

APSE Briefing: Local Government Finance Statement for 2022-2023

This briefing is provided for APSE main contacts in England and for information to Scotland, Wales and Northern Ireland

1. Introduction

Local government has been previously assured that Government would look to provide early details of settlements, as well as longer-term financial settlements to assist local councils' financial planning. It is therefore disappointing that the settlement announcements for 2022-2023 are for one year, and are late into December, before they have been announced.

Much of the information set out in today's settlement by Michael Gove, MP, Secretary of State for Levelling Up, Housing and Communities, in terms of the overall funding for local government, was already announced in the budget by Chancellor Rishi Sunak (see [APSE briefing 21-47](#)). However, there are some welcome additions including a new Services Grant and rolling over the New Homes Bonus. However, it remains a grave disappointment to local government that for the fourth year running they are facing a one-year settlement against long-standing, and so far, unmet, promises of fundamental reform to address the issues of fair funding amongst councils.

2. The following is the Statement of the Secretary of States Statement

"Today, I have set out the provisional Local Government Finance Settlement for 2022/23. This is a Settlement that, at a national level, 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.

The proposals I am announcing today focuses on providing stability by:

- Making 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.
- Providing a new, one-off 2022/23 Services Grant worth £822 million.
- Striking a balance on Council Tax that helps councils invest in the services they provide to residents while protecting hard-working taxpayers from unfair hikes in rates, with a 2% core referendum threshold and 1% of additional flexibility for councils with adult social care responsibilities.

- Making available over £1 billion of additional funding for social care.

Alongside this Settlement, the Government will be providing further support to local communities through: £2.6 billion of UK Shared Prosperity funding, which helps people access opportunities in places in need; a £4.8 billion Levelling Up Fund, which seeks to level up the country by investing in infrastructure that improves everyday life across the UK; and a further £2 billion of investment across the next three years to tackle homelessness and rough sleeping.

2022/23 Services Grant

Local government delivers a range of services that are at the core of every community.

I therefore propose to create a one-off 2022/23 Services Grant worth £822 million that will be distributed through our existing Settlement Funding Assessment. We will then 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.

Adults and Children's Social Care

The Government is committed to ensuring local government has the resources it needs to support the most vulnerable through adult and children's social care.

I propose, therefore, allocating £700 million of new grant funding going to social care. This means:

- £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.

Local authorities can make use of over £1 billion of additional resource specifically for social care in 2022/23. This includes the increase in Social Care Grant and the improved Better Care Fund, a 1% Adult Social Care 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 Adult Social Care 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.

I have proposed the following package of referendum principles for 2022/23:

- A core council tax referendum principle of up to 2% for shire counties, unitary authorities, London boroughs, the Greater London Authority (GLA) and fire and rescue authorities.
- A principle of up to 2% or £5, whichever is higher, for shire district councils
- An Adult Social Care (ASC) precept of 1% for all authorities responsible for ASC.
- The ability to add up to an additional 3% of unused ASC Precept from 2021/22.
- A £5 referendum principle for the 8 lowest-charging fire and rescue authorities.
- A referendum principle of £10 for Police and Crime Commissioners (PCCs), including the GLA charge for the Metropolitan Police and the PCC component of the Greater Manchester and West Yorkshire Mayoral precepts.
- No other council tax referendum principles for Mayoral Combined Authorities (MCAs) and no council tax referendum principles for 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.
- Maintaining the Lower Tier Services Grant at £111 million with an updated cash terms funding floor.
- Increasing the Revenue Support Grant in line with inflation; an increase of £70 million.
- Continuing with the 100% retention authorities in the five Devolution Deal areas and 67% for Greater London overall.

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 the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

Conclusion

In outlining these proposals, my priority is to provide stability in the immediate term so I can work closely with local government and other partners on options to update our assessment of local authority needs and resources. I welcome representations from all interested parties on the 4-week consultation we have launched today.”

