



Ministry of Housing,
Communities &
Local Government

Rt Hon Robert Jenrick MP
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To all council leaders in England

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Dear Leader,

Provisional Local Government Finance Settlement 2021-22 and £1.55 billion of additional Covid-19 financial allocations for local government in 2021-22

Yesterday I published the provisional local government finance settlement for 2021-22, as well as further details on the comprehensive package of support for Covid-19 pressures on local government in 2021-22.

Local government has a vital role in delivering essential public services and is the democratic heartbeat of local communities right across the country. This has been highlighted this year with the outbreak of the Coronavirus pandemic. You have been at the heart of our national response and have mobilised to help us keep the country moving, protect the NHS and save lives, whilst delivering social care and other vital public services.

Since the start of the pandemic, we have provided in excess of £10 billion in support, including over £7.2 billion of additional expenditure funding for local authorities in 2020-21; the majority of which is in unringfenced grant, available to respond to local pressures and priorities. In addition, we have ensured you receive support to deal with losses in income from the pandemic, including from sales, fees and charges, and from local taxes, which will in turn be worth billions of pounds to councils. The Spending Review subsequently announced an estimated £3 billion of Covid-19 support for councils in 2021-22. Yesterday I announced the allocation of £1.55 billion of this for Covid-19 expenditure pressures.

Settlement 2021-22

As we now look ahead to 2021 and 2022, the annual settlement makes an extra £2.2 billion available to fund the provision of critical public services including adult and children's social care. Within this, we are giving authorities access to an additional £1 billion for adult and children's social care, made up of £300 million of social care grant and the flexibility of a 3% adult social care precept. We are giving councils the flexibility to defer utilising the 3% social care precept for a year. This means locally elected councillors can choose how best to support their residents. The core settlement will increase in line with inflation.

On average, across England councils will see a 4.5% cash terms increase in Core Spending Power, an increase in real terms. That is testament to our support for local government, and it comes off the back of three settlements in a row that have all increased funding in real terms.

We are now going further and outlining the full settlement package. Recognising the exceptional circumstances, I have made sure that no council will see a reduction in funding. I am proposing:

- £240 million in social care grant, used to level the playing field between councils who have different abilities to raise funding through the council tax precept for adult social care;
- a package of referendum principles, including a bespoke council tax referendum principle of 2% of £5, whichever is higher, for district councils – giving authorities flexibility to determine how they meet any spending pressures, while recognising that they will want to take into account the financial circumstances of their residents and protect households from excessive increases in bills. It is incumbent on councillors to balance these pressures in reaching the right decision for their area;
- a new £111 million Lower Tier Services Grant, for services such as homelessness, planning, recycling and refuse collection, and leisure services;
- a funding floor to ensure no council sees a year-on-year reduction in Core Spending Power;
- a £4 million increase to the Rural Services Delivery Grant, recognising the extra costs of delivering services in rural areas - the highest grant specifically for rural authorities to date;
- a new round of £622 million of New Homes Bonus allocations;
- providing the stability the sector has asked for, through confirmation the Government will not pursue fundamental finance reform, including a business rates reset, in 2021-22.

We have secured an additional £254 million to tackle homelessness and rough sleeping next year, including £103 million of previously announced funding. This means the Government will be spending over £750 million - a 60% increase in resource funding on the previous Spending Review - supporting our commitment to end rough sleeping this Parliament and fully enforce the Homelessness Reduction Act.

Tackling domestic abuse remains a Government priority, and we will provide £125 million funding in 2021-22 to enable councils to meet the duties set out in the Domestic Abuse Bill to provide support for victims of domestic abuse and their children within safe accommodation.

I am also pleased that we will support vulnerable families through the Troubled Families Programme, which will continue into a new phase with up to £165 million of further funding in 2021-22. The programme has made a huge difference to the lives of hundreds of thousands of families, reducing the number of children in care and young people in prison.

We will establish a new £4 billion Levelling Up Fund, building on the success of our £3.6 billion Towns Fund. Any local area will be eligible to apply directly to this fund, which will finance the everyday infrastructure, town centre regeneration and culture communities need, and people want. Local partners will play an integral role.

The UK Shared Prosperity Fund will help to level up and create opportunity across the UK, including ex-industrial areas, towns and rural and coastal communities, and for people who face labour market barriers. A UK-wide investment framework will be published in 2021 and confirm multiyear funding profiles at the next Spending Review. To help local areas prepare over 21/22 for the introduction of the fund, we will provide additional UK funding to support our communities to pilot programmes and new approaches. Further details will be set out in the New Year.

Infrastructure investment and recovery works are also at the centre of the Chancellor's vision. The Government is funding vital infrastructure, with total capital spending (CDEL) at £100 billion – once in a generation proposals. These plans deliver the highest sustained levels of public sector net investment since the 1970s, funding the biggest hospital building programme in living memory, and £2.2 billion investment in our schools funding our commitment to rebuild 500 schools over the next decade. An additional £1.7 billion was also announced for local roads maintenance and upgrades to tackle potholes, relieve congestion and boost connectivity: delivering the improvements our communities need.

As the local government finance system moves into a more stable position, we will work with the sector on the way forward. The provisional settlement consultation will be open for 4 weeks, closing on 16th January 2021.

Covid-19 2021-22 support package for local government

We have good reasons to be optimistic about overcoming the spread of the virus as a result of new vaccines and the Government's decisive action. Nevertheless, councils are at the forefront of our response to COVID-19 and it is right that we ensure you have the resources you need.

I have now announced further details of support to address service and income pressures arising as a direct result of Covid-19 for next year, including:

- providing early certainty through final allocations of the £1.55 billion unringfenced grant for expenditure pressures to support the government's priorities including local elections in May 2021;
- our approach to allocating £670 million Local Council Tax Support Grant, to enable you to continue reducing council tax bills for those least able to pay, including households financially hard-hit by the pandemic. Indicative allocations will follow shortly;
- outlining our position on the Local Tax Income Guarantee scheme, for 75% of 2020-21 irrecoverable local tax losses, worth an estimated £800 million; and
- setting out our preferred approach to the extension of the Sales, Fees and Charges income support scheme to June 2021.

Following the Spending Review announcement of further support for local government, we have now committed £10 billion to local government to respond to Covid-19 this year and next. We will also continue to engage with you and will seek your views on how we continue to approach the Covid-19 financial impact monitoring survey.

Further details on each of the elements above, including allocations for individual local authorities can be found in the documents we have published at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>

<https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

We will publish further details, confirming the position of Government on each of these elements following consultation, early next year. A final settlement will be published in the New Year, which will confirm final local authority allocations. Can I wish you, your councillors and your officers a happy and healthy Christmas.



RT HON ROBERT JENRICK