



Department for Levelling Up, Housing & Communities

Rt Hon Michael Gove MP
*Secretary of State for Levelling up
Housing & Communities
Minister for Intergovernmental
Relations*
2 Marsham Street
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To All Council Leaders in England

5 February 2024

Dear Leader,

2024-25 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

On 18 December 2023, the Government published the provisional Local Government Finance Settlement 2024-25 and launched our formal consultation on proposals, which closed on 15 January 2024. I would like to express my gratitude again to all who responded. Having listened to your views, on 24 January I announced additional measures for local authorities worth £600 million, including £500 million of new funding for social care.

Today I have laid before Parliament: the Local Government Finance Report (England) 2024 to 2025; the Referendums Relating to Council Tax Increases (Principles) (England) Report 2024 to 2025; and the Referendums Relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2024 to 2025. Together, these form the final Local Government Finance Settlement for 2024-25. On Wednesday 7 February, Parliament will have the opportunity to consider these reports.

In recognition of the vital work councils do for the communities you serve, I am pleased to confirm that this year's Settlement makes available a total of £64.7 billion, an increase of £4.5 billion or 7.5% in cash terms in Core Spending Power on 2023-24 – an above-inflation increase. By making progress on the Government's plan to halve inflation, grow the economy and reduce debt, we now can provide this extra funding to councils so that you can continue to deliver vital services for your communities.

As announced on 24 January, this Settlement will provide:

- **£1.5 billion in additional grant funding for social care**, compared to 2023-24, in recognition of pressures facing both adult and children's social care;
- a **4% Funding Guarantee** to ensure that all local authorities will see their Core Spending Power increase by a minimum of 4% in cash terms before any local decisions on council tax – this is an increase from the 3% Funding Guarantee in 2023-24; and
- **£110 million through the Rural Services Delivery Grant**, in recognition of the specific challenges local councils can face serving dispersed populations – an increase of £15 million or over 15% on 2023-24, the largest increase in this grant since 2018-19 and the second successive year of above-inflation increases.

The Government is committed to continuing to protect local residents from excessive council tax increases. This Settlement confirms our intention for referendum principles of up to 3% for core council tax and up to 2% for the adult social care precept in 2024-25. These provisions are not a cap, nor do they force councils to set taxes at the threshold level. When taking decisions on council tax levels, I expect all Councillors, Mayors, Police and Crime Commissioners and local councils to take into consideration the pressures many households are facing and the need to control unnecessary and wasteful expenditure. We have been clear that councils should take steps to mitigate the impact on those least able to pay when implementing any council tax increases.

The Government's view continues to be that councils that have taken decisions to get themselves in the most severe financial failure should continue to take all reasonable local steps to support recovery including additional council tax increases. For the 2024-25 Settlement, in consideration of the significant financial failure of Thurrock Council, Slough Borough Council, and Woking Borough Council, the Government has confirmed the council tax referendum principles as proposed in the provisional Settlement. In recognition of the scale of the Council's failure, the Government will not oppose a request for flexibility to increase council tax bills by an additional 5% from Birmingham City Council. Whilst the Government will not oppose this request given the seriousness of the circumstances, any decision to increase council tax is solely one for Birmingham City Council, who should have taken into account the pressures that people in Birmingham are currently facing on living costs.

Every authority in England also stands to benefit from increased growth in business rates income, which has generated a surplus in the business rates levy account in 2023-24. I can confirm that £100 million will be returned to the sector on a one-off basis, to be distributed based on each local authority's 2013-14 Settlement Funding Assessment.

Today, I am also announcing that we will compensate local authorities for the Green Plant and Machinery business rates exemption via grant. This includes £21.7 million backdated for each of 2022-23 and 2023-24, which we aim to pay by the end of March 2024, and £21.7 million to be paid across 2024-25 and on a continuing basis until the system is reset. We will distribute this amount based on proportion of rateable value at local authority-level.

As part of our efforts to return the sector to sustainability in the future, we are also asking local authorities to develop and share productivity plans. These plans will set out how local authorities will improve service performance and reduce wasteful expenditure, for example on consultants or discredited equality, diversity and inclusion programmes. The Government will monitor these plans, and funding settlements in future will be informed by performance against these plans.

My Department will work with the local government sector on the approach to producing these plans. The plans should be short and draw on work councils have already done, identifying ways to unlock productivity improvements and setting out the key implementation milestones. Plans should be published by July 2024 before the House rises for the summer recess. They must be agreed by Council Leaders and members and published on local authority websites, together with updates on progress.

We expect them to cover four main areas:

- 1) transformation of services to make better use of resources;
- 2) opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
- 3) ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
- 4) barriers preventing activity that the Government can help to reduce or remove.

Alongside this ask, we will establish a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.

I am grateful to all councils who provided views on the proposal to use levers in local government finance settlements beyond 2024-25 to disincentivise the ‘four day working week’ or equivalent arrangements of Part-Time Work for Full-Time Pay. The Government continues to believe that this reduces the potential capacity to deliver services by up to 20%, and as a result does not deliver value. We will consider responses to this question carefully as part of continuing policy development, to deter local government from operating these practices, with any changes at future Settlements subject to further consultation.

Further detail on the final Settlement has been published today here:

www.gov.uk/government/collections/final-local-government-finance-settlement-england-2024-to-2025

We are committed to improving the local government finance system beyond this settlement in the next Parliament and the Minister for Local Government will be engaging with the sector over the coming months.

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

Secretary of State for Department of Levelling Up, Housing and Communities
Minister for Intergovernmental Relations