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

Closed consultation

Provisional local government finance settlement 2023 to 2024: consultation

Published 19 December 2022

Applies to England

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This publication is available at <https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2023-to-2024-consultation/provisional-local-government-finance-settlement-2023-to-2024-consultation>

Scope of the consultation

Topic of this consultation:

This consultation seeks views on the proposals for the local government finance settlement for 2023/24.

Scope of this consultation:

This consultation seeks views on proposals for the local government finance settlement for 2023/24, in particular from representatives of local government, before determining the final amount of Revenue Support Grant and its allocation to receiving authorities and the specified body. [\[footnote 1\]](#)

The consultation notifies representatives of local government of the general nature of the basis of distribution of Revenue Support Grant, and of the general nature of the basis of calculation of 'tariff' and 'top up' payments through this consultation document and accompanying documents, in particular the draft Local Government Finance Report for 2023/24. [\[footnote 2\]](#)

On 12 December government published a [policy statement covering the 2023/24 local government finance settlement and elements of the 2024/25 local government finance settlement](https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25) (<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25>). Further details on our proposals for 2024/25 will be consulted on next year, with this consultation solely confirming proposals for 2023/24.

Geographical scope:

These proposals relate to England only.

Impact assessment:

Since the government does not envisage that the proposals within this consultation document will have an impact on business, no impact assessment has been produced.

Basic information

Body/bodies responsible for the consultation:

Local Government Finance Directorate within the Department for Levelling Up, Housing and Communities

Duration:

This consultation will last for 4 weeks from 19 December 2022 to 16 January 2023.

Enquiries:

For any enquiries about the consultation please contact:
lgfsettlement@levellingup.gov.uk.

How to respond:

We strongly request you respond through the following [online form](https://consult.levellingup.gov.uk/local-government-finance/provisionallocalgovernmentfinancesettlement-2324) (<https://consult.levellingup.gov.uk/local-government-finance/provisionallocalgovernmentfinancesettlement-2324>).

If you are unable to use the online form, you can email your response to the questions found in [Annex B](#) of this consultation document to lgfsettlement@levellingup.gov.uk.

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an address (including postcode)
- an email address
- a contact telephone number

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation). In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the consultation principles? If not, or you have any other observations about how we can improve the process please, contact us via the [Complaints Procedure](https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities/about/complaints-procedure) (<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities/about/complaints-procedure>).

1. Summary of proposals

1.1 Introduction

1.1.1 This consultation paper sets out the government's proposals for the 2023/2024 local government finance settlement.

1.1.2 This chapter provides a summary of the proposals contained within the 2023/24 provisional local government finance settlement.

1.2 Context and overall approach

1.2.1 At the Autumn statement, on 17 November 2022, the government announced significant further resources for local government to deliver core services.

1.2.2 This means, for 2023/24, we are making available an increase in Core Spending Power of 9% or almost £5 billion on 2022/23. Total Core Spending Power provided through the local government finance settlement for 2023/24 will be £59.5 billion. The

government will set the core referendum limit for increases in council tax to 3% per year for 2023/24. In addition, councils with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.

1.2.3. On 12 December, the government published a [policy statement covering our intentions for the local government finance settlement in 2023/24](https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25) (<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25>), and this consultation document builds on that statement. We recognise that certainty is important for budget setting, and the policy statement also included our intentions for parts of the 2024/25 local government finance settlement.

1.2.4. The proposals in this document focus on stability. We propose to increase Revenue Support Grant in line with the Consumer Price Index (CPI), there will be a new round of New Homes Bonus payments, and new funding for social care announced at the Autumn Statement will go through established distribution methodologies like those used for the Social Care Grant and improved Better Care Fund. In recognition of inflationary pressures, we will repurpose the Lower Tier Services Grant to create a new one-off Funding Guarantee to ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. This is a strong settlement for local government which provides local authorities the resources that they need to provide valued services to their communities.

1.2.5 In the longer-term, our ambitions for levelling up the country require us to assess our commitments to update local government funding. The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst we can confirm that these will not be implemented in this Spending Review period, the government remains committed to improving the local government finance landscape in the next Parliament.

1.2.6 The Levelling Up White Paper committed to deliver a more transparent simplified grants system that reduces the number of competitive bidding pots and removes

restrictive ringfences. As part of this ambition, this year's settlement consolidates four grants to deliver a more transparent, simple, and accountable approach for grants and also commits to producing a plan for further streamlining the funding landscape this year.

