

Provisional Local Government Finance Settlement 2024-25

London Councils' On-the-Day Briefing

London Councils is the collective of London local government—the 32 boroughs and City of London Corporation. It is a cross-party organisation that works on behalf of all its member authorities regardless of political persuasion.

Introduction

The provisional 2024-25 Local Government Finance Settlement was published on Monday, 18 December 2023, following a written ministerial statement to the House of Commons by the Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities (DLUHC). It outlines provisional funding allocations for local authorities for 2024-25. Full details can be found on the DLUHC website.¹ This briefing outlines the headlines for London local government. Further detail can be found in the accompanying annexes.

Key points

- **Core Spending Power (CSP) will increase by 6.5% across England and 6.4% for London boroughs** in 2024-25; a real-terms increase of 4.7% and 4.6%, respectively.²
- The **Council Tax referendum threshold will remain at 3%**. Eligible local authorities can set an adult social care precept of up to 2% without a referendum.
- **Settlement Funding Assessment will increase by 5.7%** to £16.6bn in 2023-24, with a 5.3% increase for London to £3.1bn.
- **Compensation for under-indexation of the business rates multiplier will total £2.6bn** in 2024-25, an increase of £377m in 2024-25, with £450m total for London.
- **The CSP funding guarantee** introduced in 2023-24 continues in 2024-25 to ensure authorities receive a minimum **3% increase** (before local council tax decisions). Seven London boroughs are expected to receive this funding in 2024-25.
- **The Social Care Grant will increase by £692m** in 2024-25 to £4.5bn (£114m in London or a 18.5% increase). The majority of this will be allocated using the ASC relative needs formula.
- **The Market Sustainability and Improvement Fund (MSIF) will be £1.1 bn in 2024**. This now includes the rolled in MSIF Workforce fund with total funding levels between the two funds unchanged from 2023-24.
- **The Improved Better Care Fund (IBCF) will continue with the same quantum and distribution as 2023-24**. The **ASC Discharge Grant** will increase by **£200m** nationally using the existing IBCF grant formula.
- The **New Homes Bonus will continue in 2024-25 as an annual grant** at the same level and using the same calculations as the previous year.

¹ <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025>

² Based on a [GDP deflator](#) of 1.68% from 2023-24 to 2024-25 as released with the 2023 Autumn Statement.

- **Services Grant will reduce by £406m in 2024-25 to £77m in England**, and a proportion will be held back as contingency for any unexpected movements (e.g. within NHB).
- Schools Funding, Public Health and Homelessness Prevention Grant allocations have not yet been announced.
- The Government launched a data collection exercise and is seeking to consult on the potential of using financial levers in future settlements to **disincentivise the practice of implementing a four-day working week**.

Overview

This year's provisional settlement follows the details provided at [Autumn Statement 2023](#) and the [Policy Statement on 5 December 2023](#). The provisional settlement and policy statement only provides details for a single financial year. This briefing is structured as follows:

- **Core Spending Power** - outlines the overall funding allocations.
- **Settlement Funding Assessment** – outlines the total amount received by local authorities in the form of Revenue Support Grant and Baseline Funding.
- **Council Tax** – outlines council tax referendum and social care precept principles.
- **Business Rates Retention** – details the changes to business rates indexation compensation and includes information about business rates pools involving London boroughs.
- **Social Care Funding** – provides information about all the social care funding streams.
- **Other Special & Specific Grants** - details the remaining special and specific grant allocations within Core Spending Power and those published outside the settlement.
- **Finance Reforms** – provides an update on the planned reforms to local government finance.
- **Consultation** – the Government is consulting on the provisional settlement with a deadline of 15 January 2024.

Core Spending Power

At the England level, CSP will increase £3.9bn nationally from £60.2bn to £64.1bn, a cash-terms increase of 6.5% and real-terms increase of 4.7%. Across London boroughs, CSP will increase by £565m from £8.8bn to £9.4bn, a cash-terms increase of 6.4% and real-terms increase of 4.6%. Tables 1 and 2 below show the breakdown of CSP at the England and London levels as compared to 2023-24. **Annexes A, B and C** provide further details including the breakdown for all London boroughs.

