

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO POLICY AND FINANCE COMMITTEE

meeting date: 13 FEBRUARY 2024
title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25
submitted by: DIRECTOR OF RESOURCES
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PURPOSE

- 1.1 To inform members regarding the Government Policy Statement on Local Government Finance and also the Provisional Local Government Finance Settlement.

BACKGROUND

- 1.2 On 5 December 2023 the Department for Levelling Up, Housing, Communities and Local Government (DLUHC) published a Policy Statement which sets out the government's intentions for the Local Government Finance Settlement for 2024 to 2025.

POLICY STATEMENT

- 1.3 The statement suggested the Government intend to offer a similar finance settlement in 2024/25 as for the current year. The key messages outlined in the policy statement were;

Reform

- 1.4 The Government have said that they remain committed to a review of local government finance in the next parliament. However they have said they have listened to calls for stability and now is not the time for fundamental reform for example implementing the Review of Relative Needs and Resources or a reset of Business Rates Growth.

Core Spending Power

- 1.5 Core Spending Power will increase by a minimum of 3% before any decisions are taken locally on the level of council tax/use of reserves. This minimum increase will be provided by the Funding Guarantee. Last year the Government said this was a 'One-off Funding Guarantee'. The Funding Guarantee will be funded through the Services Grant

Council Tax

- 1.6 The Council tax referendum limit will remain at 2.99% or £5 whichever is higher for district councils.

New Homes Bonus

- 1.7 There will be another round of New Homes Bonus allocations for 2024/25 following the same methodology as previous years. As in 2023/24 however new rounds of NHB will not attract legacy payments. Legacy payments used to be for a six year period which was then reduced to 4 years and then stopped.

Rural Services Delivery Grant

- 1.8 This will remain at the same level as 2023/24.

Revenue Support Grant (RSG)

- 1.9 Any remaining RSG will increase in line with CPI. There will be no negative RSG.

Services Grant

- 1.10 This will continue to be reduced as in 2023/24.

Baseline Funding Levels

- 1.11 Councils will be compensated as if business rate multipliers had increased by CPI. The Government have already announced in the Autumn Statement that the small business rate multiplier will be frozen at 49.9p. The Standard multiplier will be updated in April by September's CPI figure (6.7%) from 51.2p to 54.6p.

Business Rate Pooling

- 1.12 The government will proceed with business rates pooling in 2024-25 where requested.

Reserves

- 1.13 The government asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.

2024/25 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

- 1.14 The Secretary of State for DLUHC published the Provisional Local Government Grant Settlement on 18 December 2023. The consultation period ended on 15 January 2024 and it is expected the Final Settlement will be published early February 2024.
- 1.15 The key headline of the settlement is that the Government state they have provided a 6.5% increase in Core Spending Power nationally, with an increase in local government funding from £60.2bn to £64.1bn.

	Core Spending Power
2023/24	£60.198bn
2024/25	£64.100bn
Movement £	£3.902bn
Movement %	6.5%

- 1.16 It must be noted of the £4bn that is being made available, £2bn is additional funding and £1bn of this is directed towards children's and adult social care. Therefore, Ribble Valley does not see an increase of this scale.
- 1.17 The table below sets out the elements which make up Core Spending Power and compares the changes for Ribble Valley with the national position.

Core Spending Power	National Control Totals				Ribble Valley BC			
	2023/24	2024/25	Movement		2023/24	2024/25	Movement	
	£m	£m	£m	%	£m	£m	£m	%
Settlement Funding Assessment	15,671.121981	16,562.651386	891.529405	5.7%	1.453665	1.508544	0.054879	3.8%
Compensation for under-indexing the business rates multiplier	2,204.646591	2,581.303106	376.656516	17.1%	0.239342	0.294109	0.054767	22.9%
Council Tax	33,984.330656	36,062.241516	2,077.910859	6.1%	4.139603	4.342947	0.203344	4.9%
Improved Better Care Fund	2,139.824015	2,139.824015	0.000000	0.0%				
New Homes Bonus	291.260347	291.362944	0.102596	0.0%	0.506197	0.647509	0.141312	27.9%
Rural Services Delivery Grant	95.000000	95.000000	0.000000	0.0%	0.126574	0.126574	0.000000	0.0%
Social Care Grant	3,851.967868	4,543.967868	692.000000	18.0%				
Adult Social Care Market Sustainability and Imp Fund	562.000000	1,050.000000	488.000000	86.8%				
Adult Social Care Discharge Fund	300.000000	500.000000	200.000000	66.7%				
Services Grant	483.251267	76.882544	-406.368723	-84.1%	0.054777	0.008619	-0.046158	-84.3%
Grants rolled in	479.999997	0.000000	-479.999997	-100.0%				
One-off Funding Guarantee	133.314165	196.532912	63.218746	47.4%	0.773369	0.710563	-0.062806	-8.1%
Total	60,196.716887	64,099.766289	3,903.049402	6.5%	7.293527	7.638865	0.345338	4.7%