1.3 Summary of proposals included in the 2023/24 provisional settlement

1.3.1 Chapter 2 – Distribution of Settlement Funding Assessment (SFA): this chapter outlines the government's proposals for distributing core settlement resources in 2023/24.

- Before rolling in grants we propose a uniform percentage increase in Revenue Support Grant (RSG) allocations from 2022/23, based on the change in the CPI between September 2021 and September 2022. We will also continue to eliminate so-called 'negative RSG' and roll in the Family Annexe Council Tax Discount grant, Local Council Tax Support Administration Subsidy (LCTS) grant, and additional funding for food safety and standards enforcement (Natasha's Law) grants. We are also rolling the Independent Living Fund grant into the Social Care Grant.
- Local authorities will be compensated for the freeze in the Small Business Rates Multiplier in 2023/24, seeing the sum of Baseline Funding Levels (BFLs) and an increase in compensation grant for underindexation of the Small Business Rates Multiplier rise in line with the CPI measure of inflation rather than the Retail Price Index (RPI). [\[footnote 3\]](#)

1.3.2 Chapter 3 – Council Tax: this chapter details the government's intentions for council tax referendum principles in 2023/24.

- Protecting local taxpayers from excessive increases in council tax, by setting the referendum threshold at 3% per year from April 2023 for shire counties, unitary

authorities, London boroughs, and the Greater London Authority, without a local referendum. Councils can set higher increases if they wish, via consent of a local referendum.

- In addition, local authorities with social care responsibilities will be able to set an adult social care precept of up to 2% per year without a referendum.
- A bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts.
- A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority, as requested by the Mayor of London. [\[footnote 4\]](#)
- Setting no council tax referendum principles for mayoral combined authorities (MCAs).
- Setting no council tax referendum principles for town and parish councils.
- A £5 referendum principle on Band D bills for all fire and rescue authorities. A £15 referendum principle on Band D bills for police authorities and police and crime commissioners.
- It is for individual authorities to determine whether to use the flexibilities detailed above.

1.3.3 Chapter 4 – Funding Guarantee.

- We will repurpose the Lower Tier Services Grant from previous years and a proportion of expired New Homes Bonus legacy payments to create a new one-off Funding Guarantee. This guarantee will ensure all councils will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax.

1.3.4 Chapter 5 – Distribution of Adults and Children’s Social Care resources: this chapter sets out the government’s proposals for making specific funding available for social care services.

- The government proposes that the Social Care Grant will increase to £3.852 billion in 2023/24, an increase of £1.345 billion from 2022/23 before accounting for the rolling in of the Independent Living Fund. This includes £1.265 billion from delaying adult social care (ASC) charging reform until October 2025. The majority of this funding will be allocated using our ASC Relative Needs Formula, while £80 million will be used to equalise the variation in yield from the ASC precept. A further £80 million in equalisation will be paid from elsewhere in the settlement.
- The improved Better Care Fund (iBCF) will retain the same distribution and quantum as in 2022/23.
- The £400 million in ASC grant funding announced at the Autumn Statement will be combined with the existing £162 million of Fair Cost of Care and Market Sustainability funding and will be paid out using the existing ASC Relative Needs Formula.
- £300 million of additional funding will be allocated to local authorities from the £600 million of new discharge funding announced at the Autumn Statement. This grant funding will be paid out using the existing iBCF grant shares and will be required to be pooled as part of the Better Care Fund.

1.3.5 Chapter 6 – Other Grants: this chapter explains the government’s proposals for the New Homes Bonus (NHB), Rural Services Delivery Grant (RSDG) and the Services Grant.

- A new round of NHB payments in 2023/24, which will, as with last year, not attract new legacy payments. NHB allocations for 2023/24 will continue to be paid for in the usual way. There will be no changes to the calculation process except the expiration of legacy payments.
- Rural Services Delivery Grant will remain unchanged.
- The Services Grant will continue with no change to distribution methodology. The Services Grant will be reduced to pay for other parts of the Settlement and will be worth £464 million in 2023/24. In addition to the £464 million, government has held a small proportion of the Services Grant back as contingency to cover unexpected movements.

1.3.6 Chapter 7 – Impacts of these proposals: this chapter invites views and evidence on the impact that the government’s proposals may have on persons who share a protected characteristic. Separately it refers to a draft policy impact statement published alongside this consultation.

