



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  
London  
SW1P 4DF

24 January 2024

To All Council Leaders in England

Dear Council Leader,

### **INCREASED FUNDING FOR LOCAL GOVERNMENT AT THE FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT**

Today, Government announced additional measures for local authorities, worth £600 million. This includes £500 million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant. Further details on the exceptional provision of this funding will be set out at the upcoming Budget.

Taking into account this new funding, local government in England will see an increase in Core Spending Power of up to £4.5 billion next year, or 7.5% in cash terms, an above-inflation increase, rising from £60.2 billion in 2023-24 to up to £64.7 billion in 2024-25.

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 to continue to provide vital services for their communities.

On 18 December 2023 we published the provisional Local Government Finance Settlement for England. The provisional Settlement made available over £64 billion for local authorities in England, an increase of almost £4 billion or 6.5% in cash terms in Core Spending Power on 2023-24.

Thank you for your participation in the recent provisional Settlement consultation, which ran until 15 January 2024, receiving 267 responses in total. Alongside this, the Minister for Local Government, Minister Hoare, has engaged extensively with Members across the House of Commons, as well as the local government sector. We are grateful to all who responded. We know that councils have faced cost pressures as a result of high inflation. That is why the Prime Minister has prioritised halving it; it is important that we stick to the Plan. The Government has listened, and I am pleased to announce the steps we are taking in response.

We have listened to the sector's consultation responses and recognise that there is significant demand in social care – including for children's social care – and the final

Settlement will therefore deliver a further boost for social care authorities. On top of the £1 billion in additional funding announced at Autumn Statement 2022 and July 2023, we will be providing a further £500 million to support authorities with social care responsibilities.

This funding, in turn, will reduce pressures on other areas of children's services such as home to school transport, where we recognise there has been a significant increase in pressures for special educational needs and disability services.

We know, however, that the whole sector is facing pressures, and we need to support all tiers of government to provide the services on which our communities rely. As part of this commitment, we are increasing the Funding Guarantee, which will now ensure that all local authorities see a minimum 4% increase in their Core Spending Power, before taking any local decisions on council tax. Local authorities should of course be mindful of cost-of-living pressures when taking any decisions relating to council tax.

We have also heard of the varied challenges and issues faced by authorities across England. This Government stands by rural authorities, and recognises the importance and difficulties of serving dispersed populations. We will be providing an additional £15 million for the Rural Services Delivery Grant, an increase of over 15%, and the largest cash increase in the Rural Services Delivery Grant since 2018-19. Separately, we are responding to acute pressures faced by councils with extreme Internal Drainage Board Levies for the second year in a row.

This new funding is intended to improve service performance and we will continue to monitor the level of local authority reserves. Looking ahead, we know that there is work to be done between national and local government to improve productivity in local government, as part of our efforts to return the sector to sustainability in the future. Whilst the new funding announced today is an important part of these efforts, alongside ongoing work in adults' and children's social care, we can go further. That is why today, we are asking local authorities to produce productivity plans setting out how they will improve service performance and ensure every area is making best use of taxpayers' money. I encourage local authorities to consider whether expenditure on discredited equality, diversity and inclusion programmes meets this objective. Government will monitor these plans, and funding settlements in future years will be informed by performance against these plans.

Alongside this, my department is establishing an expert panel to advise the Government on financial sustainability in the sector, which will include the Office for Local Government and the Local Government Association. We will provide more information on these requirements for local authorities at the final Settlement.

With regard to part-time work for full-time pay arrangements, the so called '4 day working week', 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. The Government

has already taken steps to deter the sector from operating these practices, consulted on the use of financial levers at future Settlements, and will legislate if necessary.

As we look to the future, we know that further funding alone will not enable us to address all pressures faced by local authorities, and for local government to seize the opportunities available to it. 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 on this over the coming months.

The final Local Government Finance Settlement, including individual local authority allocations, will be published in full early next month. The statutory reports which comprise the settlement will be subject to debate in the House of Commons shortly after.

**With every good wish,**

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive, slightly slanted style.

**Rt Hon Michael Gove MP**

Secretary of State for Levelling Up, Housing & Communities

Minister for Intergovernmental Relations