

# Executive

## 2022-23 Provisional Local Government Finance Settlement Outcome Item 5

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**Summary**      This report provides a summary of the outcome of the 2022-23 Provisional Local Government Finance Settlement, which was published on 16 December 2021.

It includes a detailed overview of the key announcements relating to London local government, a summary of issues and priorities included in London Councils' response to the settlement consultation, and looks ahead to the wider reforms to local government finance due in the next 12 months.

**Recommendations**      The Executive is asked to note the contents of the report.

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# 2022-23 Provisional Local Government Finance Settlement

## Introduction

1. Spending Review 2021, published in October, confirmed public spending plans for the next three years (2022-23 to 2024-25) including an outline of overall funding envelope (Core Spending Power) for local government and intended council tax principles. It also confirmed funding to deliver adult social care reform and an additional £1.5bn of new grant funding for local government in 2022-23, to continue in each year of the SR period.
2. On 16 December 2021 the Government published the 2022-23 Provisional Local Government Finance Settlement (PLGFS), setting out provisional funding allocations for local authorities in England next year. The Government also set out further details regarding the adult social care funding reforms including a policy paper outlining the purpose and conditions of the new Market Sustainability and Fair Cost of Care Fund.
3. This report summarises the main announcements relating to London local government, outlines the key issues raised in London Councils' response to the settlement consultation (the deadline for which was 13 January), and looks ahead to the wider reforms to local government finance due in the next 12 months.

## PLGFS outcome

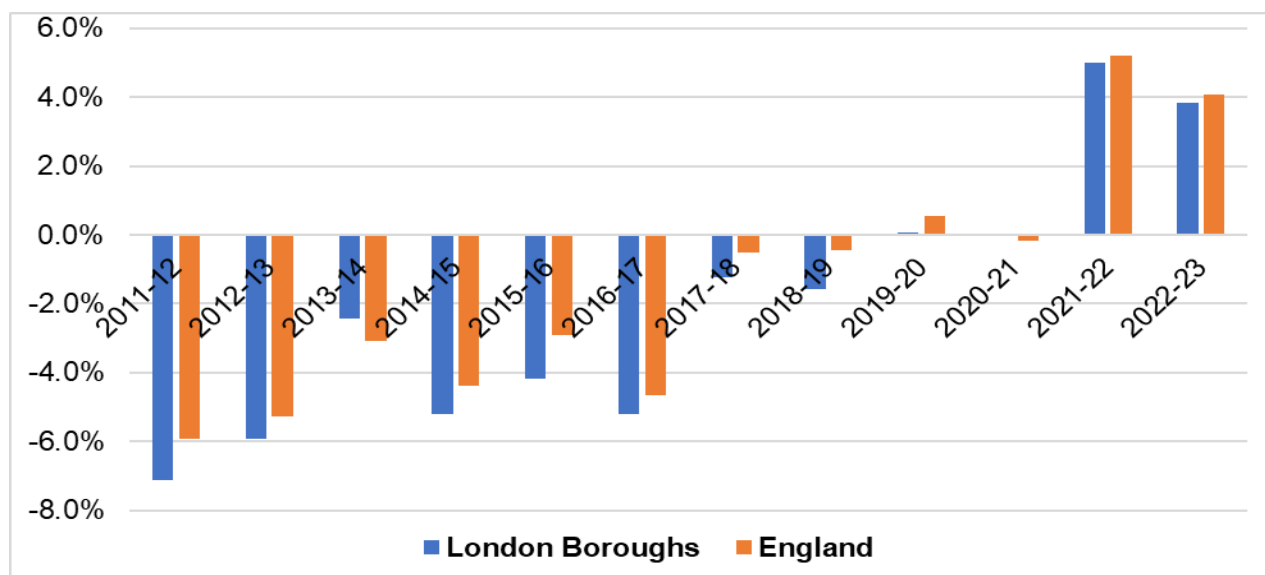
4. The provisional 2022-23 Local Government Finance Settlement was published on 16 December 2021 following a Written Ministerial Statement by the Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities (DLUHC). It outlines provisional funding allocations for local authorities for 2022-23. London Councils produced an on-the-day briefing for borough finance officers, followed by a detailed [member briefing](#) highlighting key information from the settlement.

## Core Spending Power

5. At the England level, Core Spending Power (CSP) will increase by to £3.5bn from £50.4bn to £53.9bn: an increase of 6.9% (4.1% in real terms). Across London boroughs, CSP will increase by £496m (6.7%) from £7.4bn to £7.9bn (3.9% in real terms). This is the largest cash increase since 2010, and the second largest (after

2021-22) in real terms (see Chart 1 below). Despite this increase, CSP will remain 22% below the 2010-11 level in real terms for London boroughs (16% across England).

**Chart 1 - Annual real terms % change in CSP 2011 to 2023 - London boroughs vs England**



- Table 1 below details the composition of CSP for London boroughs and England overall. London boroughs will receive £243m (16%) of the £1.5bn of new grant funding announced at SR21: broadly in line with London's share of the population.