As expected, based on the 2023 Autumn Statement and policy statement, there were no new funding streams announced in the settlement.

For additional context and information, **Appendix 1** provides summary charts of how CSP has changed over time and its comparison to inflation.

Table 1 – Core Spending Power – England 2023-24 to 2024-25 (£m)

	2023-24	2024-25	£m change	% change	Real terms % change
Settlement Funding Assessment	15,671	16,563	892	5.7%	3.9%
Compensation for under-indexing the business rates multiplier	2,205	2,581	377	17.1%	15.2%
Council Tax Requirement	33,984	36,062	2,078	6.1%	4.4%
Improved Better Care Fund	2,140	2,140	0	0.0%	-1.6%
Social Care Grant	3,852	4,544	692	18.0%	16.0%
ASC Market Sustainability and Improvement Fund	562	1,050	488	86.8%	83.8%
ASC Discharge Grant	300	500	200	66.7%	63.9%
New Homes Bonus	291	291	0	0.0%	-1.6%
Rural Services Delivery Grant	95	95	0	0.0%	-1.6%
Services Grant	483	77	-406	-84.1%	-84.4%
Adjustments for rolled in grants	480	0	-480	-100.0%	-100.0%
3% CSP Funding Guarantee	133	197	63	47.4%	45.0%
Core Spending Power	60,197	64,100	3,903	6.5%	4.7%

Source: DLUHC, PLGFS 2024-25, 'Core Spending Power: supporting information' spreadsheet

Note: SFA figures in CSP do not reflect the BRR pilots

Table 2 – Core Spending Power – London Boroughs 2023-24 to 2024-25 (£m)

	2023-24	2024-25	£m change	% change	Real terms % change
Settlement Funding Assessment	2,932	3,086	155	5.3%	3.5%
Compensation for under-indexing the business rates multiplier	391	450	59	15.2%	13.3%
Council Tax Requirement	4,233	4,486	254	6.0%	4.2%
Improved Better Care Fund	346	346	0	0.0%	-1.6%
Social Care Grant	612	726	114	18.5%	16.6%
ASC Market Sustainability and Improvement Fund	87	163	76	86.8%	83.8%
ASC Discharge Grant	49	81	32	66.7%	63.9%
New Homes Bonus	49	50	1	2.9%	1.2%
Rural Services Delivery Grant	0	0	0	0.0%	0.0%
Services Grant	89	14	-75	-84.3%	-84.5%
Adjustments for rolled in grants	57	0	-57	-100.0%	-100.0%
3% CSP Funding Guarantee	0	6	6	0.0%	0.0%
Core Spending Power	8,844	9,409	565	6.4%	4.6%

Source: DLUHC, PLGFS 2024-25, 'Core Spending Power: supporting information' spreadsheet

Note: SFA figures in CSP do not reflect the BRR pilots

Charts 1 and 2 below show the percentage change in CSP by authority type and region, respectively. As shown, the Greater London Authority (GLA) will see the largest increase in CSP and London boroughs are only slightly below the England average. Regionally, when the GLA is combined with London boroughs, the London region will see the largest CSP increase.