1.4 Additional information

1.4.1 An online survey link and return address for responses to this consultation, along with a full list of consultation questions, is included in [Annex B](#). A glossary of technical terms can be found in [Annex C](#).

1.5 Allocations for proposals

1.5.1 The supporting tables accompanying this consultation show the allocations for the proposals for individual local authorities. These proposals represent the government’s intentions, and the figures are based on available information.

1.5.2 Data changes, new information or errors identified by either the department or local authorities between the publication of this consultation paper and the calculation of the final local government finance settlement may lead to changes to individual local authority allocations. The government encourages local authorities to check their individual allocations. We strongly encourage local authorities contact the Department with any concerns over the accuracy of their individual allocations.

2. Distribution of the Settlement Funding Assessment

2.1 Introduction

2.1.1 This chapter outlines the government's proposals for distributing the Settlement Funding Assessment (SFA) in 2023/24, which is comprised of Revenue Support Grant (RSG) and Baseline Funding Levels (BFLs).

2.2 Business Rates Retention

2.2.1 When the Business Rates Retention system was introduced in 2013/14, the Government committed that BFLs and Business Rates Baselines (BRBs), which are used to determine tariffs and top-ups, would be fixed in real terms until the system was reset, but with adjustments in response to business rates revaluations.

2.2.2 The next business rates revaluation will take effect from 1 April 2023, with the concurrent transferral of relevant properties from local lists to the central list. Unmitigated, these would lead to changes in the amount of business rates income collected and retained under the Business Rates Retention system.

2.2.3 The government has confirmed that it intends to adjust each local authority's top-up or tariff to ensure that as far as practicable a local authority's retained income from business rates is no more, or less, than it would have been had the revaluation not taken place. It has also confirmed that it will compensate authorities for their losses from the transferral of properties to the central list.^{[\[footnote 5\]](#)}

2.2.4 The government has developed and consulted [\[footnote 6\]](#) on a methodology to make these adjustments for the 2023 revaluation. This revaluation adjustment methodology updates the 2017 methodology to better remove the impact of the revaluation on local authority income. The updated methodology will also be used to compensate local authorities for properties transferring to the central list. A summary of responses and the government response has been published alongside this document. The government intends to proceed with its proposals, with the initial adjustment to tariffs and top-ups in 2023/24; subsequent adjustments will be made in 2024/25 and 2025/26, once updated data is available - further detail can be found in the consultation.⁷ A calculator has been provided alongside this consultation for local authorities to see how the adjustment to their tariff or top-up for 2023/24 has been calculated.

2.2.5 The Small Business Rates Multiplier has been frozen for 2023/24 at 49.9p. The government will compensate local authorities for the reduction in income resulting from this decision. From 2023/24 we will align this level of compensation with the default link, established by government policy in 2018/19, between the Small Business Rates Multiplier and the standard Consumer Price Index (CPI) measure rather than the Retail Price Index (RPI). This inflationary uplift will be paid in part through underindexation grant, and in part from the increase in Baseline Funding Levels. [\[footnote 7\]](#)

2.2.6 2022/23 BFLs included the elimination of so-called 'negative RSG' and as such this will continue in 2023/24. This is consistent with the government's previous commitment, made during the implementation of the Business Rate Retention system in 2013/14, that local authorities' retained business rates baselines would be fixed in real terms until the business rates system was reset. [\[footnote 8\]](#)

2.2.7 All current 100% Business Rates Retention areas will continue in 2023/24. The Greater London Authority will also continue to benefit from increased levels of Business Rates Retention in 2023/24. During this time the government will review the role of such arrangements as a source of income for areas and its impact on local

economic growth, and as part of deeper devolution commitments as set out in the Levelling Up White Paper.

2.3 Distribution of Revenue Support Grant

2.3.1 In the interests of providing stability in local authority allocations, we are not proposing to change the distribution of RSG from that used in 2022/23. Instead, the government proposes to increase 2022/23 RSG levels in line with the September 2021 to September 2022 change in the Consumer Price Index (CPI). This is before accounting for rolled in grants.

2.4 Simplifying the funding landscape – rolling in grants

2.4.1 The government committed to providing local government with a simplified grants system in the Levelling Up White Paper which assured to deliver a more transparent, simple and accountable approach to streamlining the funding landscape. For the grants we propose to consolidate into the local government finance settlement this year, in order to ensure the policy objective is not lost, we have chosen to retain their distribution with the current distribution formula. For some grants, the variance in distribution using the SFA formula and the current formula is significantly different. We still expect local authorities to deliver the services the grants were paying for.