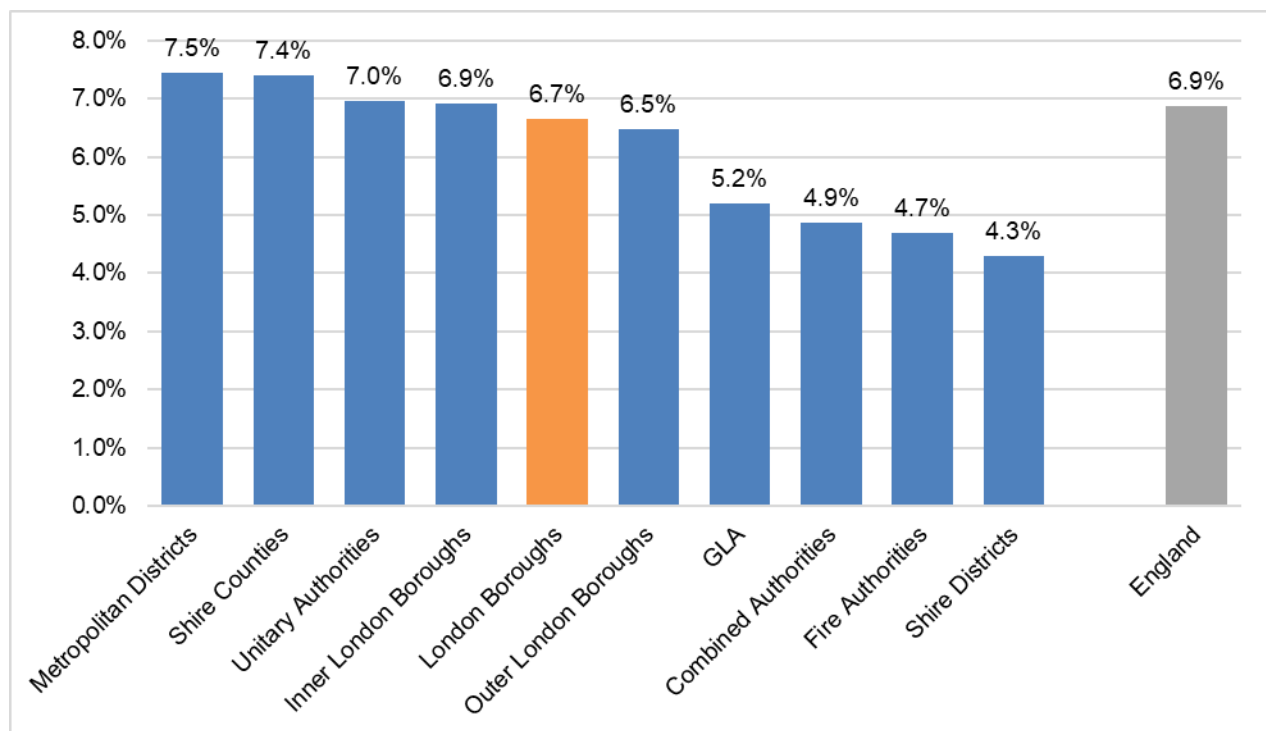
**Table 1 – Core Spending Power for 2022-23 – England and London boroughs (£m)**

	England 2022-23	% change 2021-22 to 2022-23	London boroughs	% change 2021-22 to 2022-23
Settlement Funding Assessment, of which:	14,882	0.5%	2,778	0.6%
Revenue Support Grant	2,406	3.1%	567	3.1%
Baseline Funding	12,476	0.0%	2,211	0.0%
Compensation for under-indexing the business rates multiplier	1,025	57.7%	182	57.7%
Council Tax Requirement excluding parish precepts	31,729	4.6%	3,963	4.2%
Improved Better Care Fund	2,140	3.0%	346	3.0%
Social Care Grant	2,346	37.2%	378	36.5%
Market Sustainability & Fair Cost of Care Fund	162	100.0%	25	100.0%
New Homes Bonus	555	-10.9%	87	-30.3%
Rural Services Delivery Grant	85	0.0%	0	0.0%
Lower Tier Services Grant	111	0.0%	25	5.3%
2022-23 Services Grant	822	100.0%	152	100.0%
<b>Core Spending Power</b>	<b>53,857</b>	<b>6.9%</b>	<b>7,937</b>	<b>6.7%</b>
<i>New LG DEL grant funding within CSP</i>	<i>1,526</i>		<i>243</i>	

Note – percentage changes are in cash values

7. London boroughs will receive a lower increase than other unitary authorities with metropolitan districts receiving the largest increase at 7.5% (see Chart 2 below).

**Chart 2 - % change (cash) in CSP 2021-22 to 2022-23 - by authority type**



### Council tax

8. The PLGFS confirmed the intention for a core council tax referendum principle of up to 2% in 2022-23. The Adult Social Care Precept will decrease from 3% in 2021-22 to 1% for 2022-23.
9. The Mayor of London is currently consulting on raising council tax by £20 a year including a £10 increase for funding the Metropolitan Police. The proposed increase equates to an 8.8% increase in the precept, which is subject to the Government allowing this level of increase within the GLA's referendum thresholds.
10. The Government estimates that if all London boroughs raised council tax by the maximum permitted, their overall council tax yield will increase by £160m to almost £4bn.

## Settlement Funding Assessment

11. Overall, Settlement Funding Assessment (SFA) within CSP will increase by £72m (0.5%) nationally and by £17m (0.6%) across London boroughs. Within SFA, Baseline Funding (the target set by the Government for retained business rates) will remain unchanged following the decision to freeze the business rates multiplier next year. Local authorities will be compensated for the shortfall in income and all previous similar decisions since the start of the retention scheme in 2013-14. In total, this compensation grant will increase by £350m to over £1bn across England with London boroughs receiving £182m (18%).
12. Revenue Support Grant (RSG) will increase by 3.1% and those authorities who would expect to experience “negative RSG” in 2022-23 will continue to be compensated through an inflationary increase in grant (this affects Bromley, Kingston and Richmond).