Chart 1 – Change in CSP by authority type from 2023-24 to 2024-25

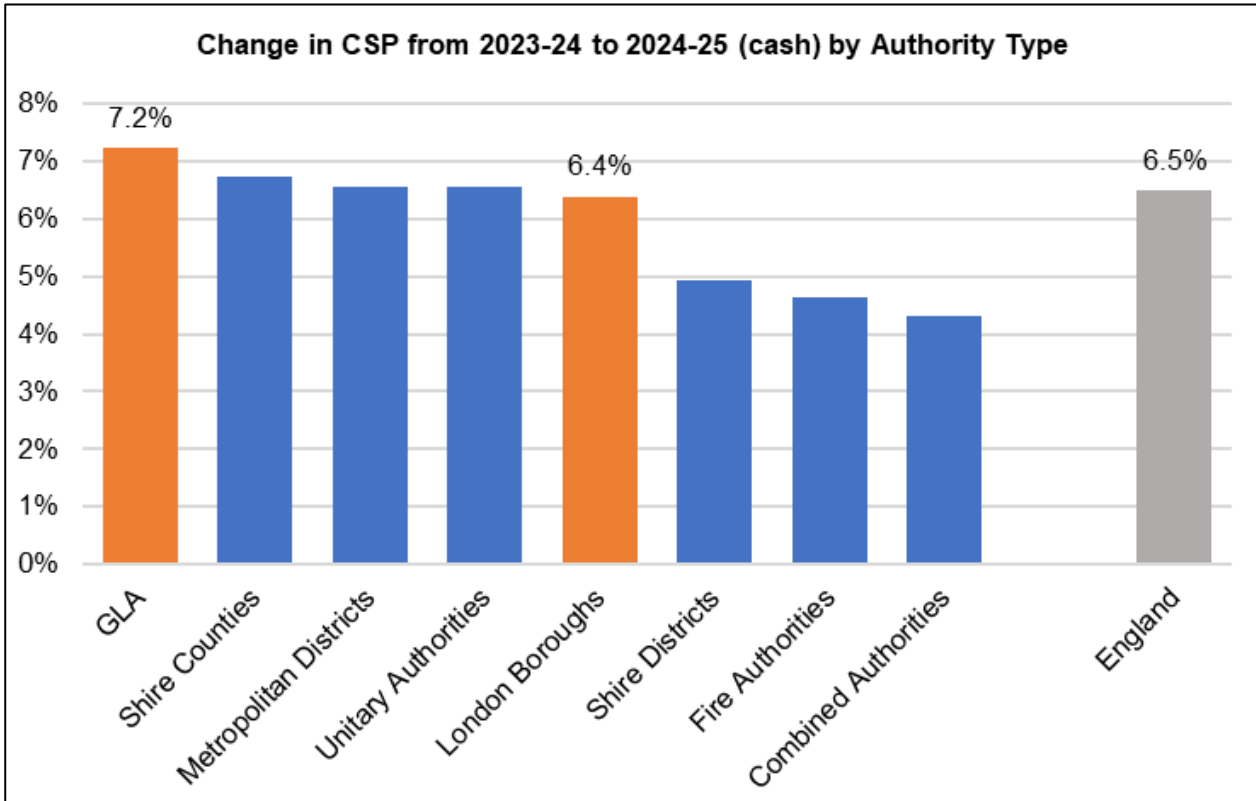
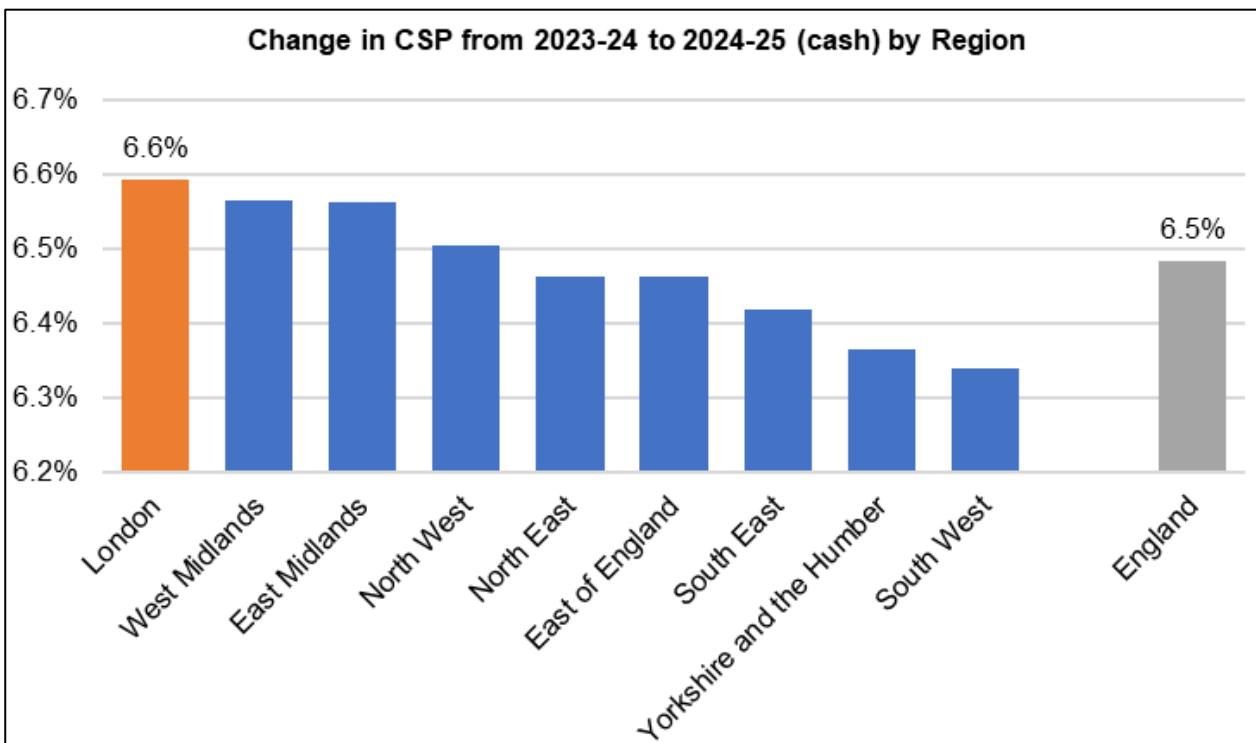


