

Local Government Finance Settlement

Introduction

The Provisional Local Government Finance Settlement: England, 2023 to 2024 was published on Monday 19 December 2022 by the Rt Hon Michael Gove MP (Secretary of State for Levelling Up, Housing and Communities). This was actually ahead of the previously indicated date.

Disappointingly, it only covers one financial year again, 2023/24; a fifth one-year settlement in a row. Although a number of commitments and statements are made about 2024/25, no detail is included leaving councils continuing to struggle with long term financial planning and financial sustainability.

The announcement launches a short consultation on the published details before being finalised in Late January / early February, although there is rarely any material movement.

National Headlines

In his covering statement, the Minister declared the settlement “provides a 9% increase in national level Core Spending Power, making available almost £5 billion in additional resources, demonstrating how Government stands behind councils up and down the country.”

The national control totals announced show this:

	Core Spending Power
2022/23	£54.541bn
2023/24	£59,544bn
Movement £	£5.003bn
Movement %	9.17%

It must be noted however that much of the additional funding is directed towards social care as outlined within the Chancellor’s Autumn Statement. **Therefore, Mid Devon District Council does not see an increase of this scale.**

However, within the overall figures is a commitment that “every council sees at least a 3% increase in Core Spending Power next year before any local decisions on council tax rates.” **Mid Devon District Council will benefit from this commitment although this is well below the current level of inflation.** Instead, local authorities are asked to “consider how they can use their reserves to maintain services in the face of immediate inflationary pressures”.

The previously indicated Council Tax Referendum limits were confirmed for both 2023/24 and 2024/25, as follows:

- Up to 3% for Shire County Councils, Shire Unitary Authorities, Metropolitan Districts and London Boroughs;
- **The greater of 3% or £5 for District Councils;**
- A further 2% allowance for Social Care Authorities;
- Up to £5 for Fire and Rescue Authorities;

- Up to £15 for Police Authorities

Although for Mid Devon District Council this reflects an increase on recent years, District and Fire Authorities continue to have lower allowable increases compared to other categories of Authority. Lobbying continues to increase the allowable increase to be £10 (less than 20p per week).

The settlement also confirmed that the long awaited reforms to funding and the Business Rates system will not be implemented during this parliament.

Detail

Although the Council is much less reliant upon Government Grant than it previously was, it remains a critical event for Council funding as it also outlines key aspects surrounding Council Tax and Business Rates income including the ability for Devon authorities to continue to pool its Business Rates – which is beneficial for the Council.

The headline announcements centre on the government's Core Spending Power Index. This is included in the table within Appendix 1, with both national control totals and Mid Devon specific detail.

However, it is important to remember that we have made assumptions about funding levels. Therefore it is more appropriate to compare our assumptions to the settlement to understand whether the council is truly better off. The table below shows the previous assumptions, updated to the settlement announcements where relevant:

Funding Source	2022/23	2023/24 Assumption (19 Dec 2022)	Settlement Update 2023/24	Movement from Assumption	
	£k	£k	£k	£k	%
Business Rates	3,532	3,882	4,182	300	7.2%
Council Tax	6,524	6,724	6,724	0	0
New Homes Bonus	719	719	397	(322)	-44.8%
Rural Services Delivery Grant	490	490	490	0	0
Lower Tier Services Grant	101	101	0	(101)	-100.0%
Services Grant	153	153	86	(67)	-77.9%
Grants Rolled In	98	98	0	(98)	-100.0%
Funding Guarantee	N/a	N/a	469	469	-
Total	11,617	12,167	12,348	181	1.50%

Therefore, overall it indicates that the Council is £181k better off than expected.

It must be noted, that the above numbers are provisional and are subject to final confirmation. In particular the increase in Business Rates should be viewed with a degree of caution as clarity around the national Revaluation and Reliefs is still being received.