2.4.2 For 2023/2024 we propose to consolidate three grants into the Revenue Support Grant, the Family Annexe Council Tax Discount grant (£7.4 million), Local Council Tax Support Administration Subsidy grant (£69 million) and additional funding for food safety and standards enforcement (Natasha's Law, £1.5 million). In addition, a fourth grant, the Independent Living Fund (£161 million), is being rolled into the Social Care

grant. The total value of consolidated grants is £239 million. We have restated historic Core Spending Power (CSP) where applicable for rolled in grants to avoid overstating CSP increases.

Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2023/24?

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2023/24?

3. Council tax

3.1 Council tax

3.1.1 The government's manifesto commits to continuing to protect local taxpayers from excessive council tax increases, and it is for the House of Commons to set an annual threshold at which a council tax referendum is triggered. This proposed package of referendum principles strikes a fair balance. The council tax referendum provisions are not a cap, nor do they force councils to set taxes at the threshold level.

3.2 Council tax referendum principles

3.2.1 The government proposes the following package of referendum principles for 2023/24 which will be subject to the approval of the House of Commons alongside the final local government finance settlement:

- Protecting local taxpayers from excessive increases in council tax, by setting the referendum threshold at 3% per year from April 2023 for shire counties, unitary authorities, London boroughs, and the Greater London Authority, without a local referendum. Councils can set higher increases if they wish, via consent of a local referendum.
- In addition, local authorities with social care responsibilities will be able to set an adult social care precept of up to 2% per year without a referendum.
- A bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts.
- A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority, as requested by the Mayor of London^[footnote 9].
- Setting no council tax referendum principles for mayoral combined authorities (MCAs).
- Setting no council tax referendum principles for town and parish councils.
- A £5 referendum principle on Band D bills for all fire and rescue authorities. A £15 referendum principle on Band D bills for police authorities and police and crime commissioners.

3.2.2 It is for individual authorities to determine whether to use the flexibilities detailed above.

3.3 Referendum principles for police and fire authorities

3.3.1 The published Core Spending Power figures include assumed council tax flexibilities of 3% for fire authorities, 2% for the Greater London Authority (GLA), and

£10 for police authorities and police and crime commissioners. The Government announced, on 12 December, it intends to provide flexibilities of £5 for standalone fire and rescue authorities, a 3% core principle plus an additional £20 flexibility for the non-police element of the Greater London Authority precept, and £15 for police authorities and police and crime commissioners including the GLA and the West Yorkshire and Greater Manchester Mayors. The [provisional police funding settlement \(https://questions-statements.parliament.uk/written-statements/detail/2022-12-14/hcws443\)](https://questions-statements.parliament.uk/written-statements/detail/2022-12-14/hcws443), which was laid before Parliament on 14 December, includes the £15 flexibility for police authorities and police and crime commissioners (PCC). Following consideration of responses to this consultation, the final flexibilities will form part of the allocations for which we will seek the approval of the House of Commons.

3.4 Council tax referendum principles for mayoral combined authorities

3.4.1 Devolution has led to the creation of nine mayoral combined authorities (MCAs) with powers such as transport and planning. To date, the government has not set referendum principles for MCAs, except where the Mayor exercises police and crime commissioner functions, in which case the PCC principle has been applied to the resulting precept. This has been in the expectation that mayors would charge a level of council tax that is affordable and proportionate to their needs.

3.4.2 The government proposes to continue this approach in 2023/24. In line with the referendum principle for police and crime commissioners, we propose to set a £15 threshold for the PCC component of the Greater Manchester and West Yorkshire Combined Authorities' precepts.

3.5 Council tax referendum principles for town and parish councils

3.5.1 The government has not previously set referendum principles for town and parish councils. This approach was contingent on town and parish councils taking all available steps to mitigate the need for council tax increases and the Government seeing clear evidence of restraint.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?

4. Funding Guarantee

4.1 Funding Guarantee

4.1.1 In recognition of inflationary pressures, we will repurpose the Lower Tier Services Grant from previous years and a proportion of the expired New Homes Bonus legacy payments to create a new one-off Funding Guarantee. This new guarantee will ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. The government has published provisional allocations from the new Funding Guarantee alongside the provisional local government finance settlement.