Chart 2 – Change in CSP by region from 2023-24 to 2024-25



It is worth noting that as CSP includes several assumptions, it is unlikely to be an accurate reflection of the actual resources available to local authorities. It assumes:

- All eligible upper tier authorities raise the social care precept to the maximum (2%) permitted.
- All authorities increase overall council tax by the maximum amount permitted.
- Council tax base increases at the same average rate for each authority for the last five years.
- All councils retain their baseline target level of business rates within Settlement Funding Assessment—in reality, some authorities will be above baseline and some below.

Settlement Funding Assessment

The main changes to distributing core settlement resources in 2024-25 includes:

- **Business Rates Retention:** The small business rate multiplier will continue to be frozen for 2024-25 at 49.9p while the standard multiplier will increase to 54.6p. Local authorities will be compensated for the shortfall in income for under indexation of the multiplier for the small business rate multiplier via the under-indexation section 31 grant.
- **Revenue Support Grant:** RSG will be increased in line with September CPI inflation (6.7%). For 2024-25, the Government is proposing to consolidate the Home Office's Fire and Pensions Grant, worth £115m, by rolling it into RSG.
- **Negative RSG:** The Government will continue to eliminate negative RSG in 2024-25 (via adjustments to tariffs and top-ups rather than a separate grant).

The Government has confirmed total SFA will increase by £892m (5.7%) from £15.7bn to £16.6bn. For London boroughs, SFA will increase by £155m (5.3%) in 2024-25. Detailed borough level figures are provided in **Annex B**.

Council Tax

General principles

The provisional settlement confirms the intention for a core council tax referendum up to 3% in 2024-25 as announced at the Autumn Statement. The flexibility to raise the Social Care Precept will also remain at 2% for 2024-25 for relevant authorities. Again, there will be no referendum principles for Mayoral Combined Authorities or town and parish councils.

Shire Districts will be allowed to raise the main council tax by 3% or £5, whichever is higher. Police and Crime Commissioners, including the GLA charge for the Metropolitan Police, will be allowed increases of up to £13. A 3% referendum principle has been set for all fire and rescue authorities.

In consideration of the significant financial failure of Thurrock Council, Slough Borough Council and Woking Borough Council, and the ongoing need of these councils for exceptional financial support, the following bespoke arrangements will apply: Thurrock and Slough Borough Council, a core council tax referendum threshold of 8%; for Woking Borough Council, a council tax referendum principle of 10%. NB - bespoke council tax referendum principles are not proposed for the London Borough of Croydon reflecting that a higher flexibility was requested, set and utilised by the council in 2023-24.

GLA precept

On 14 July 2023, the Mayor of London published the draft GLA budget for consultation. The budget assumes there will be one final increase of £20 for TfL, which the Government is again granting in the settlement. For both the police and non-police precepts, the Mayor's budget assumed a 3% percent limit supplemented by the final £20 increase (at Band D) for TfL. The Mayor will confirm the final precept once he has had an opportunity to consider the provisional local government and police finance settlements.

