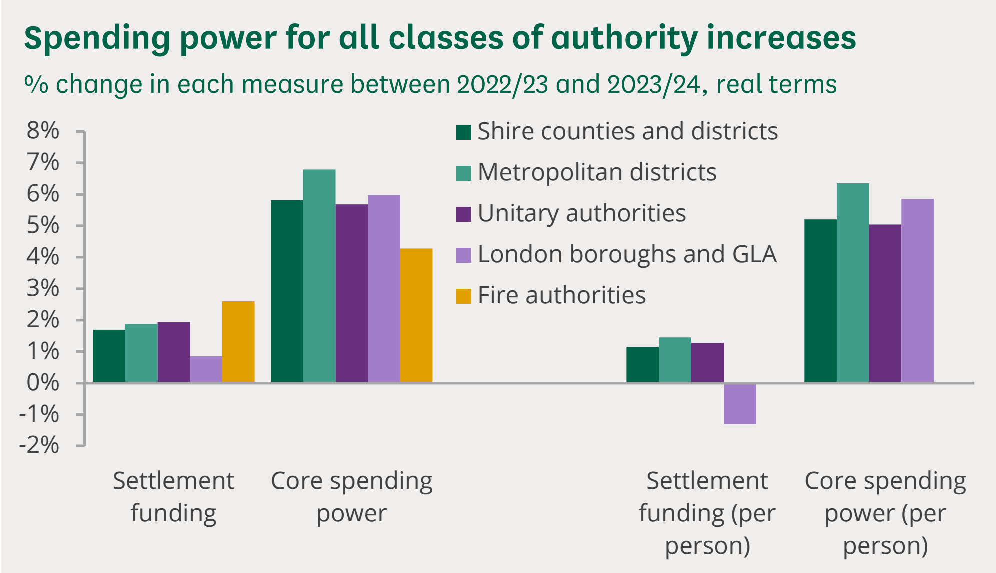
In 2023/24, the final settlement includes **£17.1 billion in settlement funding** (which consists of Revenue Support Grant and redistributed business rates revenue). This is an **increase of £789 million (4.8%)** on the previous year.

Core spending power (as described in the previous section) increased by rather more than this in the final settlement, **going up by £5.1 billion (9.4%)** to a total of **£59.5 billion**.

These figures do not take into account either inflation or England's increasing population. When adjusted to 2022/23 prices, settlement funding comes to a total of £16.6 billion in 2023/24 (an increase of £252 million, or 1.5%); core spending power comes to £57.8 billion (an increase of £3.3 billion, or 6.0%). Adjusted for population as well, settlement funding increased from £285 per person to £288 (+1.1%), the first time since at least 2016/17 that it has increased compared to the previous year. Core spending power increased from £952 per person to £1,004 (+5.5%).[4]

[4] Throughout this briefing, real-terms figures have been calculated using GDP deflator figures released by the Office for Budget Responsibility (available in their Public finances databank). Growth in the deflator for 2020/21 and 2021/22 has been averaged across those years to smooth out distortions caused by pandemic-related factors.

The changes in settlement funding and core spending power for each of the different classes of authority are shown in the chart below.



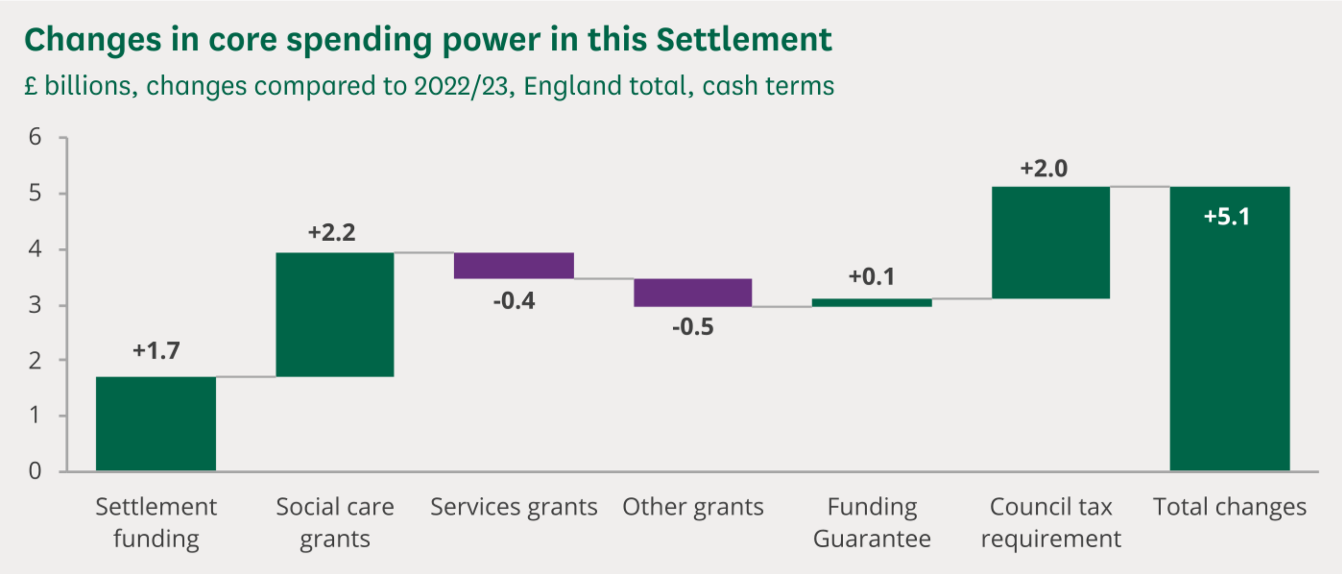
Note: Per-person figures are not available for fire authorities because we do not have reliable population figures for fire authority areas.