## 2022-23 Services Grant and Lower Tier Services Grant

13. More than half of the £1.5bn of new grant funding within CSP in 2022-23 will be distributed via a one-off non-ringfenced “Services Grant” worth £822m, distributed using shares of 2013-14 SFA. London boroughs will receive £152m (18.5%).
14. The un-ringfenced Lower Tier Services Grant will continue in 2022-23. The total will stay the same at £111m for authorities with responsibility for lower tier services. Overall, London boroughs will receive £25m (23%): an increase of £1.3m.

## Adult Social Care funding reform

15. SR21 confirmed £5.4bn of funding over the next three years to cover the costs of delivering the adult social care funding reforms (with £3.6bn going direct to local authorities and included within CSP). The PLGFS confirmed £162m for 2022-23 through the Market Sustainability and Fair Cost of Care Fund, intended to support local authorities prepare their markets for reform and move towards paying providers a fair cost of care. It will be allocated using the existing Adult Social Care Relative Needs Formula (RNF). London boroughs will receive £25m (15.5%).

16. The Government will allocate a further £600m in 2023-24 and 2024-25, although grant conditions, national guidance and the distribution are still to be confirmed. This leaves around £800m in 2023-24 and £1.4bn in 2024-25 to be allocated separately within CSP to cover the wider reforms to the cap and means test (see Table 2).

**Table 2 - ASC reform funding (England) – 2022-23 to 2024-25 (£m)**

	2022-23	2023-24	2024-25
Market Sustainability and Fair Cost of Care Fund	162	600	600
Other (charging reforms plus other)	0	800	1,400
<b>Total set out at SR21</b>	<b>162</b>	<b>1,400</b>	<b>2,000</b>

#### Other social care funding

17. The Social Care Grant will increase by £636m (37%), accounting for around 40% of the £1.5bn of new grant funding. The grant can continue to be spent on both adult and children's social care. Overall, London Boroughs will receive £378m (16% of the total): an increase of £101m (37%) on 2021-22.
18. The Improved Better Care Fund (iBCF) will be increased by £63m nationally and £10m in London. This is an inflationary uplift of 3% on 2021-22. The distribution formula remains unchanged, and the grant will continue to be required to be pooled as part of the Better Care Fund.

#### New Homes Bonus

19. Despite the Government consulting on reforms to the New Homes Bonus in 2021, it will continue for a further round of payments in 2022-23 using the same methodology. Provisional allocations total £555m nationally (comprising the £221m for legacy payments for homes built in 2019-20, and a one-off £333m for 2022-23). Overall, this is a reduction of £68m (11%) from 2021-22.
20. London boroughs will receive £87m: a reduction of £38m (30%). Their share of the England total has fallen to just 13.5% (from around 20% per annum on average), reflecting the relative slowdown in housebuilding in the capital compared with the rest of the country.

### Grants outside the settlement

21. Outside of the settlement, Dedicated Schools Grant allocations for 2022-23 were also published on 16 December, with London boroughs receiving an increase of £213m (2.3% compared with 3.7% across England), including an increase in the High Needs block of 8.7% (lower than the England average increase of 9.5%). Homelessness Reduction Grant allocations were published on 21 December 2021, with London boroughs set to receive £152m (approximately half of the England total) for 2022-23.
22. Allocations of a number of other specific grants have yet to be published, including the Public Health Grant (expected to rise by inflation as set out at SR21); Independent Living Fund (it remains unclear whether this will continue); Local Council Tax Support Administration and Housing Benefit Administration Subsidies (expected to be confirmed later in 2022).

### **London Councils' consultation response**

23. The Government's consultation on the PLGFS closes on 13 January. London Councils' draft response is included at Appendix C. The central message is that, while the increase in CSP is welcome and higher than in recent years, given the ongoing pressures caused by the pandemic, it will not meet the significant challenges boroughs are facing and they will still be required to make significant savings next year.
24. Specifically, the response highlights that the vast majority of the £496m increase in CSP for London boroughs will be taken up by the existing underlying pressures of £400m per annum excluding any impact of the pandemic. Rising inflation, disproportionate pandemic-related income losses experienced by London boroughs and the rise in demand for key services - particularly adult social care, public health, homelessness & rough sleeping, and children's social care – is likely to far exceed the remaining increase in CSP. The response stresses that London boroughs spent an additional £1.1bn last year and were forecasting to spend almost £700m this year before the Omicron variant and that the heightened pressures on these services will not end in March. Even if additional spending

halves compared with 2021-22, this will still eclipse London boroughs' share of the additional grant funding being made available in the provisional settlement.

25. The response also:

- urges the Government to provide additional funding and compensation for the ongoing impact of the pandemic in the current financial year by:
  - reinstating the SF&C compensation scheme that ended in July;
  - reconsidering the decision not to compensate lost tax income for 2021-22;
  - reinstating funding support for those self-isolating, which ended in September, in recognition of the new Omicron variant; and
  - providing additional Contain Outbreak Management Fund (COMF) to support boroughs between now and the end of March (where a shortfall of £40m is estimated) and allow any unspent COMF to be carried forward into 2022-23.
- Raises concerns about the late timing of the settlement and the uncertainty created by another single-year settlement.
- Raises concerns about the lack of transparency in local government funding, including the assumptions made within Core Sending Power (notably the selective inclusion of specific grants and assumptions about council tax rate and the levels of retained business rates) which are likely significantly overstate the actual level of resources available.
- Opposes both the effective capping of council tax through the referendum principle and the central hypothecation via the ASC precept.
- Raises concerns regarding the potential for the costs of the adult social care funding reforms to exceed the funding being made available and urges the Government to redirect a greater share of the Health and Social Care Levy to frontline adult social care.
- Welcomes the increase in the Social Care Grant but raises concerns that the distribution only reflects adult social care need, and not children's social care need, meaning London boroughs receive at least £200m less than if both ASC and CSC needs formulae were used.



