



Department for Levelling Up,
Housing & Communities

Rt Hon Michael Gove MP

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**Department for Levelling Up, Housing
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To all council leaders in England

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Dear Leader,

Today I have published the provisional Local Government Finance Settlement (the Settlement) for 2022/23. At a national level, this settlement makes available an additional £3.5 billion to councils, an increase in local authority funding for 2022/23 of over 4% in real terms. This will ensure councils across the country have the resources they need to deliver key services.

This Settlement should be seen in the context of the wider support that this government is giving to local government. The government will be providing £2.6 billion under the UK Shared Prosperity Fund, which looks to help people access opportunities in places in need, and £4.8 billion under the Levelling Up Fund, to level up the country by investing in infrastructure that improves everyday life across the UK. In addition, this government is investing a further £2 billion across the next three years to tackle homelessness and rough sleeping, as well as launching a new £162.5 million Workforce Recruitment and Retention Fund, to support councils in addressing adult social care workforce capacity pressures this winter.

In addition to this support, Schools Minister Robin Walker has today confirmed that in 2022/23 school funding will increase by £2.5 billion (a 5.8% increase per pupil), compared to 2021/22. In addition, high needs funding is increasing by over £1 billion (13%) compared to 2021/22, to support pupils with special educational needs and disabilities.

The proposals I am announcing today focus on providing stability. Our proposed Settlement for 2022/23 which I am consulting on will:

- Make available up to £3.5 billion more funding for councils across England compared to 2021/22. Overall, this means up to £53.9 billion of funding available for core services.
- Provide a new, one-off grant to support all services delivered by councils worth £822 million.
- Make available over £1 billion of additional funding specifically for social care.
- Protect hard-working taxpayers from unfair hikes in rates, with a 2% core threshold and 1% of additional flexibility for councils with adult social care responsibilities.

Councils are the frontline of public services within local communities. You are the first port of call for so many people – from delivering critical social care services at every stage of people’s lives, to making sure we have efficient and effective waste services in place. This government recognises the vital role you play.

2022/23 Services Grant

I recognise the range of additional services provided by local government which are at the core of every community that go beyond social care.

The provisional settlement therefore proposes a one-off 2022/23 Services Grant worth £822 million that will be distributed through our existing Settlement Funding Assessment formula. Looking at 2023/24 and beyond, we want to take the time to fully consider its future distribution in consultation with councils.

This funding would be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

Updating the System

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this, we will look at options to support local authorities through transitional protection. Councils should note that one-off 2022/23 Services Grant funding provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

Adults and Children’s Social Care

This Government has a clear ambition to reform social care. To do that, we must recognise how important it is to ensure local government has the resources it needs to deliver on its current responsibilities in both adults and children’s social care.

Local authorities can, therefore, make use of over £1 billion of additional resource specifically for social care in 2022/23. This includes:

- £636 million more into the Social Care Grant, including funding for equalisation against the 1% Adult Social Care precept
- providing an inflationary uplift to support integrated working with the NHS
- a 1% ASC precept and deferred flexibilities from last year's settlement.

For many councils, adults and children’s social care are key priorities and the largest areas of spending. Councils are not expected to rely solely on this earmarked funding to meet the

inflationary and demographic pressures facing these services; they also have access to funding from unringfenced grant, including the 2022/23 Services Grant, and from council tax.

On top of this funding to address core pressures, £162 million in adult social care reform funding will be allocated in 2022/23 to support local authorities as they prepare their markets for adult social care reform and to help move towards paying a fair cost of care. The funding made available to councils means overall local government core spending power can increase by over 4% in real terms in 2022/23, including the investment in ASC reform.

Council Tax

This government recognises the importance of high-quality local services and believes in empowering local decision makers to shape thriving communities. This includes ensuring they have the flexibility to generate their own income through council tax, while protecting residents from excessive increases.

The provisional settlement proposes: a core council tax referendum principle of up to 2%; an Adult Social Care (ASC) precept of 1% for all authorities responsible for ASC; a principle of up to 2% or £5 for shire district councils (whichever is higher); a referendum principle of £10 for Police and Crime Commissioners; and a £5 referendum principle for the 8 lowest-charging fire and rescue authorities. This settlement proposes no other council tax referendum principles for Mayoral Combined Authorities (MCAs) or town and parish councils.

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 is an additional local democratic check and balance to avoid the repeat seen under the last Labour Government when council tax more than doubled.

This 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. Councillors, mayors and Police and Crime Commissioners and local councils will rightly want to consider the financial needs of local residents at this challenging point in time, alongside the public's support for action on keeping our streets safe and providing key services.

Stability of funding

Through this package we are providing local authorities with a firm foundation for funding throughout 2022/23. This means we are proposing to roll over much of the 2021/22 Local Government Finance Settlement, including:

- Rolling over the current approach to the New Homes Bonus worth £554 million.
- Keeping the Rural Services Delivery Grant at £85 million.
- Keeping the Lower Tier Services Grant at £111 million with an updated cash terms funding floor to avoid turbulence for councils.
- Uplifting Revenue Support Grant in line with inflation, an increase of £70 million.
- Continuing with the 100% retention authorities in the 5 Devolution Deal areas and 67% for Greater London overall.

Responding to the consultation

In outlining these proposals, my priority is on providing stability in the immediate term. The provisional Settlement consultation will be open for 4 weeks, **closing on 13 January 2022**. Further details on 2022/23 proposals, including allocations for individual local authorities and our detailed consultation document, can be found in the documents we have published today at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023>

I very much look forward to hearing from you in response to the provisional Settlement consultation.

If you have any questions regarding the Settlement consultation process, you can contact my officials at the following address: LGfsettlement@communities.gov.uk

With every good wish,

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive style with a large initial 'M'.

Rt Hon Michael Gove MP
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and Minister for Intergovernmental Relations