4.1.2 For eligible authorities, the value of the guarantee will be the difference between a 3% increase in their 2022/23 Core Spending Power adjusted for actual council tax take-up and base growth, and their actual increase in Core Spending Power before any increases to council tax levels. The increase in Core Spending Power used for this calculation excludes any newly rolled-in grants but include 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 multiplier. [Annex D](#) below gives a worked example of how the guarantee is calculated.

Question 4: Do you agree with the government's proposals for a new Funding Guarantee?

5. Distribution of Adults and Children's Social Care Resources

5.1 Social Care

5.1.1 The Autumn Statement confirmed that the government will make available up to £2.8 billion in 2023/24 in England to help support adult social care and discharge. Local authorities can make use of around £2 billion in additional grant for social care (both adults' and children's) through the settlement for 2023/24 compared to 2022/23. This includes increasing the Social Care Grant by £1.345 billion before accounting for the rolling in of the Independent Living Fund; £400 million in new adult social care grant funding; and local authorities' £300 million share of the £600 million of additional funding to facilitate reduced delays in discharges from hospital.

5.1.2 We expect councils to use the additional funding available for social care – more than a real terms increase in funding dedicated for social care – to go beyond meeting inflationary pressures, including those experienced in 2022/23, and to deliver tangible improvements in adult social care services. These improvements should address discharge delays, social care waiting times, low fee rates, and workforce pressures.

5.2 Social Care Grant

5.2.1 The government proposes to increase allocations of the Social Care Grant to £3.852 billion in 2023/24. This is an increase of £1.345 billion compared to 2022/23 before accounting for the rolling in of the Independent Living Fund. As with the current grant, the Social Care Grant can be used on either adults' or children's social care services.

5.2.2 The majority of this funding (£1.265 billion) is the result of savings from delaying the rollout of adult social care charging reform. We have listened to the concerns of local government by making the difficult decision to delay these important reforms and are making the funding available to local authorities to help meet the current pressures in social care.

5.2.3 Government intends to use £160 million of the total increase (£1.345 billion before accounting for the rolling in of the Independent Living Fund) to maintain the equalisation component of the Social Care Grant against the ASC precept. This will partly be funded from delays to Adult Social Care reform announced at the Autumn Statement, together with an additional £80 million which is being added from elsewhere in the local government finance settlement and makes up part of the equalisation funding. The remaining increase will be distributed using our ASC Relative Needs Formula.

5.2.4 The Government proposes that the Social Care Grant will be ringfenced for adults' and children's social care. More details will be set out in due course.

5.3 Improved Better Care Fund

5.3.1 For 2023/24, the government proposes that the improved Better Care Fund (iBCF) will retain the same distribution and quantum as in 2022/23.

5.3.2 The grant will continue to be required to be pooled as part of the Better Care Fund.

5.4 Discharge Funding

5.4.1 The Autumn Statement announced £600 million of new grant funding for 2023/24 to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them. Local authorities will receive £300 million of this funding. This funding will be required to be pooled as part of the Better Care Fund.

5.4.2 The government proposes that this funding will be distributed using the existing iBCF grant shares given that it must be pooled into the BCF.

5.4.3 The government will set out further details on the conditions of this funding in due course.

5.5 Adult Social Care Market Sustainability and Improvement Funding

5.5.1 The government proposes to maintain the current levels of Fair Cost of Care funding for local authorities for 2023/24 at £162 million. This is to continue to support the progress local authorities and providers have already made this year on fees and cost of care exercises. It also reflects that elements of the ASC reform programme have been delayed for two years (until October 2025), as well as feedback that underpayment is only one issue facing the sector.

5.5.2 As announced at the Autumn Statement, in 2023/24 there will be an additional £400 million available for local authorities for adult social care. The government expects this new grant funding will enable local authorities to make tangible improvements to adult social care and, in particular, to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector. This will be combined with the existing £162 million in Fair Cost of Care funding to reflect the shared goal of improving market sustainability.

5.5.3 The government proposes to distribute this funding using the existing ASC Relative Needs Formula.

5.5.4 There will be reporting requirements placed on the Adult Social Care Market Sustainability and Improvement Funding regarding performance and use of funding to support improvement against the objectives. The government will provide further details on reporting in due course.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?

6. Other Grants – New Homes Bonus, Rural Services Delivery Grant and Services Grant

6.1 New Homes Bonus

6.1.1 The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas by rewarding local authorities for net additional homes added to the council tax base. It is paid annually from a top-slice of Revenue Support Grant.