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022

This shows that both settlement funding and core spending power increased in real terms for all classes of authority in 2023/24. On a per-person basis, core spending power also increased in all classes of authority, although settlement funding per person fell for the London boroughs and Greater London Authority (taken as a whole).

The increase of £5.1 billion in core spending power in this settlement (not adjusted for inflation) was mostly made up of settlement funding, social care grants, and council tax, as shown in the chart below.

The largest increase was in social care grants, which went up by £2.2 billion across England as a whole, followed by the estimated council tax take ("council tax requirement") and settlement funding. These increases were offset by decreases in the amounts of other grants. The Funding Guarantee will ensure that all local authorities would have their core spending power increase by at least 3% in cash terms even if they did not raise their council tax.



Note: The settlement funding figures given here include compensation for under-indexing the business rates multiplier, and do not account for business rate retention arrangements. They therefore differ to those given elsewhere in this briefing.

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022

2.4 The settlement: detailed analysis

Social care funding

The majority of local authority spending on social care is funded from general sources, such as the Settlement Funding Assessment and council tax. However, since 2017/18, the Government has made available a series of named grants for social care, with various degrees of ring-fencing. Local authorities with responsibility for social care have also been permitted to raise their council tax by higher thresholds than other authorities, without the requirement for a referendum (see the Library briefing paper Council tax: local referendums for further details).

In that context, the Autumn Statement said that the Government "will make available up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025".[5] The Government has not specified how this figure has been reached. However, it seems likely to consist of:

- An increase to the Social Care Grant (£1.345bn);[6]
- Discharge Funding (£300m);[7]

5 HM Treasury, Autumn Statement 2022, p26

6 DLUHC, Provisional local government finance settlement 2023/24: consultation, Dec 2022, paragraph 1.3.4

7 As above

- Sustainability and Improvement Funding (£562m);[8]
- Full use of the Adult Social Care precept (approx. £550m).[9] This is at the discretion of county and unitary councils, which are not obliged to raise the adult social care precept within their council tax requirement.

These four sources add up to approximately £2.75 billion.

Negative Revenue Support Grant

The Government also says that the 2023/24 settlement will continue to remove 'negative Revenue Support Grant'.

In the late 2010s, continued reductions to local authority funding meant that some local authorities received no Revenue Support Grant funding at all. In the 2016-20 local government finance settlement, the Government sought to reduce local government funding further by reducing funding proportionately to all authorities. Its calculations indicated that this would lead to some authorities receiving 'negative RSG'. This would have been implemented by increasing those authorities' tariffs within the business rates retention scheme (meaning that they paid more money into the central pool). Following representations from the affected local authorities during the 2016-17 settlement process, the Government removed negative RSG from the planned settlements in 2017-18 and 2018-19.[10] Authorities that had been due to receive negative RSG would instead receive zero RSG.

Settlements in the years since then have frequently re-committed the Government to avoiding 'negative RSG'. However, this year's calculations suggest that no authority would any longer be receiving negative RSG. This is likely to be due to the increases in funding in the last few financial years.

Council tax referendum thresholds

The provisional settlement includes planned referendum thresholds for the 2023/24 financial year. These are the amounts by which different classes of local authority may raise council tax without seeking a confirmatory referendum from their electorate (see the Library briefing Council tax: local referendums). The Government has proposed the following thresholds:

- For local authorities with responsibility for social care (county and unitary authorities), a threshold of **5% or more**. Council tax for general spending requires a referendum if it rises by **3% or more**, alongside a maximum **2% 'social care precept'.**

8 As above

9 Source: House of Commons Library calculations. See also Megan Kenyon, Council tax rise makes up £550m of the extra £2.8bn social care funding, Local Government Chronicle, 18 Nov 2022

10 MHCLG, The 2019-20 Local Government Finance Settlement Technical Consultation, Jul 2018, p13. See also the Library briefing paper on the Local Government Finance Settlement 2019/20.

- For district councils, a threshold of **3% or more or more than £5.00** on a Band D property, whichever is the greater;

- For fire and rescue authorities, a threshold of **£5 or more on a Band D property;**

- For Police and Crime Commissioners (PCCs), a threshold of **more than £15 on a Band D property;**

- For the Greater London Authority, a threshold of **£38.55 on a Band D property;**

- For Mayoral Combined Authorities and parish and town councils, no referendum principles.