- Calls for longer term certainty over the NHB to be set out as soon as possible and for any replacement to truly incentivise housebuilding in areas of the country facing the greatest housing pressures.
- Raises concerns regarding the continued inclusion of the Rural Services Delivery Grant based on limited evidence.
- Sets out a number of concerns regarding funding outside the settlement including:
  - The sufficiency and late publication of the Public Health Grant and need for the distribution to be updated to reflect the increases health inequalities exacerbated by the pandemic.
  - The short-term nature of the single-year Homelessness Prevention Grant.
  - Growing DSG deficits, which will continue to rise despite the uplift in the DSG for 2022-23.
  - The lack of funding to support the significant costs of supporting people with No Recourse to Public Funds.

## **Finance reforms**

26. The PLGFS confirmed the Government intends to deliver an updated assessment of need and resources. These reforms have been postponed several times since the original planned implementation date of April 2019.
27. While a specific implementation date was not set out, the Government did commit to working “closely with the sector over the coming months” and will consider the challenges and opportunities facing the sector before consulting on any potential changes. The previous work undertaken through the Review of Relative Needs and Resources (the so called “Fair Funding Review”), paused in 2019, was not explicitly mentioned and so the exact scope of the reforms - whether they will significantly change the structure of the funding formulae or simply update the existing formulae for the latest data - remains unclear.
28. Ensuring the accurate measurement of need and resources will be a key focus of London Councils’ finance policy work in 2022. By April 2023, it will have been a

decade since the funding formula has been updated, in which London's population will have grown by almost 800,000 (since 2013) and when the gap between wages and housing costs grew starkly in many parts of London. The pandemic has further deepened inequalities and has hit London and other cities particularly hard.

29. As such, the key priorities for updating the relative needs assessment will be to:

- **ensure any measures of deprivation properly take into account housing costs** – Londoners have higher wages but also far higher housing costs than other parts of the country. 27% of Londoners live in relative poverty after housing costs are taken into account: the highest of any region.
- **ensure reliable and robust population projections are used** that take account of any temporary, short-term impact of the pandemic within the 2021 Census data.
- **ensure any measures of need are up-to-date in light of the pandemic**, which has exacerbated inequalities in many areas and has disproportionately impacted on London and Londoners.
- **ensure any new formula accurately takes into account the different costs of delivering services in different parts of the country** and any changes to the area cost adjustment are based on robust evidence and are consistent with other public funding formulae.

30. The PLGFS did not mention the reset of the business rates retention scheme, which had previously been due to be implemented alongside the new needs assessment. The baselines, which were set in 2013, no longer reflect the distribution of business rates yield across the country and have changed considerably since the start of the pandemic.

31. The fact that the Government will be providing over £1bn of grant funding next year to compensate for historical decisions it has taken affecting retained income, shows how the scheme is still subject to annual central government decisions, which not only add complexity but move the scheme further away from its intended purpose to incentivise local economic growth.

32. London Councils' consultation response calls for the retention scheme to be made simpler and fairer, with the costs of business rates appeals being borne by central government. It urges the Government to clarify whether it intends to deliver the business rates reset alongside the updated assessment of need and to set out a clear timeline for the delivery of the reforms.
33. The PLGFS did not set out any detail on how the Government plans to transition to the new funding distribution, however it did explicitly state that the one-off £822m Services Grant will not be included in the baseline from which new funding allocations will transition.

### **Next steps**

34. London Councils will continue to lobby ahead of final settlement, due in February, and in relation to the ongoing financial pressures currently facing London local government due to the pandemic in 2021-22.
35. Work will be undertaken in the first quarter of 2022 to develop London Councils' policy positions and a robust evidence base to ensure London local government's priorities are reflected within the Government's work to update the needs and resources formula and reset of the business rates retention scheme.

### **Recommendations**

36. The Executive is asked to note the contents of the report.

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#### **Financial Implications for London Councils**

None

#### **Legal Implications for London Councils**

None

#### **Equalities Implications for London Councils**

None

## Appendix A – Core Spending Power – England and London boroughs summaries

**Table A1 – Core Spending Power – England 2021-22 to 2022-23 (£m)**

	2021-22	2022-23	£m change	% change
Settlement Funding Assessment, of which:	14,809.7	14,882.2	72.5	0.5%
Revenue Support Grant	2,334.0	2,406.5	72.5	3.1%
Baseline Funding	12,475.7	12,475.7	0.0	0.0%
Compensation for under-indexing the business rates multiplier	650.0	1,025.1	375.0	57.7%
Council Tax Requirement excluding parish precepts	30,326.9	31,728.5	1,401.6	4.6%
Improved Better Care Fund	2,077.0	2,139.8	62.8	3.0%
Social Care Grant	1,710.0	2,346.4	636.4	37.2%
Market Sustainability and Fair Cost of Care Fund	N-A	162.0	162.0	100.0%
New Homes Bonus	622.3	554.5	-67.8	-10.9%
Rural Services Delivery Grant	85.0	85.0	0.0	0.0%
Lower Tier Services Grant	111.0	111.0	0.0	0.0%
2022-23 Services Grant	N-A	822	822.0	100.0%
<b>Core Spending Power</b>	<b>50,392.0</b>	<b>53,856.5</b>	<b>3,464.5</b>	<b>6.9%</b>
<b>New LG DEL funding</b>			<b>1,525.9</b>	