Business Rates Retention

Compensation for under-indexing the business rates multiplier

As set out above, the compensation for under-indexing of the business rates multiplier will increase nationally by £377m (17.1%) to £2.6bn in 2024-25, due in large part to the Government freezing the small business multiplier and extending the Retail, Hospitality and Leisure relief for 2024-25. For London boroughs, this grant will increase by £59m (up 15.2%) to £450m. Individual borough allocations can be found in **Annex B**.

Business rates multipliers

The PLGFS confirms the Government's announcement in the 2023 Autumn Statement that the standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year. **Annex D** includes the London borough business rates baselines 2024-25.

Business rates pools

A total of 24 pools have been provisionally designated across the country. London Councils' Leaders' Committee agreed in September 2023 not to reconstitute the pan-London business rates pool for 2024-25 as it was, once again, unlikely to provide any financial benefit. Some London boroughs, however, continue to participate in existing pools and there is one new pool containing London authorities.

New for next year will be a business rates pool with Barking and Dagenham and Havering who are pooling with Thurrock Council (the lead authority for the pool). The two existing pools including London boroughs will also continue: The Eight Authority Business Rates pool (which includes Barnet, Brent, City of London, Enfield, Hackney, Haringey, Tower Hamlets, and Waltham Forest); and Sutton will continue to be part of the Surrey and Sutton Business Rates Pool (modified to remove Tandridge and now includes Epsom and Ewell, Runnymede, Spelthorne, Surrey, Surrey Heath, Sutton, and Woking).

Social Care Funding

The total social care funding confirmed for England stands at £8.2bn—the detailed breakdown can be found in **Annex F**. This is an increase of £1.4bn from 2023-24, and London will see its total social care funding increase by £222m to £1.3bn.

The increases are comprised of a £200m increase in the Discharge Fund, £488m more in the Market Sustainability and Improvement Fund (MSIF), and changes to the Social Care Grant (SCG). The Improved Better Care Fund (IBCF) has remained the same as the previous year at £2.1bn nationally.

Social Care Grant

The SCG is increased by £692m which brings the total for England up to £4.5bn. Of these additional funds, £114m will be distributed to London, bringing its total SCG allocation to £726m, which represents 16% of the total grant for England. London borough allocations can be found in **Annex F**. Note, the Independent Living Fund (ILF) was rolled into the SCG in the 2023-24 settlement.

Tables 3 and 4 below show the breakdown of SCG by funding element since 2017-18 for England and London, respectively, showing the breakdown between the Relative Needs Formula (RNF), Equalisation, and the one-off ILF in 2023-24.

Table 3 - Breakdown of SCG by funding element since 2017-18 (£m)- England

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	2024-25
RNF	241	150	410	1,260	1,320	1,876	3,061	3,754
Equalisation				150	390	470	630	790
ILF							161	
Total	241	150	410	1,410	1,710	2,346	3,852	4,544

Table 4 - Breakdown of SCG by funding element since 2017-18 (£m)- London Boroughs

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	2024-25
RNF	37	23	63	195	204	291	474	576
Equalisation				28	73	88	119	150
ILF							19	
Total	37	23	63	223	277	378	612	726
% England	15.5	15.5	15.5	15.8	16.2	16.1	15.9	16.0%

To date, the grant has been distributed using roughly 80% need and 20% equalisation. London boroughs would gain significantly more (an estimated £179m in 2024-25 alone) if the children's social care RNF was used in equal weighting to the adult social care RNF, as boroughs receive a 15% share of the ASC RNF but 25% of the CSC RNF. Because of this unequal weighting, London Councils estimates London boroughs have lost out on nearly £600m of SCG funding since 2017-18. See Table 5 below. London Councils will continue to advocate for both formulae to be used equally in the distribution of this grant.