In the final settlement, Thurrock and Slough borough councils have been assigned a higher threshold of 10% (a 2% social care precept plus 8% for general spending), and Croydon Borough Council has been assigned a threshold of 15% (a 2% social care precept plus 13% for general spending). These three councils have faced extreme financial difficulties in the last 2-3 years: for further details, see the Library briefing Local authority financial resilience. The Written Statement issued alongside the final settlement said:

> The Government is of course conscious of the impact on local taxpayers, particularly those on low incomes, of having to foot part of the bill for their councils' very significant failings. We have been clear to each of the councils that in implementing any additional increases, they should take steps to mitigate the impact on those least able to pay.[11]

Business rates revaluation

A business rate revaluation will take effect across England on 1 April 2023 (see the Library briefing paper Business rates: the 2023 revaluation). This will see all non-domestic properties assigned a new rateable value, which may cause a change in a property's business rates bill. As a consequence, the non-domestic rate revenue of individual local authorities is likely to rise or fall in 2023/24 compared with 2022/23. This would mean that some local authorities would gain or lose revenue within the Business Rate Retention Scheme purely as a result of the revaluation.

The Government's policy is to prevent the revaluation from affecting local authorities' overall revenue. It therefore proposes to adjust each local authority's "tariff" or "top-up" level to reflect the changes forecast to authorities' rate revenues. The tariffs and top-ups form a redistribution mechanism within the retention scheme. This adjustment is termed "the wash-through" in DLUHC.

A technical consultation on how this adjustment would be made was published in September 2022. A summary of responses and Government

11 HCWS545 2022-23, 6 Feb 2023

response was published on 19 December 2022, alongside the provisional settlement.[12] The Government response committed to refining the adjustment methodology that was used at the time of the previous revaluation, which took effect on 1 April 2017.

Local authority reserves

The Government raised the issue of local authority reserves in the policy paper published in December 2022:

> The government notes the significant increase in some local authority reserves over the 2 years of the pandemic. We encourage local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils' financial sustainability and future investment. In order to support council members and local electorates to understand the reserves that their authorities are holding and what they are used for, we will also explore releasing a user-friendly publication of the reserves data currently collected in the Local Authority Revenue Expenditure and Financing Outturn statistics. We will consult with trusted partners, including the Local Government Association, about doing this.[13]

Section 32 of the Local Government Finance Act 1992 requires local authorities to maintain an appropriate level of reserve funding. As with prudential borrowing, the judgement as to an appropriate level of reserves lies with local authorities: there is no formula to arrive at the 'correct' level. The rationales for maintaining reserves can be threefold:

> A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
>
> A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
>
> A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements, but where the requirements or amounts are not certain enough to create a provision.[14]

Reserves are not necessarily large additional sums of money which are freely available to councils. Over 80% of non-schools reserves take the form of 'earmarked reserves': these are held in respect of future commitments, such as repaying loans which have already been taken out, self-insurance, or costs which may arise from legal action.

As the chart below shows, the level of local authority reserves increased sharply during the pandemic. However, almost all of this increase was in earmarked or ring-fenced reserves.

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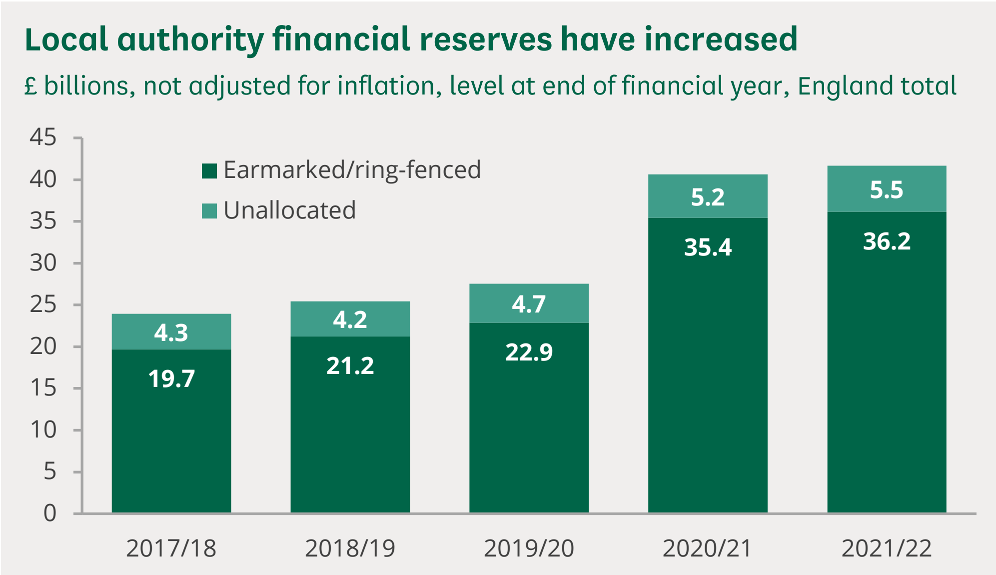
12 DLUHC, Technical adjustment to the Business Rates Retention system, 19 Dec 2022

13 DLUHC, Local government finance policy statement 2023-24 to 2024-25, 19 Dec 2022

14 CIPFA, An introductory guide to local government finance, 2013 edition, pp. 41-2



Source: DLUHC, Local authority revenue expenditure and financing data, multiple years