6.1.2 The government proposes to maintain the current approach to the NHB payments in 2023/24.

6.1.3 The government is not intending to change the calculation process for the NHB for 2023/24. The NHB payments will be calculated as units for reward above a payments baseline of 0.4%, multiplied by the average Band D council tax payment, with an additional payment made for affordable homes. In two-tier areas, the annual payment will be split: 80% for shire districts and 20% for shire counties.

6.1.4 New legacy commitments ceased to be made in allocations from 2020/21, and the government confirmed in February 2021 that it did not intend to reintroduce the concept of legacy payments. These 2023/24 payments will not attract new legacy commitments on those allocations.

6.1.5 As in previous years, the allocations for 2023/24 will be funded through a top slice of the Revenue Support Grant. We expect this will be £291 million, although this may change for the final local government finance settlement.

6.1.6 We also recognise the need to help councils plan and we will therefore set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement.

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?

6.2 Rural Services Delivery Grant

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

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?

6.3 Services Grant

6.3.1 The government proposes that in 2023/24 the Services Grant will continue and will be distributed by the Settlement Funding Assessment. Our proposal is for no change to methodology, but the amount will be reduced to £464 million. This is in part because there will no longer be an increase in National Insurance Contributions, therefore the government proposes not to compensate local government for these contributions from 2023/24. In addition, some funding will go to increase the funding

for the Supporting Families programme and to pay for other parts of the settlement such as increasing Revenue Support Grant.

6.3.2 In addition to the £464 million, government has held a small proportion of the Services Grant back as contingency to cover unexpected movements. The government will review whether this contingency is necessary for the final local government finance settlement, and any contingency left unused at that point will go back into the Services Grant.

Question 8: Do you agree with the government's proposals for Services Grant in 2023/24?

7. Impacts of these proposals

7.1 Draft Policy Impact Statement

7.1.1 [A draft policy impact statement](https://www.gov.uk/government/publications/provisional-local-government-finance-settlement-2023-to-2024-draft-policy-impact-statement)

[\(<https://www.gov.uk/government/publications/provisional-local-government-finance-settlement-2023-to-2024-draft-policy-impact-statement>\)](https://www.gov.uk/government/publications/provisional-local-government-finance-settlement-2023-to-2024-draft-policy-impact-statement) assessing the impact of the 2023/24 local government finance settlement has been published alongside this consultation document.

7.2 Public Sector Equality Duty

7.2.1 Public bodies have a duty under the Equality Act 2010 to consider the needs of people who share particular protected characteristics. We would be grateful for views on the impact of the proposals on the three aims under this duty to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a particular protected characteristic and people who do not share it.
- Foster good relations between people who share a particular protected characteristic and people who do not share it.

Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

Annex A: Personal data

The following is to explain your rights and give you the information you are be entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at dataprotection@levellingup.gov.uk or by writing to the following address:

Data Protection Officer
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London
SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, DLUHC may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e., a consultation. This consultation fulfils the mandatory

statutory requirements to consult under sections 78(5), 78A(3) and paragraph of Schedule 7B of the Local Government Finance Act 1988.

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

4. With whom we will be sharing your personal data

Other Government Departments including:

1. Attorney General's Office
2. Cabinet Office
3. Department for Business, Energy and Industrial Strategy
4. Department for Digital, Culture, Media and Sport
5. Department for Education
6. Department for Environment, Food and Rural Affairs
7. Department for International Trade
8. Department for Transport
9. Department for Work and Pensions
10. Department of Health and Social Care
11. Foreign, Commonwealth and Development Office
12. His Majesty's Treasury
13. Home Office

14. Ministry of Defence
15. Ministry of Justice
16. Northern Ireland Office
17. Office of the Advocate General for Scotland
18. Office of the Leader of the House of Commons
19. Office of the Leader of the House of Lords
20. Scotland Office UK
21. Export Finance
22. Wales Office

DLUHC may appoint a 'data processor', acting on behalf of the department and under our instruction, to help analyse the responses to this consultation. Where we do, we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

5. For how long we will keep your personal data, or criteria used to determine the retention period

Your personal data will be held for two years from the closure of the consultation

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have your data corrected if it is incorrect or incomplete
- d. to object to our use of your personal data in certain circumstances
- e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/> (<https://ico.org.uk/>), or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO:
dataprotection@levellingup.gov.uk or

Knowledge and Information Access Team
Department for Levelling Up, Housing and Communities
Fry Building
2 Marsham Street
London
SW1P 4DF

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for two years before it is deleted.