Source: DLUHC, PLGFS 2022-23, 'Core Spending Power: supporting information' spreadsheet

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

**Table A2 – Core Spending Power – London Boroughs 2021-22 to 2022-23 (£m)**

	2021-22	2022-23	£m change	% change
Settlement Funding Assessment, of which:	2,760.7	2,777.7	17.0	0.6%
Revenue Support Grant	549.8	566.8	17.0	3.1%
Baseline Funding	2,210.9	2,210.9	0.0	0.0%
Compensation for under-indexing the business rates multiplier	115.2	181.7	66.5	57.7%
Council Tax Requirement excluding parish precepts	3,802.9	3,962.8	159.9	4.2%
Improved Better Care Fund	336.2	346.4	10.2	3.0%
Social Care Grant	277.2	378.4	101.2	36.5%
Market Sustainability and Fair Cost of Care Fund	-	25.1	25.1	100.0%
New Homes Bonus	124.7	86.9	-37.8	-30.3%
Rural Services Delivery Grant	0.0	0.0	0.0	0.0%
Lower Tier Services Grant	24.0	25.2	1.3	5.3%
2022-23 Services Grant	-	152.4	152.4	100.0%
<b>Core Spending Power</b>	<b>7,440.9</b>	<b>7,936.6</b>	<b>495.7</b>	<b>6.7%</b>
<b>New LG DEL funding</b>			<b>243.0</b>	

Source: DLUHC, PLGFS 2022-23, 'Core Spending Power: supporting information' spreadsheet

