

Provisional Local Government Finance Settlement 2023-24

1. Summary

- 1.1. The Provisional Local Government Finance Settlement 2023-24 was published via a Written Ministerial Statement on 19 December 2022.
- 1.2. The Provisional Settlement has provided further details about the funding increases announced at the Autumn Statement 2022 and subsequently set out in the DLUHC Policy Statement. This includes a welcome increase in the level of funding for social care. The Government assumes that upper-tier authorities will increase council tax by 5% for 2023-24. If this were the case, the Government expects the County Council's "Core spending Power" to rise by 10.5% between 2022-23 and 2023-24. The Council faces significant inflationary and demand pressures, including additional costs from the level of the National Living Wage, which is set by Government. The Provisional Settlement figures remain to be confirmed in the Final Settlement expected in late January or early February 2023.
- 1.3. The Written Ministerial Statement can be accessed here: <https://questions-statements.parliament.uk/written-statements/detail/2022-12-19/hcws469>
- 1.4. The Provisional Local Government Finance Settlement supporting documents can be accessed here: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2023-to-2024>
- 1.5. In overall terms, the Provisional Settlement figures are in line with the announcements made in the Local Government Finance Policy Statement published 12/12/2022: <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25/local-government-finance-policy-statement-2023-24-to-2024-25>
- 1.6. The accompanying [consultation](#) on the Provisional Settlement has been launched, running for four weeks and closing 16/01/2023.
- 1.7. The Provisional Settlement provides detailed allocations for 2023-24 and (alongside the Policy Statement) gives some indication of funding for 2024-25. As such it is however essentially a one year settlement.

2. Background – Autumn Statement 2022 and DLUHC Policy Statement

- 2.1. The Chancellor announced the Autumn Statement on 17 November 2022. The details can be accessed here: <https://www.gov.uk/government/publications/autumn-statement-2022-documents>. Key headlines from the Autumn Statement included:
 - No reductions to the overall funding allocations announced in the Spending Review 2021. Local Government Resource DEL to increase by 33% from 2022-23 to 2023-24. (Council tax and Social Care funding).
 - Delay of social care reforms from October 2023 until "at least" October 2025.
- 2.2. DLUHC published the [Local government finance policy statement 2023-24 to 2024-25](#) on 12/12/2022. The headlines from the Policy Statement confirmed the direction of travel previously set out in the Autumn Statement. Key points from the Policy Statement for NCC are reflected in the Provisional Settlement and detailed in this note.

3. Funding allocations and Core Spending Power

3.1. Norfolk County Council funding allocations in the Provisional Settlement are shown in the following table.

	2022-23	2023-24	Change
	£m	£m	£m
Settlement Funding Assessment	195.903	205.875	9.972
Compensation for under-indexing the business rates multiplier	15.844	27.394	11.551
Council Tax Requirement excluding parish precepts	462.203	491.501	29.298
Improved Better Care Fund	39.619	39.619	0.000
New Homes Bonus	1.833	0.628	-1.205
Rural Services Delivery Grant	4.178	4.178	0.000
Social Care Grant	41.495	66.525	25.030
Market Sustainability and Fair Cost of Care Fund ¹	2.821	0.000	-2.821
ASC Market Sustainability and Improvement Fund	0.000	9.785	9.785
ASC Discharge Fund	0.000	5.554	5.554
Services Grant ²	10.687	6.022	-4.665
Grants rolled in ³	1.402	0.000	-1.402
Core Spending Power	775.984	857.080	81.096
Change %			10.5%

3.2. In overall terms, the Provisional Settlement reflects an increase in Core Spending Power (CSP) for the County Council, as expected following the Autumn Statement and the Policy Statement. The increase in CSP is largely being delivered via increased funding for social care and a higher threshold for council tax increases, including the Adult Social Care precept. The % change in CSP excluding council tax assumptions is 6.7%. These CSP increases are accompanied by significant cost pressures including high inflation rates and the increase in the National Living Wage.