Annex B: Address details and list of consultation questions

We request responses through the following [online form](https://consult.levellingup.gov.uk/local-government-finance/provisionallocalgovernmentfinancesettlement-2324) (<https://consult.levellingup.gov.uk/local-government-finance/provisionallocalgovernmentfinancesettlement-2324>).

If the survey link is inoperable, written responses may be sent by email or post to: lgfsettlement@levellingup.gov.uk

or

Local Government Finance Settlement Team
Department for Levelling Up, Housing and Communities

2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

When replying to this consultation please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an address (including postcode)
- an email address
- a contact telephone number

Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2023/24?

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2023/24?

Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?

Question 4: Do you agree with the government's proposals for a new Funding Guarantee?

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?

Question 8: Do you agree with the government's proposals for Services Grant in 2023/24?

Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

Annex C: Glossary of technical terms

Baseline Funding Level

The amount of an individual local authority's 2013/14 Settlement Funding Assessment provided through the local share of retained business rates income.

Business Rates Baseline (BRB)

An authority's BRB determined on an individual basis at the outset of the Business Rates Retention system. It is calculated by dividing the local share of the Estimated Business Rates Aggregate (England) between billing authorities on the basis of their proportionate shares, before the payment of any major precepting authority share.

Business Rates Retention

Business rates are a tax on non-domestic properties. Billing authorities have a responsibility to issue bills and collect rates in their areas. Since 2013/14, local government (outside of increased Business Rates Retention areas) has retained, as a whole, 50% of its business rates which is distributed across local government.

Core Spending Power

A measure of the revenue funding available for local authority services. This includes council tax; business rates; Revenue Support Grant; New Homes Bonus; Social Care grants; and, other grants.

Council tax referendum principles

These mark levels of council tax increases (either in percentage or cash terms) 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.

Devolution Deals

Introduced in 2014, Devolution Deals are a bespoke arrangement tailored to certain local authorities. Devolution Deals give local government greater powers and more autonomy over budgeting.

Equalisation of the Adult Social Care precept

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.

Estimated Business Rates Aggregate

The total business rates forecast at the outset of the Business Rate 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.

Local Government Departmental Expenditure Limit (LG DEL)

The departmental budget derived from central government resources for the purposes of local government.

New Homes Bonus

The New Homes Bonus acts as an incentive to increase housing supply and spur growth. The level of funding for an area reflects additional housing supply in that area. Most authorities receive some form of New Homes Bonus funding from central government.

Precept

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.

Revenue Support Grant

Billing and most major precepting authorities receive Revenue Support Grant from central Government in addition to their local share of Business Rates Aggregate.

Rural Services Delivery Grant

Funding provided in recognition of the possible additional costs of delivering services in sparsely populated areas.

Safety net

Mechanism to protect any authority which sees its business rates income drop, in any year, by more than 7.5% below their baseline funding level for that year.

Settlement Funding Assessment

A local authority's share of the local government spending control total comprising its Revenue Support Grant and its baseline funding level for the year in question.

Small Business Non-Domestic Rating Multiplier

If your property in England has a rateable value below £51,000, your bill will be calculated using the small business multiplier, which is lower than the standard one. This is the case even if you do not get small business rate relief.

Spending Review

The Spending Review sets out the long-term spending limits for government and typically covers the next three or four years.

Spending Round

The Spending Round sets out the short-term spending limits for all government departments and typically covers a full calendar year.

Tariffs and top-ups

Calculated by comparing at the outset of the Business Rate Retention system an individual authority's business rates baseline against its baseline funding level. Tariffs and top-ups are self-funding, fixed at the start of the system, then indexed in line with the change in the small business rating multiplier.

Tariff authority

An authority with, at the outset of the system, a higher individual authority business rates baseline than its baseline funding level, and which therefore pays a tariff.

Top-up authority

An authority with, at the outset of the system, a lower individual authority Business Rates Baseline than its Baseline Funding Level, and which therefore receives a top-up.

Annex D: Worked example of Funding Guarantee

The new funding guarantee will ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. The below worked example sets out how the Funding Guarantee payment for a hypothetical council is calculated.

Council X had available £3.5 million in Core Spending Power in 2022/23, made up of £1 million in grant, £0.5 million through the Business Rates System and £2m in council tax.