Note 1: SFA figures in CSP do not reflect the BRR pilots

## Appendix B – Change on Core Spending Power by London borough

	SFA	Council Tax	Other specific Grants	Total CSP	SFA	Council Tax	Other specific Grants	Total CSP	Total CSP change	
	2021/22	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2022/23	£m	%
Barking And Dagenham	75.8	68.8	23.2	<b>167.8</b>	76.4	72.2	32.1	<b>180.6</b>	<b>12.9</b>	<b>7.7%</b>
Barnet	65.0	198.1	29.9	<b>293.0</b>	65.2	207.2	37.0	<b>309.5</b>	<b>16.5</b>	<b>5.6%</b>
Bexley	40.0	121.2	14.7	<b>175.9</b>	40.1	125.6	21.8	<b>187.5</b>	<b>11.6</b>	<b>6.6%</b>
Brent	113.4	135.7	32.3	<b>281.3</b>	114.1	141.6	45.3	<b>301.1</b>	<b>19.8</b>	<b>7.0%</b>
Bromley	38.5	175.3	17.2	<b>231.0</b>	38.5	181.8	24.4	<b>244.6</b>	<b>13.6</b>	<b>5.9%</b>
Camden	114.3	119.5	30.6	<b>264.4</b>	115.0	123.0	45.6	<b>283.5</b>	<b>19.1</b>	<b>7.2%</b>
City of London	23.0	7.4	2.6	<b>33.0</b>	23.2	7.9	4.6	<b>35.7</b>	<b>2.7</b>	<b>8.1%</b>
Croydon	88.2	198.1	27.2	<b>313.5</b>	88.7	207.6	38.0	<b>334.3</b>	<b>20.8</b>	<b>6.6%</b>
Ealing	94.6	152.4	34.0	<b>281.0</b>	95.2	159.0	44.5	<b>298.8</b>	<b>17.8</b>	<b>6.3%</b>
Enfield	91.8	133.1	25.9	<b>250.8</b>	92.4	136.3	37.6	<b>266.3</b>	<b>15.5</b>	<b>6.2%</b>
Greenwich	109.2	105.8	38.3	<b>253.3</b>	110.0	110.7	48.3	<b>269.0</b>	<b>15.7</b>	<b>6.2%</b>
Hackney	146.6	89.2	40.2	<b>276.0</b>	147.7	93.1	55.0	<b>295.7</b>	<b>19.7</b>	<b>7.1%</b>
Hammersmith And Fulham	79.4	67.3	27.1	<b>173.8</b>	79.9	70.5	34.4	<b>184.7</b>	<b>11.0</b>	<b>6.3%</b>
Haringey	104.1	110.3	24.5	<b>238.9</b>	104.8	114.1	36.9	<b>255.8</b>	<b>16.9</b>	<b>7.1%</b>
Harrow	41.3	139.7	17.6	<b>198.6</b>	41.3	145.5	24.5	<b>211.3</b>	<b>12.8</b>	<b>6.4%</b>
Havering	36.0	135.0	14.9	<b>185.8</b>	36.0	139.6	21.8	<b>197.4</b>	<b>11.5</b>	<b>6.2%</b>
Hillingdon	54.0	126.5	19.4	<b>200.0</b>	54.2	131.9	28.0	<b>214.2</b>	<b>14.2</b>	<b>7.1%</b>
Hounslow	59.0	115.1	21.7	<b>195.8</b>	59.3	119.7	28.3	<b>207.4</b>	<b>11.6</b>	<b>5.9%</b>
Islington	109.8	99.2	32.7	<b>241.8</b>	110.6	102.4	44.6	<b>257.6</b>	<b>15.9</b>	<b>6.6%</b>
Kensington And Chelsea	62.9	93.8	18.1	<b>174.8</b>	63.2	97.0	26.4	<b>186.6</b>	<b>11.8</b>	<b>6.8%</b>
Kingston upon Thames	22.1	106.4	6.9	<b>135.4</b>	22.1	110.4	10.8	<b>143.3</b>	<b>7.8</b>	<b>5.8%</b>
Lambeth	143.9	136.1	37.9	<b>317.9</b>	144.9	142.7	52.7	<b>340.2</b>	<b>22.3</b>	<b>7.0%</b>
Lewisham	123.3	122.3	33.6	<b>279.2</b>	124.2	128.8	46.7	<b>299.6</b>	<b>20.4</b>	<b>7.3%</b>
Merton	41.1	99.9	12.2	<b>153.2</b>	41.3	103.5	18.1	<b>162.9</b>	<b>9.7</b>	<b>6.3%</b>
Newham	148.5	88.7	46.4	<b>283.5</b>	149.6	94.3	61.8	<b>305.8</b>	<b>22.2</b>	<b>7.8%</b>
Redbridge	63.9	128.7	22.2	<b>214.9</b>	64.2	134.3	31.0	<b>229.6</b>	<b>14.7</b>	<b>6.8%</b>
Richmond upon Thames	22.6	141.1	6.4	<b>170.2</b>	22.6	145.5	10.5	<b>178.6</b>	<b>8.4</b>	<b>4.9%</b>
Southwark	152.5	123.0	46.0	<b>321.6</b>	153.6	129.8	60.6	<b>344.1</b>	<b>22.5</b>	<b>7.0%</b>
Sutton	43.2	108.1	11.9	<b>163.2</b>	43.4	111.7	16.3	<b>171.4</b>	<b>8.2</b>	<b>5.0%</b>
Tower Hamlets	145.5	114.2	53.5	<b>313.2</b>	146.6	121.9	69.0	<b>337.5</b>	<b>24.3</b>	<b>7.7%</b>
Waltham Forest	89.1	115.0	23.5	<b>227.6</b>	89.6	119.6	34.6	<b>243.8</b>	<b>16.2</b>	<b>7.1%</b>
Wandsworth	97.5	65.6	41.9	<b>204.9</b>	98.2	68.5	51.6	<b>218.3</b>	<b>13.4</b>	<b>6.6%</b>
Westminster	120.7	62.1	42.8	<b>225.7</b>	121.6	64.9	53.4	<b>239.8</b>	<b>14.1</b>	<b>6.3%</b>
London Boroughs	2,760.7	3,802.9	877.3	<b>7,440.9</b>	2,777.7	3,962.8	1,196.1	<b>7,936.6</b>	<b>495.7</b>	<b>6.7%</b>
England	14,809.7	30,326.9	5,255.3	<b>50,392.0</b>	14,882.2	31,728.5	7,245.7	<b>53,856.5</b>	<b>3,464.5</b>	<b>6.9%</b>
Inner London Boroughs	1,428.6	1,205.6	445.4	<b>3,079.6</b>	1,438.7	1,261.1	592.8	<b>3,292.5</b>	<b>212.9</b>	<b>6.9%</b>
Outer London Boroughs	1,332.1	2,597.2	431.9	<b>4,361.3</b>	1,339.0	2,701.7	603.3	<b>4,644.1</b>	<b>282.8</b>	<b>6.5%</b>
Greater London Authority	1,210.7	1,096.6	56.3	<b>2,363.5</b>	1,214.7	1,146.4	125.2	<b>2,486.3</b>	<b>122.8</b>	<b>5.2%</b>
Metropolitan Districts	3,886.1	5,047.1	1,355.8	<b>10,289.0</b>	3,910.8	5,264.9	1,880.1	<b>11,055.7</b>	<b>766.7</b>	<b>7.5%</b>
Unitary Authorities	3,140.1	7,456.3	1,258.6	<b>11,855.0</b>	3,153.8	7,802.6	1,725.2	<b>12,681.6</b>	<b>826.7</b>	<b>7.0%</b>
Shire Counties	2,699.4	10,564.9	1,393.5	<b>14,657.7</b>	2,706.1	11,111.9	1,923.6	<b>15,741.6</b>	<b>1,083.9</b>	<b>7.4%</b>
Shire Districts	550.7	1,426.8	293.0	<b>2,270.5</b>	551.4	1,478.9	337.8	<b>2,368.1</b>	<b>97.5</b>	<b>4.3%</b>
Fire Authorities	511.3	863.7	19.3	<b>1,394.2</b>	516.5	890.0	53.0	<b>1,459.5</b>	<b>65.4</b>	<b>4.7%</b>
Combined Authorities	50.7	68.7	1.7	<b>121.1</b>	51.3	70.9	4.8	<b>127.0</b>	<b>5.9</b>	<b>4.9%</b>

## Appendix C – London Councils' draft 2022-23 PLGFS consultation response

See attached.

# Consultation Response - DRAFT

## The provisional 2022-23 Local Government Finance Settlement - consultation response by London Councils

London Councils represents London's 32 borough councils and the City of London. It is a cross party organisation that works on behalf of all its member authorities regardless of political persuasion.