3.3. Analysis by Pixel indicates that *“in the 2023-24 settlement, those authorities with the highest “needs”, and lowest tax bases, will typically have the highest increases in CSP.”*

3.4. Other elements of the Provisional Settlement announcement include:

- Freezing of the Business Rates Multiplier for 2023-24 at 49.9p. This is to be fully compensated in line with CPI.
- Revenue Support Grant will also increase in line with CPI.
- Services Grant will reduce in 2023-24, reflecting removal of funding for the cancelled increase in National Insurance Contribution / Health and Social Care Levy and provision to increase funding for the Supporting Families programme. Services Grant continues to be distributed via the Settlement Funding Assessment.
- No change to Rural Services Delivery Grant

¹ Rolled into “ASC Market Sustainability and Improvement Fund”

² Reduction includes removal of H&SC Levy funding

³ Independent Living Fund

- New Homes Bonus to continue at a reduced level in 2023-24 (and possibly 2024-25, but this is under review).
- Consolidating Independent Living Fund; Council Tax Discounts – Family Annexe; Local Council Tax Support Administration Subsidy; and Natasha’s Law grants totalling £239 million into the local government finance settlement. All four grants will keep their existing distribution.

4. Social care funding

4.1. Additional social care funding was announced at the Autumn Statement 2022 and this has been confirmed in the Provisional Settlement. The table below sets out the amounts that the Council can expect to receive in 2023-24. The announcements include:

- Delaying charging reform: £1.265 billion in 2023-24 and £1.877 billion in 2024-25 will be distributed to local authorities through the Social Care Grant for adult and children’s social care. This is in addition to the existing Social Care Grant. Government is continuing to equalise against the adult social care precept.
- New grant funding: £600 million will be distributed in 2023-24 and £1 billion in 2024-25 through the Better Care Fund to “get people out of hospital on time into care settings, freeing up NHS beds for those who need them.” The funding is split 50:50 between the DLUHC Local Government DEL (departmental expenditure limit) and the Department for Health and Social Care DEL.
- New grant funding: £400 million in 2023-24 and £683 million in 2024-25 will be distributed through a grant ringfenced for adult social care which will also help to support capacity and discharge.
- Funding for adult social care retains £162 million per year of Fair Cost of Care funding and its distribution.
- There will be reporting requirements on the new Adult Social Care Grant and the Better Care Fund regarding performance and use of funding to deliver tangible improvements against the following objectives: discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.

	Norfolk County Council	Share of national total
	£m	%
Rollover of Social Care Grant for 2022/23	41.495	1.77%
Independent Living Fund (Rolled in for 2023/24)	1.379	0.86%
Element used to equalise for 2% ASC precept flexibility for 2023/24	3.019	1.89%
Additional funding through existing ASC RNF for 2023/24	20.632	1.74%
Social Care Grant for 2023/24	66.525	1.73%
ASC Discharge Fund for 2023/24	5.554	1.85%
ASC Market Sustainability & Improvement Fund for 2023/24	9.785	1.74%
Total	81.864	1.74%

4.2. The purpose of the individual grants is as follows:

- **Social Care Grant** is “provided to upper tier authorities for social care expenditure, on both adult and children’s social care.”
- **Discharge Funding grant** is “provided to upper tier authorities to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible. The Discharge Funding must be pooled as part of the Better Care Fund.”
- **Adult Social Care Market Sustainability and Improvement Funding Grant** is “provided to upper tier authorities to enable tangible improvements to be made to adult social care.”

4.3. The Written Statement notes that Government has “listened to councils’ concerns about implementing adult social care charging reform in light of [inflationary and demand] pressures. That is why Government has made the difficult decision to delay these reforms, and to prioritise core pressures rather than risk destabilising the market. The funding intended for implementation will be retained in local authority budgets.” This is reflected in the above grants.

5. Council tax referendum limits

5.1. The Provisional Settlement sets out the proposed council tax referendum limits for 2023-24 as follows:

- A core referendum principle of 3% for 2023/24.
- A 2% Adult Social Care precept for 2023/24.

5.2. These are in line with the previously announced limits in the Autumn Statement 2022.

5.3. The Written Statement sets out that Government is providing “£100 million of additional funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to the 3.8 million households already receiving council tax support, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in their area.”