2.5 Local government finance in 2024/25

The Government published a policy paper on 12 December 2022 which was intended to indicate the Government's policy for local government finance going forward. It made several commitments in respect of the 2024/25 financial year:

- The Government will not proceed with a review of needs and resources, or a reset of the business rates retention scheme, in the current Spending Review period (i.e. through to 2024/25). This has previously been termed the 'Fair Funding Review', though this policy paper does not use that phrase.[15] There had been indications in 2021 and 2022 that a review of this type might begin sooner;[16]

- The council tax referendum thresholds for 2024/25 will be the same as those for 2023/24. In previous years, it has been the norm for small changes to be made to the referendum thresholds year on year (see the Library briefing paper Council tax: local referendums);

- Revenue Support Grant, and business rate baseline funding levels, will be increased by the level of the Consumer Price Index in 2024/25. It is normal practice for baseline funding levels to increase in this way.

15 Further details on the history of the Fair Funding Review can be found in the Library briefing paper Reviewing and reforming local government finance.

16 See, for instance, HCWS 510 2021-22, 16 Dec 2021; Sir Jeremy Pocklington's comments at an evidence session of the Public Accounts Committee, Local Government Finance System: Overview and challenges, HC-646 29 Nov 2021, Q73

However, the Government has not previously made a similar commitment in respect of Revenue Support Grant;

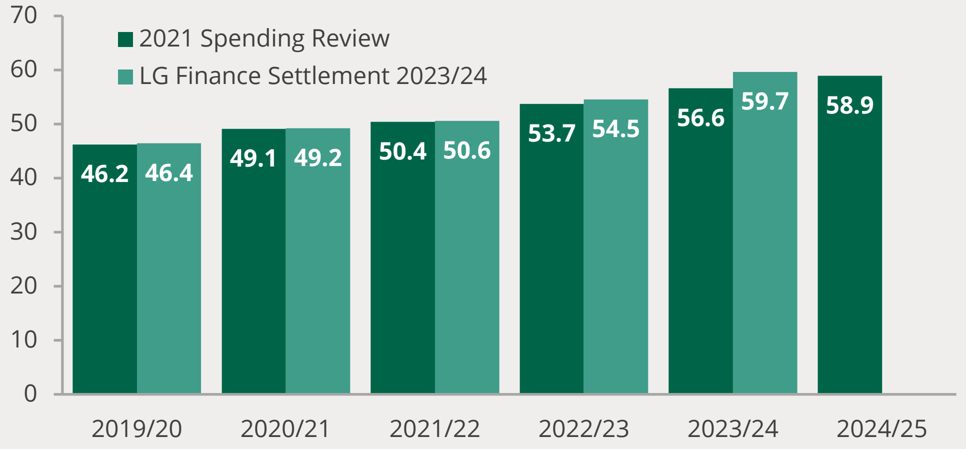
- Figures for the Social Care Grant for 2024/25 were set out at the 2022 Autumn Statement.

Spending Review forecasts

In the Autumn Budget and Spending Review in October 2021, the then Chancellor published forecasts for core spending power over the Spending Review period (which runs to 2024/25). As the chart below shows, actual core spending power has been higher than these forecasts in every year so far.

Spending power is outstripping Spending Review forecasts

Core spending power, England total, £ billions, not adjusted for inflation



Source: HM Treasury, Autumn Budget and Spending Review 2021, table 1.17, 27 October 2021; DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022

Core spending power in 2023/24 is now set to be higher than even the forecast for 2024/25. Given that the policy statement mentioned above did not include any cuts to local government spending, it therefore seems likely that spending power will also be above forecast in the settlement for 2024/25.

2.6 Commentary

A report from the local government finance website Room 151 stated that local government representatives believed that the settlement was better than they had feared.[17] It quoted Sir Stephen Houghton, leader of Barnsley council and chair of the Special Interest Group of Metropolitan Authorities (SIGOMA) as saying:

17 Christopher Marchant, Local government settlement 'better than sector feared', Room 151, 20 Dec 2022

> "The settlement is better than the sector feared and the new funding will be gratefully received and put to good use. However, councils still face a tough future as inflation continues to bite and demand pressures increase.
>
> Council tax will do much of the heavy lifting, and council leaders face an impossible choice between increasing council tax on hard-pressed families during a cost-of-living crisis and potentially having to cut back on vital front-line services. Unfortunately, this settlement fails to provide certainty or financial security for councils."[18]

The Institute for Government published a briefing on 22 December 2022 stating that the settlement would redistribute funding towards more deprived councils. It also noted that £1.4 billion of the increase in core spending power would come from the Government's decision to delay the implementation of charging reforms for adult social care for two years.[19]

In an interview with the Local Government Chronicle, Patrick Melia, chief executive of Sunderland City Council, said that:

- Longer-term finance settlements, perhaps lasting five years, would help local government with more effective long-term planning;
- Implementing levelling up would be facilitated by reducing the number of funding pots, but also by more availability of revenue funding for local government, instead of relying on capital spending;
- Shared funding (with, for instance, health authorities and police and crime commissioners) should also be taken into account in any changes made;
- SOLACE (the Society of Local Authority Chief Executives) had had initial discussions with DLUHC about setting up a commission on local government finance.[20]