Table 5 – London's SCG funding if ASC RNF and CSC RNF were weighted equally (£m)

	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023 -24	2024 -25	Cumulative total
Total London SCG	37	23	63	223	277	378	612	726	2,341
SCG if ASC RNF & CSC RNF equally used	49	31	84	286	343	472	765	905	2,934
Difference	-12	-7	-20	-63	-66	-93	-153	-179	-593

Adults Social Care Discharge Fund

The Discharge Fund (originally introduced in the 2022 Autumn Statement) has been increased by £200m to £500m nationally. London will receive £81m.

Market Sustainability and Improvement Fund

A total of £1.1b will be distributed for adult social care through the Market Sustainability and Improvement Fund (MSIF), which includes £162m of Fair Cost of Care funding. It also includes £205m MSIF - Workforce Funding, which was a two-year fund announced in July 2023, and will be rolled into the existing MSIF. These represent a £488m increase, and London will receive £162.6m from MSIF.

Other Special & Specific Grants

The distribution of several grants has been published alongside the settlement. Within Core Spending Power, the non-social care grants include:

- New Homes Bonus
- Rural Services Delivery Grant
- Services Grant
- Funding Guarantee

Schools Funding, Public Health and Homelessness Prevention grant allocations have not yet been announced.

New Homes Bonus

The Government is proposing to roll over last year's policy on New Homes Bonus (NHB) for a new round of payments in 2024-25, which will attract no new legacy payments, similar to the past two years. The 2024-25 allocation totals £291m. The calculation methodology remains unchanged, with authorities needing to achieve tax base growth of greater than 0.4% before they receive any NHB funding. Provisional NHB allocations total £291m nationally (no change from 2023-24) and London borough provisional allocations total £50m. Details can be found in **Annex E**.

Rural Services Delivery Grant

The 2023-24 allocation of the £95 million Rural Service Delivery Grant will be maintained for 2024-25, as will the distribution method.

Services Grant

The Services Grant has been reduced for the second year in a row, down to £77m for 2024-25, which is down from £822m only two years ago in 2022-23. London boroughs will receive £14m in 2024-24, down 84% from last year.

Funding Guarantee

The Government will continue the funding guarantee initially set out in last year's settlement, which ensures all authorities will receive at least a 3% increase in CSP, adjusted for actual council tax take-up and base growth and their actual increase in CSP before any increases to council tax levels. Seven London Boroughs are expected to receive funding via the funding guarantee in 2023-24 (Brent, Bromley, City of London, Harrow, Kingston, Richmond, and Sutton). No London boroughs received the guarantee in 2023-24.