6. Business Rates Pooling

6.1. The Provisional Settlement confirms the continuation of the Norfolk Business Rates Pool for 2023-24. It also indicates that pooling will continue, if requested in 2024-25.

6.2. Members of the Pool have until 16/01/2023 to confirm if they wish to withdraw.

7. Fair Funding delay

7.1. Fair Funding and other reforms have been delayed until 2025-26 at the earliest. The anticipated Business Rates reset has also been delayed.

8. Dedicated Schools Grant

8.1. Government is extending the Statutory Override for the Dedicated Schools Grant for a further three years from 2023-24 to 2025-26.

8.2. Government has announced £2bn of additional education funding, of this £400m will be allocated to the High Needs Block. The Government is reviewing Safety Valve positions in light of the additional funding allocations.

9. Remaining uncertainty

9.1. The Provisional Settlement announcement has confirmed a number of key elements of funding for the 2023-24 Budget, however there remain several areas of uncertainty and it is likely that further details will emerge over the coming days and as analysis is completed. In particular the Provisional Settlement does not include details of the allocations of Public Health grant for 2023-24.

9.2. The Government expects the Extended Producer Responsibility for packaging (pEPR) scheme to provide additional income from 2024-25. Extended Packaging reform is to be phased. Nationally this totals £1.2bn in 2024-25 rising to £1.7bn. It represents genuine new income as the policy is for the producer to pay, however Government has indicated that it intends to review overall funding in light of additional income.

9.3. Government has “noted” the significant increase in some local authority reserves and is encouraging local authorities to consider how they can use reserves to maintain services in response to immediate inflationary pressures. This must be balanced with the need to maintain appropriate levels of reserves to support financial sustainability and future investment.

10. Consultation

10.1. DLUHC is (as usual) undertaking a consultation on the Provisional Settlement. <https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2023-to-2024-consultation>. The consultation questions being asked are as follows:

- Question 1: Do you agree with the government’s proposed methodology for the distribution of Revenue Support Grant in 2023/24?
- Question 2: Do you agree with the government’s proposals to roll grants into the local government finance settlement in 2023/24?
- Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?
- Question 4: Do you agree with the government’s proposals for a new Funding Guarantee?
- Question 5: Do you agree with the government’s proposals on funding for social care as part of the local government finance settlement in 2023/24?
- Question 6: Do you agree with the government’s proposals for New Homes Bonus in 2023/24?
- Question 7: Do you agree with the government’s proposals for Rural Services Delivery Grant in 2023/24?
- Question 8: Do you agree with the government’s proposals for Services Grant in 2023/24?
- Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

10.2. The consultation closes 16/01/2023 and a draft response will be produced on behalf of the Council for approval by the Leader and the Cabinet Member for Finance.

11. Summary and impact on Budget and MTFS position

- 11.1. In overall terms, the 2023-24 Provisional Settlement has provided additional funding for the County Council to meet budget pressures. New pressures since the 2022-23 MTFS was agreed are anticipated to be broadly met by this additional funding. However, significant cost pressures are being identified across a number of service areas, and pressures overall are extremely high this year (driven by a combination of factors including the pay award, National Living Wage and cost of care market pressures, wider inflation rates, energy costs, and demand).
- 11.2. With savings proposals as currently identified, the initial assessment is that a small gap will remain to be addressed over the remainder of 2023-24 Budget setting, but it is anticipated that a balanced Budget for 2023-24 will be able to be proposed to Cabinet in January. However, there is very little flexibility in the MTFS model.
- 11.3. The further details of the Provisional Settlement announcements will be analysed as they emerge and incorporated in Budget planning for January Cabinet. District forecasts for council tax and business rates remain to be confirmed (final positions due 31/01/2023) although latest estimates have been incorporated in planning. There remains potential for some change between the Provisional and Final Settlement (although material changes are unlikely).
- 11.4. The outlook for future years of the MTFS remains extremely challenging as additional funding has largely been front loaded in 2023-24 and (to some extent) 2024-25, with very limited increases available for 2025-26 onwards. The Provisional Settlement for 2023-24 is essentially a one-year announcement and as such there is limited certainty for planning for 2024-25 onwards.