The Local Government Association's On the Day Briefing noted that:

> ...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 during a cost of living crisis.
>
> [...]
>
> We are pleased that government will provide extra funding for adult social care and accepted our ask for funding allocated towards reforms to still be available to address inflationary pressures for both councils and social care

18 As above. The entire quote is a quote of Sir Stephen himself.

19 Stuart Hoddinott, The government is right to rebalance funding towards disadvantaged councils, Institute for Government, 22 Dec 2022

20 Kirsty Weakley, Call for 'fundamental rethink' of funding to include five-year settlement, Local Government Chronicle, 6 Jan 2023

> providers. Councils have always supported the principle of adult social care reforms and want to deliver them effectively but have warned that underfunded reforms would have exacerbated significant ongoing financial and workforce pressures.[21]

In an analysis of the December 2022 policy paper – published before the settlement documentation appeared – the Institute for Fiscal Studies stated that core spending power could be expected to increase by 5.4% in 2023/24 and 5.8% in 2024/25:

> By 2024-25, core spending power is expected to be 7% higher in real per-capita terms than in 2015-16. This is far from fully reversing the substantial cuts made to local government in the first half of the 2010s. Real-terms per capita spending by local government fell by more than 20% between 2009-10 and 2015-16. But it does continue an important shift away from austerity for local government.[22]

[21] LGA, Provisional Local Government Finance Settlement 2023/24 On the Day Briefing, 20 Dec 2022

[22] Kate Ogden, English councils' core spending power is set to grow by up to 11% in real-terms over the next two years, Institute for Fiscal Studies, 16 Dec 2022

3 Statistical analysis

3.1 Changes in the 2023/24 settlement

All authorities received cash-terms increases in both settlement funding and core spending power in the 2023/24 settlement. Even adjusted for both inflation and population, the typical authority had an increase in funding – the median change in real terms across England in settlement funding was +2.7%, and for core spending power it was +3.9%. The equivalent figures in real terms per person were +3.0% and +2.1%.[23]

However, there was considerable variation between individual authorities. In the charts on the next page, each dot represents one local authority – the higher up each dot is placed, the larger the increase in that authority's funding or spending power.

This shows that although shire districts tended to have larger increases in settlement funding than other classes of authority, their increases in overall core spending power were much lower. This may be partly because shire districts do not have social care responsibilities and therefore cannot raise their council tax by as much as other authorities (see section 3.2).

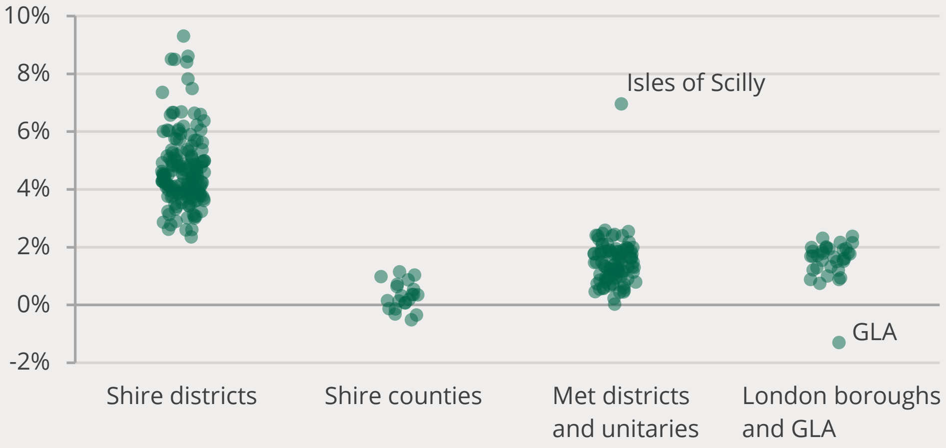
The authority with the largest real terms increase per person in settlement funding was Test Valley (+9.3%), followed by Mole Valley (+8.6%) and Ashford (+8.5%). Only eight local authorities had a decrease in settlement funding by this measure, with the largest decrease (other than for combined authorities or the GLA) in Leicestershire (-0.5%).

For core spending power, the largest real terms increase per person was in the Isles of Scilly (+8.1%), which has unique funding arrangements because of its geographical situation, followed by Blackpool (+7.5%) and Middlesbrough (+7.5%). Five local authorities had a decrease by this measure, with the largest in Dartford (-0.3%).

23 The median is the point at which half of authorities had a larger increase and half had a smaller one (or a decrease).