Finance Reforms

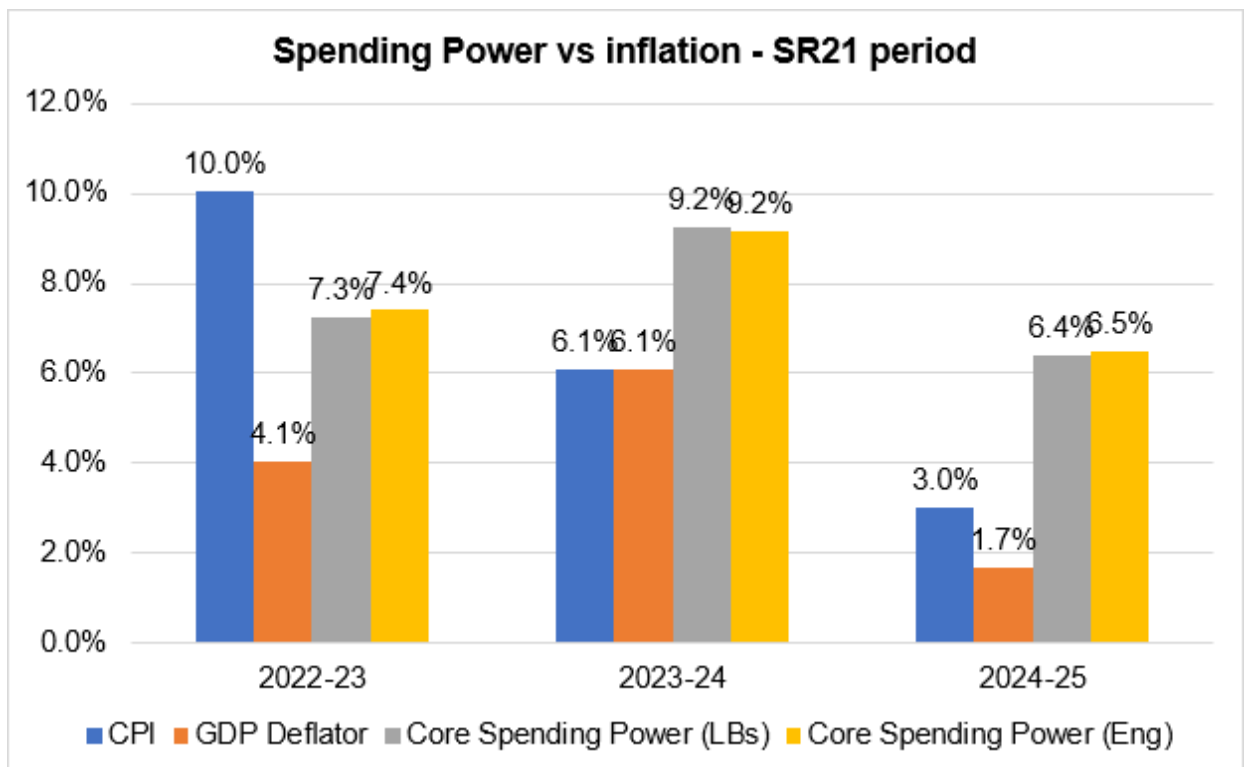
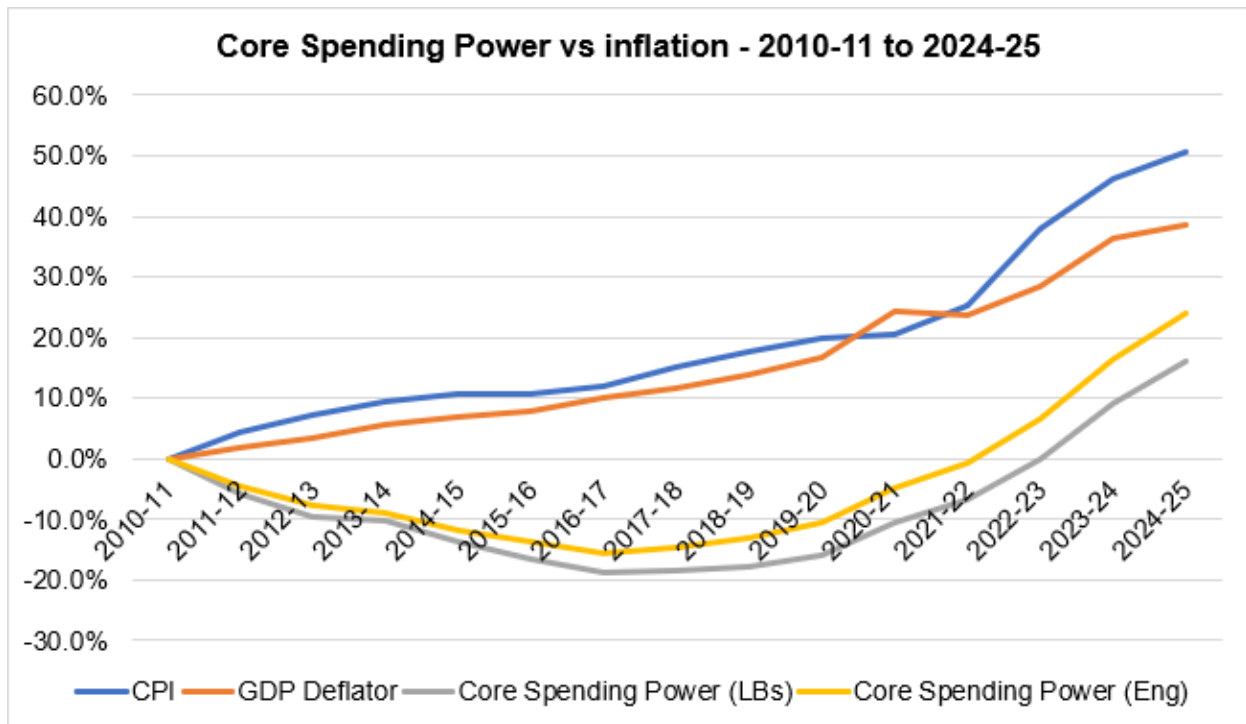
The Government postponed any plans to reform its assessment of need and resources or to reset the business rates retention scheme until the next parliament (i.e. 2025-26 at the earliest). Additionally, the Government has launched a data collection exercise seeking to consult on the potential of using financial levers in future settlements to disincentivise the practice of implementing a four-day working week.