### Introduction

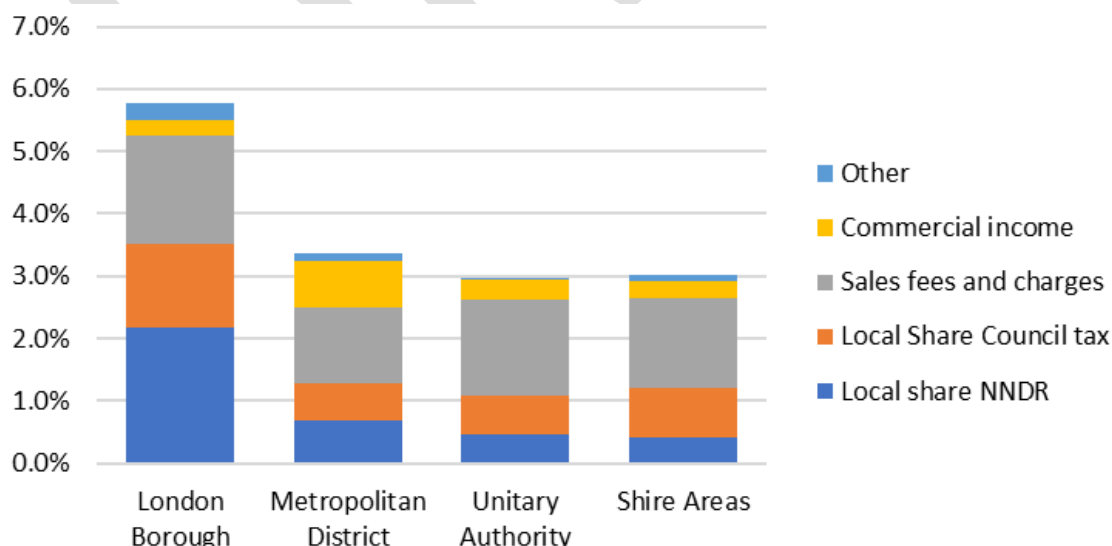
1. London Councils welcomes the opportunity to comment on the 2022-23 provisional local government finance settlement consultation.
2. We welcome the 4% real terms increase in Core Spending Power, which is significant by recent historical standards. However, prior to Spending Review 2021 (SR21), we estimated London boroughs would require £1.5-2bn over the SR period (at least 5% per annum) to meet the underlying demand, inflation and income pressures relating to the ongoing pandemic. The recent Omicron variant, rising inflation, and the adult social care funding reforms have added further financial risks. As such, while the new funding set out in the provisional settlement is very welcome, London boroughs will need to make significant savings next year to deliver balanced budgets.
3. While we recognise this consultation only covers the 2022-23 provisional settlement, we are very concerned about the funding outlook in years 2 and 3 of the Spending Review period where, excluding council tax and excluding the funding assigned to cover the costs of adult social care reform, funding will decrease in real terms by 1% in both years
4. This response firstly sets out London Councils' general comments about the proposals within the consultation, before providing more detailed responses to the specific questions posed within it. In summary, the main issues raised include:
  - the financial challenge facing London boroughs;
  - the need for greater funding certainty;
  - the need for more transparency in local government funding;
  - the continued capping and hypothecation of council tax;
  - the growing financial risks relating to social care funding;
  - the need for certainty over the future of the New Homes Bonus;
  - the disparity in approaches to funding for rural and urban areas;
  - the need for certainty around other grants outside the settlement; and
  - our priorities for updating the local government finance system.

## General comments

### The financial challenge facing London boroughs

5. London boroughs' overall resources have reduced by more than a fifth since 2010-11 in real terms. This is on top of a cumulative increase in pressures generated by councils delivering an increasing number of services to an increasing number of people. In London, there are a million more people using local services than in 2010.
6. Within this context, the 3.9% real terms increase in Core Spending Power (CSP) for London boroughs in 2022-23 is very welcome. Excluding the funding to help deliver the "fair cost of care" element of the adult social care funding reforms, which will not address underlying demand pressures, the real terms increase to the remainder of CSP is 3.5% (assuming all councils raise council tax by the maximum). This delivers around £470m of extra funding to London boroughs next year.
7. However, while very welcome, this will not be sufficient to meet the significant challenges facing London local government. London boroughs already faced underlying demand pressures of £400m per annum just to maintain services at pre-pandemic levels. They now face a much-changed environment due to the pandemic and its wider economic and social consequences.
8. Firstly, they face substantial inflationary pressures. The ONS reported CPI of 5.1% in December and the Governor of the Bank of England has suggested it may reach 6% in the next few months<sup>1</sup>. The anticipated spike in wholesale gas prices will have direct and indirect cost implications for local authorities, and the rise in national insurance contributions to fund the health and social care reforms is expected to add around £40m to London boroughs' supply chains next year. There will be similar pressures on contracts from the rise in the National Living Wage.
9. Secondly, London boroughs have been disproportionately impacted by Covid-19 related income losses, which have been nearly twice as large as those seen outside the capital when measured on either a per capita basis or as share of net revenue expenditure.