APSE Comment

Whilst many will welcome the new Services Grant it is for one year only. The Secretary of State made it clear that this money will not be available in the next financial year. Furthermore, this takes little consideration of the dire funding situation of many councils, who having supported communities throughout the health pandemic, and in many cases lost income that was not otherwise recoverable; those same councils now find that they face a further round of COVID-19 pressures with the onset of the Omicron variant, which will again place council services under pressure. Whilst £822 million is a welcome figure as a whole it is of course quite a thin sum when distributed across councils. You can view the distribution [using this link](#) to an excel spreadsheet download.

The settlement statement also restates the reliance of councils on council tax increases being maximised. This places local councils in the unenviable position of increasing the local tax-take just at the point where many families are feeling the financial pressures of cuts to

universal credit, inflation increases, low wages in many areas of the country, and further economic instability, as the UK faces a further serious wave of the health pandemic, with the Omicron variant. This it is noted is just at the point where communities and businesses are without the support schemes such as furlough (the job retention scheme).

There is some welcome news that work will restart on the fair funding review. This it is promised, will deliver real reform and ensure that councils have the money they need to deliver local services. However, this is a complex piece of work, and restarts the long-running debate on the calculation of needs and resources. The Governments manifesto commitment to 'levelling up' could help to ensure that this review meets that manifesto pledge. However, with this latest announced settlement in place until March 2023, and a General Election due no later than May 2024, it would be difficult to imagine how a one-year reform could embed enough change to evidence that manifesto commitment.

Furthermore, fair funding alone will not resolve the colossal finances needed to address Adult and Childrens' Services. COVID-19 has placed well recorded pressures on both Adult and Childrens' services, as the impact of lockdown has created new, and exacerbated some existing, issues. The recent tragic deaths of two children, whilst in the care of their own family members, has reached the headlines but beyond the headlines the numbers of at-risk children have continued to rise with an under-resourced service. Alongside this an ever more vigilant public, who will rightly increase calls upon social care in light of these recent tragedies, to report children believed to be at risk, will create more immediate pressures on the service.

In terms of neighbourhood level services, research from APSE has exposed the disproportionate levels of funding reductions to these services, as councils have struggled to address crisis situations in services such as Adult and Childrens services. [Research from APSE and CFP](#) launched this week found that Parks funding has reduced by £690 million in the past decade. Across frontline neighbourhood level services APSE has consistently found these services to be in a perilous financial state. For example, leisure services, which were forced to close during the pandemic, face a serious risk to their future sustainability, and are yet to recover their finances to pre-pandemic levels, whilst facing a need for capital investment in assets. [You can read the summary report here.](#)

The final report of the APSE Local Government Commission 2030 '[Local by Default](#)' made a series of recommendations in respect of local government finance including fair funding, reform of business rates and council tax, the ability for councils to have greater powers of local taxation (such as an 'amazon tax') and, to provide parity of esteem with the NHS, a minimum level of funding to meet needs, beyond which it should never again fall, reflecting the impact of austerity on councils, which brought funding, as a percentage of GDP, to levels last seen in 1948. Whilst it would appear that early steps are being undertaken by Government to reform the local government finance system, as called for by the Commission, its call for a multi-year funding settlement to ensure stability in the short term whilst transition takes place, has unfortunately failed to appear this year. Therefore, whilst

some of these themes and solutions proposed by the Commission are starting to emerge progress is too slow and actions lack urgency.

In conclusion therefore the local government settlement for 2022-2023 is short term, inadequate and will not address the systemic problems within the local government financial system, nor will the settlement assist the Government's stated aims of 'levelling up' across the UK. Whilst cognisance must be taken of the pandemic finances and the overall economic impact on the economy, and the vast resources needed to support the NHS, the recognition that local council services can help the well-being of local people, is once again not considered; investing in local government is a means by which pressure can be diverted from the hard-pressed NHS and in particular the necessity for properly funded and resourced Adult Care services.

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