Consultation

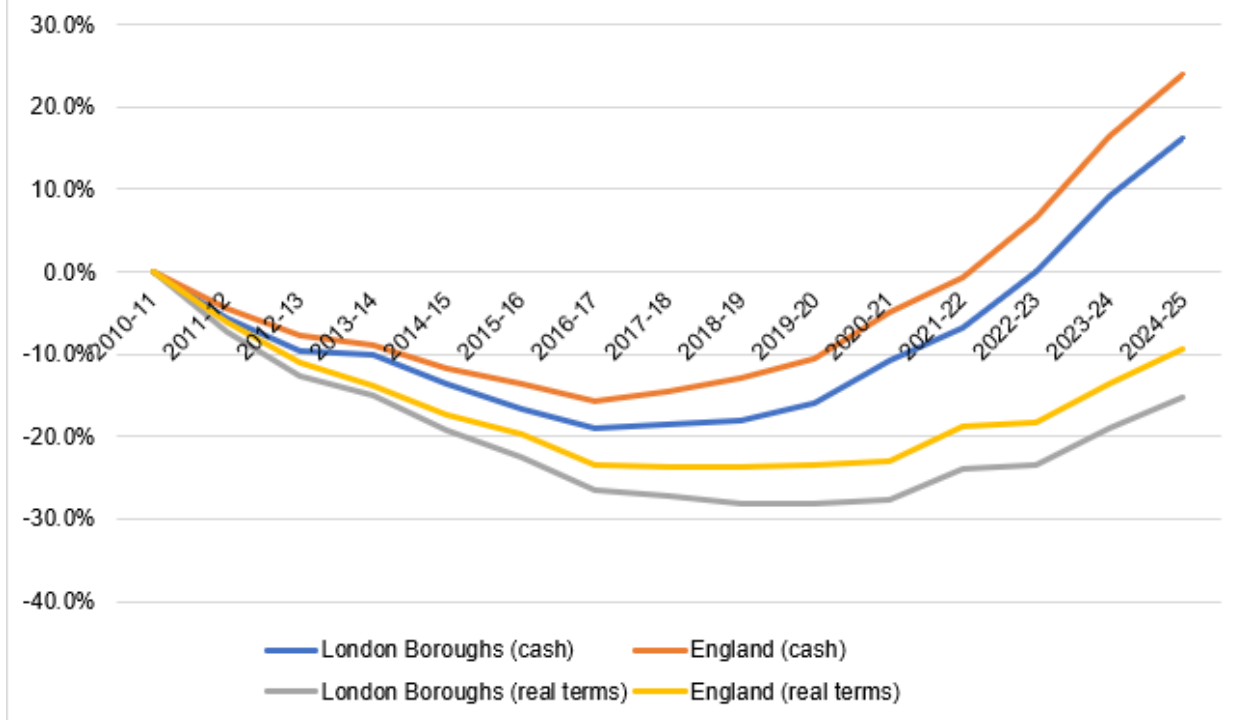
The Government is consulting on the provisional settlement figures with a deadline of 15 January 2024, and London Councils will respond in the usual way and circulate a draft response ahead of submission. Should member boroughs have any queries or comments, please send them to Michael McVicker, Acting Head of Local Government Finance, at michael.mcvicker@londoncouncils.gov.uk.

Annexes A-F can be found in the accompanying Excel document.

Appendix 1 – Core Spending Power Trends



Cumulative % change in Core Spending Power - London boroughs vs England - 2010 to 2025



Annual real terms % change in CSP 2010-11 to 2024-25 - London boroughs and England