Further Information

For further information on the content of this briefing please contact:

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Appendix 1 – Core Spending Power

Core Spending Power	Notes	National Control Total				Mid Devon District Council			
		2022/23 £m	2023/24 £m	Movement £m %		2022/23 £m	2023/24 £m	Movement £m %	
Settlement Funding Assessment (SFA)	1	14,882	15,671	789	5.3%	2.213	2.394	0.181	8.2%
Compensation for under-indexing the business rates multiplier	2	1,275	2,205	930	72.9%	0.226	0.391	0.165	72.9%
Council Tax Requirement excluding parish precepts ¹	3	31,922	33,838	1,916	6.0%	6.524	6.808	0.284	4.3%
Improved Better Care Fund	4	2,140	2,140	-	0.0%	-	-	-	
New Homes Bonus	5	556	291	(265)	-47.7%	0.719	0.395	(0.324)	-45.1%
Rural Services Delivery Grant	6	85	85	-	0.0%	0.490	0.490	-	0.0%
Social Care Grant ³	7	2,346	3,852	1,506	64.2%	-	-	-	
ASC Market Sustainability and Improvement Fund ⁴	8	-	562	562		-	-	-	
Lower Tier Services Grant	9	111	-	(111)	-100.0%	0.101	-	(0.101)	-100.0%
ASC Discharge Fund	10	-	300	300		-	-	-	
Services Grant	11	822	464	(358)	-43.5%	0.153	0.086	(0.067)	-43.7%
Grants rolled in	12	239	-	(239)	-100.0%	0.098	-	(0.098)	-100.0%
Funding Guarantee	13	-	136	136		-	0.471	0.471	
Total				5,003	9.2%	10.524	11.035	0.511	4.9%

Notes:

1. This is the Government's assessment of the baseline funding required to deliver services. It is formed from Revenue Support Grant and Business Rates. Mid Devon District Council no longer receive RSG, for us this is purely Business Rates.
2. This is where the Government compensates councils for decisions taken centrally that reduce our funding – i.e. freezing the Business Rates instead of adding inflation. Within this index this is a purely notional figure and does not reflect the locally calculated figure which we receive in S31 Grant.
3. This is the expected Council Tax yield, based upon a National Average Band D charge, not MDDC's actual charge. It assumes that Council's increase to their maximum allowable within the referendum limit. This will place a significant financial burden on households in a year of economic uncertainty and increased costs, including energy costs.
4. This is only for Social Care Authorities.

5. This grant is based upon the number of empty homes brought back into use. It is being phased out, but no clarity will be available about any future replacement grant until 2024/25. The calculation methodology remains the same as before, but this allocation is one-off whereas previously this grant received multi-year legacy payments. Those legacy payments have been “repurposed” to help fund the new 3% funding guarantee (note 13).
6. This grant is to recognise the additional costs of delivering services in rural areas. It is disappointing that it is the only funding stream frozen at prior year levels.
7. This is only for Social Care Authorities.
8. This is only for Social Care Authorities.
9. This grant was originally announced in 2019/20 as one-off to recognise that district council services were important. This has been “repurposed” to help fund the new 3% funding guarantee (note 13).
10. This is only for Social Care Authorities.
11. This grant was originally announced in 2022/23 as one-off to partly recognise that the changes to National Insurance (NI) would affect our paybill and that district council services were important. 2023/24 removed the NI element but also redirects elements of this funding into other funding streams that MDDC do not receive. This is therefore a cut in funding.
12. Every year, the government merge grants into the Settlement Funding Assessment (SFA – note 1). For Mid Devon District Council this represented the Family Annexe Council Tax Discount grant (£34k) and Local Council Tax Support Administration Subsidy grant (£64k).
13. A grant to ensure that all councils have an increase of 3 per cent in core spending power before any changes in council tax levels are taken into account. The value of the guarantee will be based on the difference between a 3 per cent increase in their 2022/23 Core Spending Power adjusted for actual council tax requirement in 2022/23, compared to their increase in Core Spending Power (excluding rolled in grants) before any assumed increases to council tax Band D levels in 2023/24.