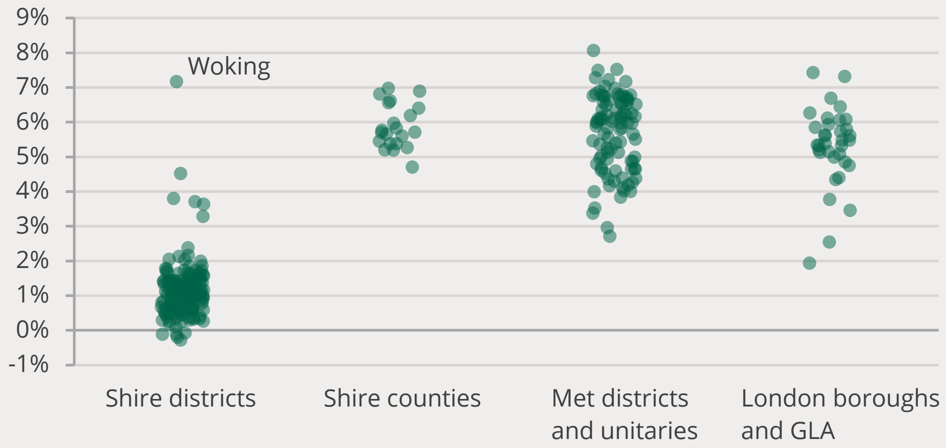
Shire district funding rose more than other classes...

Change in settlement funding per person, 2022/23 to 2023/24, real terms



...but core spending power lagged behind

Change in core spending power per person, 2022/23 to 2023/24, real terms



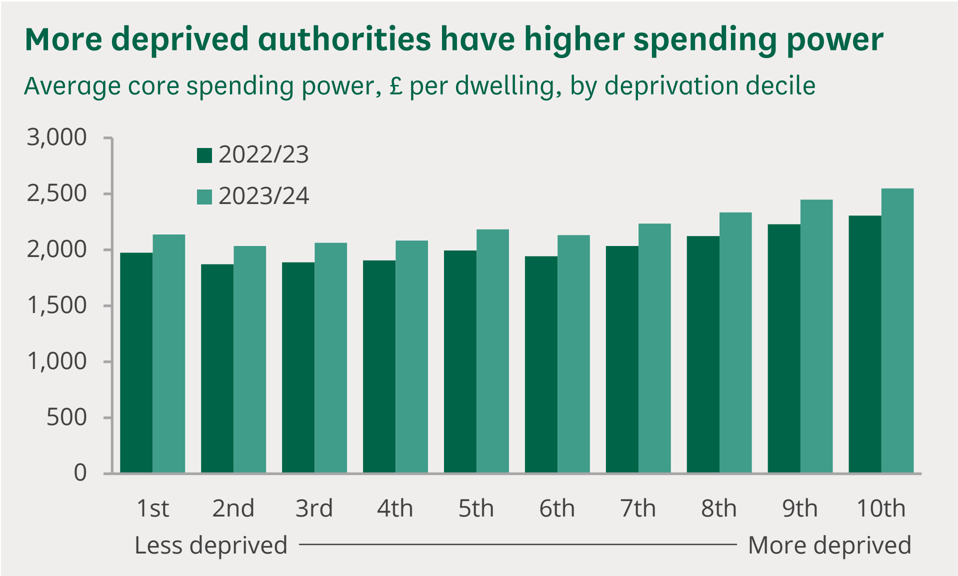
Note: Local authorities that were restructured in 2023/24 are omitted. "Met districts" = "metropolitan districts".

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022

Deprivation

In the press release accompanying the Settlement, the Government said that it was providing more funding to "areas that need it most", saying that the most relatively deprived areas of England would receive "17% more per household" than the least deprived areas.[24] It isn't entirely clear how the Government has calculated this, but the Library's own analysis yields broadly similar results. As the chart below shows, local authorities with high levels of deprivation tend to have a higher level of spending power per household than those with less deprivation.

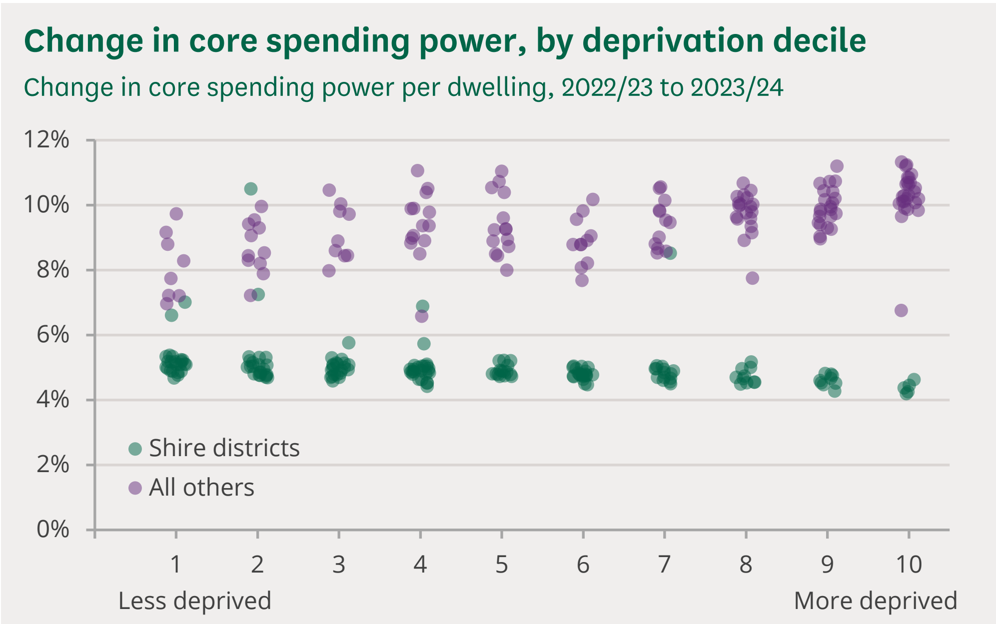
24 DLUHC, £60 billion funding package for councils in England to deliver vital services, 19 December 2022



Note: Counties and districts are combined. Authorities that were restructured in this period, or where 2019 deprivation data is not available, are not included.