In 2023/2024, Council X had a net increase in grant of £20,000, a £50,000 increase in funding from baseline funding levels and underindexation grant, and the 5-year average of council tax-base growth is £20,000.

Step 1 – Calculate minimum increase in Core Spending Power

- 2022/23 Core Spending Power defined as 2022/23 published Core Spending Power, updated for actual council tax take-up and tax base growth.
- £3.5 million x 3% = £105,000

Step 2 – Total increase in grants, funding received through Business Rates income in Core Spending Power and council tax income from growth in tax-base

- The total increase for Council X is £90,000 (£20,000 grant increase, £50,000 Business Rates Income in Core Spending Power, £20,000 council tax-base growth)

Step 3 – Compare Step 2 to Step 1 and compensate for the difference

- Council X has a total increase before any local decision about council tax levels of £90,000, which is £15,000 less than the minimum increase in Core Spending Power.
 - Council X will receive £15,000 in grant funding from the funding guarantee.
-

1. As required by section 78(5) of the Local Government Finance Act 1988.
2. As required by section 78A(3) of the Local Government Finance Act 1988 and paragraph 12 of Schedule 7B to the same Act.
3. To note, in response to the 2023 revaluation, the small business multiplier fell below 49.9p to offset increases in rateable value. This means that although the multiplier experienced by business is frozen at 49.9p, there is a difference between the post-revaluation multiplier and the 2022-23 value, requiring an uplift to BFLs. This uplift increases baseline funding levels, but does not give the full CPI increase, the rest of which is compensated via underindexation grant.
4. The published Core Spending Power figures include assumed council tax flexibilities of 3% for fire authorities, 2% for the GLA, and £10 for police and crime commissioners. Government has now announced, on 12 December, it intends to provide flexibilities of £5 for standalone fire and rescue authorities, a 3% core principle plus an additional £20 flexibility for the non-police element of the Greater London Authority precept, and £15 for police authorities and police and crime commissioners including the GLA and the West Yorkshire and Greater Manchester Mayors. The [provisional police funding settlement \(https://questions-statements.parliament.uk/written-statements/detail/2022-12-14/hcws443\)](https://questions-statements.parliament.uk/written-statements/detail/2022-12-14/hcws443), which was laid before Parliament on 14 December, includes the £15 flexibility for police authorities and police and crime commissioners.
5. [Business rates revaluation 2023: the central rating list - summary of responses and government response \(https://www.gov.uk/government/consultations/business-rates-revaluation-2023-the-central-rating-list/outcome/business-rates-revaluation-2023-the-central-rating-list-summary-of-responses-and-government-response\)](https://www.gov.uk/government/consultations/business-rates-revaluation-2023-the-central-rating-list/outcome/business-rates-revaluation-2023-the-central-rating-list-summary-of-responses-and-government-response).

6. [Technical adjustment to the Business Rates Retention system: Consultation](https://www.gov.uk/government/consultations/technical-adjustment-to-the-business-rates-retention-system-consultation) (<https://www.gov.uk/government/consultations/technical-adjustment-to-the-business-rates-retention-system-consultation>).
7. To note, in response to the 2023 revaluation, the small business multiplier fell below 49.9p to offset increases in rateable value. This means that although the multiplier experienced by business is frozen at 49.9p, there is a difference between the post-revaluation multiplier and the 2022-23 value, requiring an uplift to BFLs. This uplift increases baseline funding levels, but does not give the full CPI increase, the rest of which is compensated via underindexation grant.
8. Please refer to section 5.1 of the [2019-20 Local Government Finance Settlement Technical Consultation](https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation) (<https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation>) for an explanation of the issue of negative Revenue Support Grant.
9. The published Core Spending Power figures include assumed council tax flexibilities of 3% for fire authorities, 2% for the GLA, and £10 for police and crime commissioners. Government has now announced, on 12 December, it intends to provide flexibilities of £5 for standalone fire and rescue authorities, a 3% core principle plus an additional £20 flexibility for the non-police element of the Greater London Authority precept, and £15 for police authorities and police and crime commissioners including the GLA and the West Yorkshire and Greater Manchester Mayors. The [provisional police funding settlement](https://questions-statements.parliament.uk/written-statements/detail/2022-12-14/hcws443) (<https://questions-statements.parliament.uk/written-statements/detail/2022-12-14/hcws443>), which was laid before Parliament on 14 December, includes the £15 flexibility for police authorities and police and crime commissioners.

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