



Department for Levelling Up,
Housing & Communities

Rt Hon Michael Gove MP

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

**Department for Levelling Up,
Housing and Communities**

Fry Building
2 Marsham Street
London
SW1P 4DF

To all council leaders in England

Email: michael.gove@levellingup.gov.uk

7 February 2022

Dear Leader,

Today I have published the final Local Government Finance Settlement for 2022/23. This settlement makes available an additional £3.7 billion to councils in England, an increase in local authority funding for 2022/23 of over 4.5% in real terms. This will ensure councils across England have the resources they need to deliver key services.

This follows the consultation on the provisional settlement. We received 148 responses from across England and these responses have been given full consideration. I am very grateful to all of you who have participated in this process. There will be a debate in Parliament on the final settlement on Wednesday (9 February).

This settlement should be seen in the context of the wider support that this government is giving to local government. On 2 February, the Government published its Levelling Up White Paper, setting out a bold new policy regime to improve livelihoods and opportunity in all parts of the UK, building on our work so far including in the department on devolution and urban regeneration. We know that strong local leadership is integral to any successful regeneration programme, and we will therefore work closely with local leaders to ensure that the programme will benefit existing residents. As the Prime Minister set out in his Levelling Up speech in July 2021, a flexible approach to devolution is needed so that local leaders in our historic towns and counties are given the tools to make things happen for their communities, rather than simply copying across the model that has worked well in the cities.

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 Workforce Recruitment and Retention Fund, worth £463 million, to support councils in addressing adult social care workforce capacity pressures this winter.

Last week, Government also confirmed a £150 non-repayable council tax rebate to households in England in Bands A-D to help with rising costs. The rebate to bills will be made directly by local authorities to households from April. Local Authorities will also have a share of the £144 million discretionary funding that can be used to target additional support at those most in need. Local Authorities are the best placed to do this, which is why the Government has given this flexibility.

The proposals I am announcing today focus on providing stability. Indeed, no council will see a reduction in Core Spending Power in cash terms for 2022/23 compared to 2021/22. I have annexed a summary of this year's settlement below. In short, it will:

- Make available up to £3.7 billion more funding for councils across England compared to 2021/22. Overall, this means up to £54.1 billion of funding will be 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. This includes £636 million of additional funding in the Social Care Grant, alongside deferred council tax flexibilities. On top of this, £162 million in adult social care reform funding will be distributed to support local authorities as they prepare for adult social care reform.
- Protect hard-working taxpayers from unfair hikes in rates, with a 2% core threshold and additional flexibilities for certain authorities, including 1% for councils responsible for adult social care services.

I understand the sector's desire for clarity on distribution reform. The Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. My officials and I will work closely with local partners as we continue to take stock of the challenges and opportunities they face, before consulting on any potential funding reform.

Further details on the final settlement, including allocations for individual local authorities, can be found in the documents published today at:

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

Councils are the frontline of public services within local communities and 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 they play in our society. This is a settlement that recognises that role.

I am looking forward to working with you to deliver this settlement and level up communities across our country.

With every good wish,



**Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities
and Minister for Intergovernmental Relations**

Annex A: Summary of the Local Government Finance Settlement 2022/23

1. Social Care

This government remains committed to supporting local government in providing a good quality of care to the most vulnerable. This settlement makes available an additional £1 billion for social care in 2022/23, which includes:

- £636 million more into the Social Care Grant, including funding for equalisation against the 1% Adult Social Care precept
- £63 million more into the improved Better Care Fund, providing an inflationary uplift to support integrated working with the NHS
- a 1% Adult Social Care precept and deferred Adult Social Care precept flexibilities of up to 3% from last year's settlement.

On top of this funding, £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 fairer cost of care.

2. 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.

This settlement means: 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 Mayor of London has requested flexibility to levy an additional £20 on Band D to the Greater London Authority precept to provide extra funding for Transport for London. The Government has expressed ongoing concern about the management of TfL by this Mayor, and it is disappointing that London taxpayers are having to foot the bill for the GLA's poor governance and decision-making. Whilst the Government will not oppose this request, any decision to increase the precept is solely one for the Mayor, who should take into account the pressures that Londoners are currently facing on living costs and his decision to raise council tax by 9.5% last year.

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.

3. 2022/23 Services Grant

Over the Spending Review period, local government will have access to around £1.6 billion in additional grant per year for the next three years. This includes funding for Supporting Families and Cyber Resilience, which will be distributed outside of this Settlement.

We intend to proceed with the creation of a one-off 2022/23 Services Grant worth £822 million, distributed using the existing Settlement Funding Assessment. This funding will be excluded from any proposed baseline for transitional support in future years.

4. Stability of Funding

This a settlement that is designed to provide stability to the sector, providing a stable funding landscape for 2022/23 by rolling over much of last year's settlement. This includes:

- Increasing the Revenue Support Grant in line with inflation, which means an increase of £70 million
- Rolling over the current approach to the New Homes Bonus, worth £556 million
- Rolling over the current approach to the Rural Services Grant, worth £85 million
- Maintaining the Lower Tier Services Grant at £111 million, with an updated funding floor
- Continuing with the 100% retention authorities in the five Devolution Deal areas and 67% for Greater London overall