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022; English indices of deprivation 2019, 26 September 2019

However, splitting this data out by the type of authority in question shows that the increase in spending power in 2023/24 only went to more deprived authorities in some cases, as the chart below shows.



Note: Authorities that were restructured in this period, or where deprivation data did not exist in 2019, are not included.

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022; English indices of deprivation 2019, 26 September 2019

This shows that shire districts had a lower increase in core spending power than other classes of authority, and that this increase tended to be slightly lower for the most deprived districts.

3.2 Changes from the provisional settlement

The final settlement for 2023/24 ended up slightly different to the provisional settlement. Overall, the amount of core spending power allocated was £117 million higher. This difference was made up of five elements:

- The **council tax requirement** figure used to calculate core spending power was increased by a total of £90 million. £58 million of this was an increase for the Greater London Authority and £2 million was an increase for the Greater Manchester Combined Authority; the rest was made up of increases for fire and rescue authorities. The Government said in its response to the consultation on the provisional settlement that it had agreed to allow Thurrock, Croydon and Slough to increase their council tax by more than most other councils; however, these increases do not appear in the council tax requirement figures.[25]

- Funding for the **New Homes Bonus** was increased by £0.6 million compared to the provisional settlement, following revisions to homebuilding data.

- The **Rural Services Delivery Grant** increased by £10 million. This was the largest change in proportional terms, as it was 11.8% higher for every local authority in the final settlement than in the provisional figures.

- The **Services Grant** was increased by £19 million, a 4.1% increase across the board. The Government said in its consultation response document that this increase (and the increases in the New Homes Bonus and Rural Services Delivery Grant) was funded from contingency funding held back at the provisional settlement.[26]

- Finally, the **Funding Guarantee** was reduced by £2.7 million, as the increases in grants listed above meant that a smaller guarantee was required to ensure that all councils had a 3% increase in core spending power before council tax.

The Written Ministerial Statement accompanying the final settlement also said that £100 million would be paid out to local authorities, to be paid for using an accumulated surplus in the business rates levy account. This extra money does not appear in the published core spending power figures.[27]

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[25] DLUHC, Provisional local government finance settlement 2023-24 consultation: summary of responses, 6 February 2023, para 46

[26] As above, paras 75 and 85

[27] HCWS545 2022-23, 6 February 2023

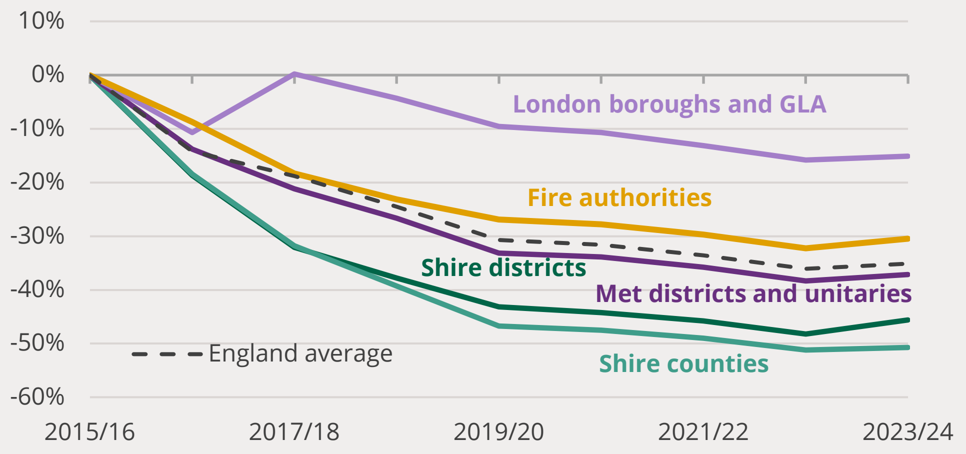
3.3 Longer-term comparisons

This Settlement includes data going back to 2015/16; before this point, the responsibilities and funding streams of local government changed regularly, making it very difficult to meaningfully compare funding levels over time. However, the National Audit Office (NAO) has produced a useful data visualisation showing that core spending power in England as a whole was 26% lower in real terms in 2020/21 than it had been in 2010/11.[28]

As the chart below shows, the small increase across the board in settlement funding this year does not go very far towards reversing the years of decreases in funding since 2015/16.

Settlement funding is still far below 2015/16 levels...

Change in settlement funding since 2015/16, real terms



Note: Includes only authorities which were not restructured at any point across the time period shown.

