



Ministry of Housing,  
Communities &  
Local Government

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Dear Leader,

## **LOCAL GOVERNMENT SPENDING**

Further to the Chancellor's announcement on the outcome of the 2020 Spending Review, I am pleased to be able to write to you to set out further detail on the action the Government is taking to support you next year.

The SR20 settlement has been drawn up in unique circumstances. Our primary aim, throughout this challenging period, has been to ensure you have the resources and stability you need to continue to provide vital public services and tackle the pandemic.

At the start of the pandemic we said we would support local government, and we have delivered on that commitment. We have provided over £7.2 billion for local authorities; and that is even before the extension of the Contain Outbreak Management Fund for those authorities under the highest level of restriction – potentially worth over £200 million a month – that was announced as part of the Covid-19 Winter Plan. Together with the funding announced by the Chancellor, this means that the total support committed to local authorities in England to tackle the impacts of Covid-19 is over £10 billion – in line with what the Local Government Association called for earlier in the year. In addition we have set up a scheme to reimburse councils for a portion of the sales, fees and charges losses that they have experienced in 2020-21, and the first three months of 2021-22, and have already made payments totalling £528 million in respect of the first 4 months of 2020-21.

Supporting councils to maintain critical public services continues to be our priority. That is why the Spending Review has confirmed that Core Spending Power is forecast to rise by 4.5% in cash terms next year – a real terms increase. This is worth an additional £2.2 billion. Within this, you will have access to an additional £1 billion for social care next year, made up of a £300 million increase to the social care grant and 3% Adult Social Care precept. The additional £1 billion of grant funding announced at SR19 for Adult and Children's Social Care will be continuing, along with all other existing social care funding. Social care authorities will however have the flexibility to defer utilising part or all of the 3% Adult Social Care precept for a year, recognising the pressures that many local taxpayers will face next year. It is incumbent on councillors to balance the issues and determine how best to deliver good local services, while taking into consideration the circumstances of residents.

Beyond social care, we are protecting vital front-line services, by increasing the annual settlement allocations in line with inflation and allowing local authorities to increase council tax by up to 2% next year without holding a referendum. Of course, the threshold is not a cap and councils continue

to have the option of increasing local taxes by holding a referendum – giving local people the ultimate say. This is in line with the Government's manifesto commitment to continue to protect local taxpayers from excessive council tax increases.

Through the Spending Review, 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 to tackle homelessness and rough sleeping next year, 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. This is a considerable achievement by local authorities and their partners.

Localism is central to this Government's mission to level up all parts of the country. At SR20 we announced 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 government will play an integral role.

We will also be supporting places, such as former industrial areas, towns and coastal communities, by setting out what the UK Shared Prosperity Fund (UKSPF) will invest in, how it will be targeted and how it will work directly with local councils. Growing the national economy, one local economy at a time. The Government will provide a further £220 million of UK-wide funding to support our communities to pilot programmes and new approaches.

Councils are also at the forefront of our response to Covid-19. 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, it is right that we ensure councils have the resources they need. That's why we have announced £1.55 billion of un-ringfenced grant for councils to manage the immediate and long-term impacts of the pandemic, £670 million to support those least able to afford their Council Tax and an extension of the Sales, Fees and Charges scheme to June. We will continue to support the sector and keep this package under review. Collectively, local authorities in England are expected to receive over £3 billion of additional support for Covid-19 pressures next year.

Following our commitment earlier this year, we are also launching a new reimbursement scheme worth just under £800 million for 2020-21 local tax losses, compensating councils for 75% of irrecoverable losses.

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.


I am very pleased that the Spending Review announcement means we can now give councils some certainty for the year ahead. We will shortly be issuing a consultation on next year's local government finance settlement, with the detailed allocation of funding on a local authority by local authority basis. I very much look forward to hearing from you during this year's consultation and would like to thank you in advance for your comments.

Separately, The Treasury has today published the response to the consultation on proposed reforms to the Public Works Loans Board (PWLB), intended to prevent authorities from using low-cost loans to buy investment property primarily to generate income. My officials have worked closely with HMT on this important work and the reforms will come into effect from today (26 November). The reforms will allow us to lower the interest rate of PWLB lending by 100bps. This brings PWLB interest rates back to the levels they were at before October 2019.

As announced earlier in the year, the government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2021-22. We have also decided not to reset accumulated business rates growth in 2021-22. The devolution deal pilots and GLA arrangement will be maintained for a further year. We will also continue the existing New Homes Bonus scheme in 2021-22 with no new legacy payments. As the local government finance system moves into a more stable position, we will work with the sector on the way forward.

I am very pleased that the Spending Review announcement means that councils have more certainty for the year ahead. We will confirm further details at the provisional local government finance settlement in December.

Finally, I would like to take this opportunity to thank you for all the work you have done, and continue to do, to protect our communities and local economies throughout the pandemic. Local government has been at the heart of our national response and has mobilised to help keep the country moving while protecting the most vulnerable and continuing to deliver vital public services.

A handwritten signature in black ink that reads "Robert Jenrick." The signature is written in a cursive style and is followed by a horizontal line.

**RT HON ROBERT JENRICK MP**