1.18 As the Government had set out in the Policy Statement the Funding Guarantee will continue for 2024/25. Ribble Valley's Funding Guarantee will be £711k which brings our funding up to the minimum increase in core spending power of 3%. Once the Government factor in their assumption that we will increase our council tax by the maximum amount possible (£5 on a band d charge) then our core spending power is £7.369m which is an increase of 4.7% on the current year, significantly less than the overall increase of 6.5%. Overall districts have seen a 4.9% increase.

1.19 However, it is important to remember that we made assumptions about funding levels in our budget forecast. Therefore it is more appropriate to compare our assumptions to the settlement to understand whether the council is truly better off. The table below shows the previous assumptions made when the budget forecast was updated in September, compared to the provisional settlement announcement:

Funding	2023/24	2024/25 Assumption in Budget Forecast	2024/25 Provisional Settlement	Movement from Assumption in September Budget Forecast		
	£m	£m	£m	£m	%	
Business Rate Baseline Funding Level	1.405077	1.405077	1.456737	0.051660	3.7%	
Revenue Support Grant	0.048588	0.048588	0.051807	0.003219	6.6%	
Council Tax	4.139603	4.306475	4.342947	0.036472	0.8%	
New Homes Bonus	0.506197	0.000000	0.647509	0.647509	N/A	
Rural Services Delivery Grant	0.126574	0.126574	0.126574	0.000000	0.0%	
Services Grant	0.054777	0.054777	0.008619	-0.046158	-84.3%	
One-off Funding Guarantee/Transitional Protection	0.773369	0.577149	0.710563	0.133414	23.1%	
Total	7.054185	6.518640	7.344756	0.826116	12.7%	
<i>outside of grant settlement:</i>						
Business Rate Growth	2.214875	2.000000	?			Depends on NNDR1 calculation

1.20 This table shows that overall the Council is £826k better off than expected when the budget forecast was prepared in September 2023.. As stated earlier this assumes that the council tax is increased by the maximum amount of £5.

1.21 Its important to remember that business rate growth falls outside the core government funding calculations. We have received the official designation from the Secretary of State to confirm that the Lancashire Business Rate Pool will continue in 2024/25 which is good news.

FINAL LOCAL GOVERNEMENT FINANCE SETTLEMENT

- 1.22 At the date of writing this report the Final Local Government Finance Settlement had not been issued. This usually takes place in early February. If the announcement is made before 13 February 2024 I will update you at the meeting.
- 1.23 The Government have stated however that following the consultation exercise they have decided to:
- increase the minimum Core Spending Power increase before decisions are made locally on council tax from 3% to 4% in the Final Settlement.
 - Increase the Rural Services Delivery Grant
- 1.24 We welcome both of these changes. We anticipate however that the increase in the Rural Services Delivery Grant will in effect be netted off our Funding Guarantee. The increase in our Core Spending Power before decisions are made on council tax is good news.
- 1.25 We will not know the exact impact of these changes until the Final Grant Settlement is announced.

CONCLUSION

- 1.26 The Provisional Grant Settlement indicates that the Council is £826k better off than predicted in September.
- 1.27 This is largely due to the fact the Government have continued with another round of New Homes Bonus Allocations for next year and also due to the continuation of the One-off Funding Guarantee.
- 1.28 We await the Final Grant Settlement announcement.

DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE

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1 FEBRUARY 2024