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022

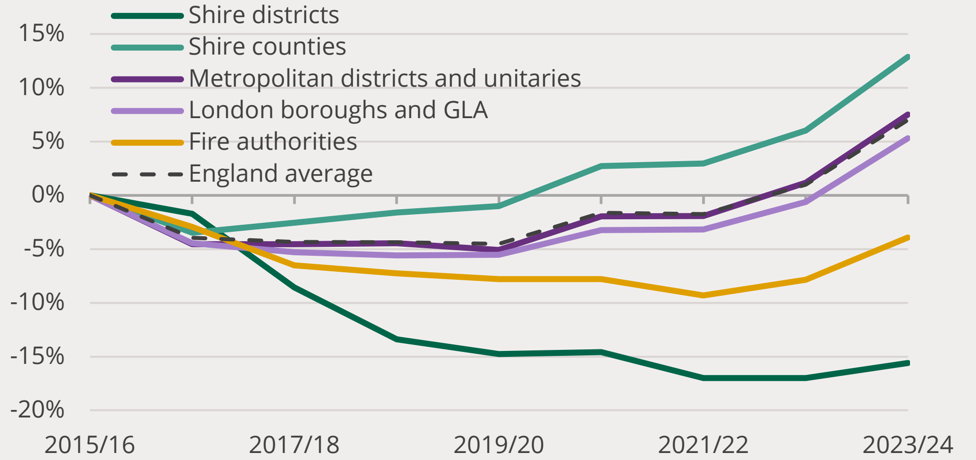
All classes of local authority have levels of funding that are, on average, well below where they were in 2015/16. Shire counties have had the largest decrease.

However, as the chart below shows, core spending power has increased for some classes of authority.

28 National Audit Office, Financial sustainability of local authorities visualisation: update, 20 July 2021

...but core spending power has recovered for some classes

Change in core spending power since 2015/16, real terms



Note: Includes only authorities which were not restructured at any point across the time period shown.

Source: DLUHC, [Final local government finance settlement: England, 2023 to 2024](), 6 February 2022

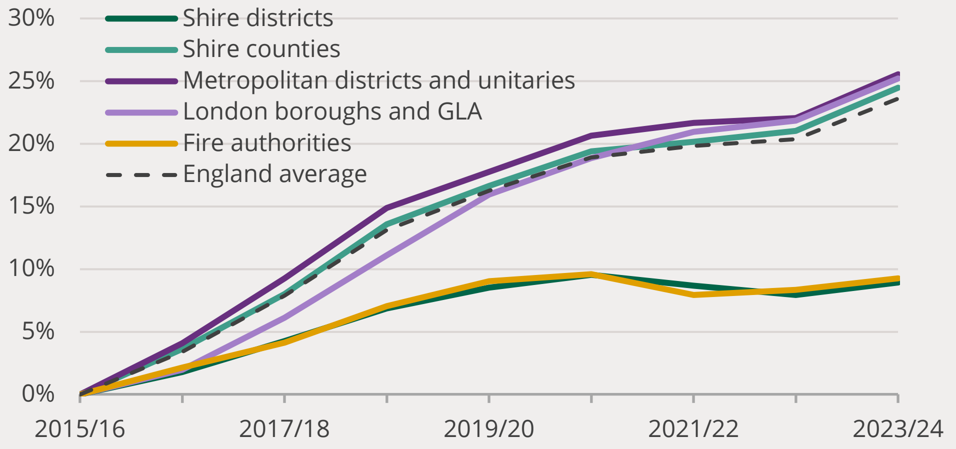
As this chart shows, shire districts and fire authorities have levels of core spending power below their 2015/16 levels, but all other classes have had their levels of spending power increase fairly steadily since 2020/21.

The different story for core spending power is largely caused by the grants outside the Settlement Funding Assessment, particularly social care grants (shire districts and fire authorities do not have social care responsibilities so have not had increases from this source).

Council tax has also contributed to the rise of spending power. As the chart below shows, council tax requirement (an estimate of the amount that local authorities could raise in council tax if they increase their tax rates by the maximum permitted without triggering a local referendum) has risen for all classes of local authority since 2015/16.

Council tax revenue is increasing across the board

Change in council tax requirement since 2015/16, real terms



Note: Includes only authorities which were not restructured at any point across the time period shown.

Source: DLUHC, Final local government finance settlement: England, 2023 to 2024, 6 February 2022

The council tax requirement has also made up an increasingly large part of core spending power over the years, rising from 49.1% of the total in 2015/16 to 59.9% in 2021/22. However, since then it has fallen back slightly as social care grants make up a larger proportion of the overall total.

4 Further reading

LGA, Provisional Local Government Finance Settlement 2023/24 On the Day Briefing, 20 Dec 2022

Kate Ogden, English councils' core spending power is set to grow by up to 11% in real-terms over the next two years, Institute for Fiscal Studies, 16 Dec 2022

DLUHC, £60 billion funding package for councils in England to deliver vital services, 19 December 2022

Stuart Hoddinott, The government is right to rebalance funding towards disadvantaged councils, Institute for Government, 22 Dec 2022