**Chart 1 - Estimated losses due to C19 in 2021-22 as % of Net Revenue Expenditure - by authority type**



Source: London Councils' analysis of DLUHC monthly monitoring survey, Round 16

<sup>1</sup> <https://www.bbc.co.uk/news/business-59682521>

10. Our estimates suggest the legacy of uncompensated lost council tax and business rates income from 2020-21 and 2021-22 mean boroughs will have at least £300m less to spend next year, which alone exceeds their £243m share of the additional grant funding confirmed at the provisional settlement. The “Plan B” restrictions will have a further adverse impact on business rates and fees & charges income as footfall reduces, particularly in central London and office-reliant town centres. **We urge the Government to urgently reinstate the SF&C compensation scheme that ended in July for the remainder of the year and to 2022-23, and to reconsider the decision not to directly compensate lost tax income for 2021-22.**
11. Thirdly, the rise in demand for key services caused by the pandemic - particularly adult social care, public health, homelessness & rough sleeping and children’s social care - will continue into 2022-23. London boroughs spent an additional £1.1bn last year and were forecasting to spend almost £700m this year before the Omicron variant. The heightened pressures on these services will not end in March. Even if additional spending halves compared with 2021-22, this will still eclipse London boroughs’ share of the additional grant funding being made available in the provisional settlement.
12. **To aid boroughs’ delivery of testing, contact tracing, and support for the vaccination programme we also urge the Government to:**
- **confirm that unspent COMF can be carried forward into 2022-23**
  - **provide additional COMF funding to support boroughs between January and March (where a shortfall of £40m is estimated); and**
  - **provide further COMF in 2022-23 if required.**
13. **We also urge the Government to reinstate funding support for those self-isolating, which ended in September, in recognition of rise in cases due to the Omicron variant.**
14. Finally, in addition to these pressures, we are very concerned about the financial risks that the adult social care funding reforms could bring to London boroughs. While the PLGFS has confirmed £162m in 2022-23 to support councils in preparing their markets to deliver the fair cost of care reforms, delivering these reforms will redirect resources away from frontline social care at a time when the pandemic is exerting major pressure on staff capacity.
15. Given the scale of these pressures, the 3.5% rise in CSP, while generous by historical standards, is unlikely to prevent boroughs from needing to make considerable significant savings in the next year.

## Certainty

16. Local authorities need certainty over how they will be resourced. Medium-term funding certainty breeds robust decision making and more strategic and efficient use of resources. Two single-year Spending Reviews have had a detrimental impact councils’ ability to plan for the future. It is, therefore, disappointing that, despite the three-year envelope provided by SR21, 2022-23 is another one-year settlement (effectively for the fourth year in succession).
17. We do, however, recognise the difficulties caused by the pandemic and the delays to the reforms to the finance system, which are necessary and overdue. We, therefore, welcome the visibility of the overall Core Spending Power envelope and council tax principles over the next three years, which we called for prior to the SR21.
18. Finally, despite the SR being a month earlier than last year in October, it was disappointing that the PLGFS was again delivered at the latest possible moment on the final day of the parliamentary term, which hinders the ability of councils to plan their budgets and deliver the maximum value for money for taxpayers. **We urge**



**the Government to deliver on the commitment made following the Hudson Review and publish the provisional settlement in the first week of December this year.**

## **Transparency**

19. We are concerned that the headline 4.1% real terms increase in Core Spending Power (CSP) nationally (3.9% across London boroughs) overstates the scale of the increase in resources available to councils. CSP was established as a broader measure of funding available to authorities than just Formula Grant or Settlement Funding Assessment (SFA) in the early 2010s, and comprises SFA, estimated council tax, and several specific grants. It remains unclear why only some specific grants are included within CSP (for example the new adult social care reform funding) and others (such as the £3.3bn Public Health Grant or the £316m Homelessness Prevention Grant) are not. If the changes in other grants outside the settlement were included, the overall 4% figure would be much lower, as these other grants are increasing by less than overall CSP.
20. With regard to the use of SFA, this itself is not an accurate or tangible number that councils recognise in their budgets, as it comprises Revenue Support Grant (RSG) and Baseline Funding Level (essentially the baseline target for retained business rates set by government). In reality, some authorities will retain more than their baseline, but many will be below it. This is increasingly likely in 2022-23 as the ongoing impact of the pandemic on the economy will depress business rates revenues significantly.
21. Finally, and most significantly, the assumptions being made with regard to council tax are potentially misleading. The CSP figures assume all authorities raise council tax and, for those eligible, the adult social care precept, by the maximum amount possible in 2022-23 (3% for London boroughs). Council tax rises are local decisions that must be taken in light of the regressive nature of the tax and the impact on local residents. It is, therefore, inappropriate to assume maximal increases when presenting official funding figures. It would be more accurate for the Government to assume the average level of increase within the permitted rules using historic trends, rather than assuming maximum increases, which will overstate the actual level of resources.
22. We would also challenge the assumption that each authorities' council tax base will continue to increase by the same as the average annual change over the last 5 years. This understates the potential impact of the pandemic on the tax base – both through lower collection rates and through the increased number of LCTS claimants. The £670m of LCTS support funding awarded to councils in 2021-22 will end in 2022-23. Many of the recipients of this support will struggle without it, which will put pressure on collection rates. The level of council tax included within CSP in the provisional settlement will, in our view, significantly overstate the true level of resources available to councils next year (as it has done in previous years).
23. More broadly, London Councils believes the local government finance system should be underpinned by the principles of stability, certainty and transparency. Local authorities should be able to understand clearly how much funding is available, and where it comes from, for the services they are required to deliver. The current system remains incredibly complex and opaque, enabling changes to be made to the distribution of funding allocations which are extremely difficult to understand and assess accurately.
24. Without significant levels of prior knowledge, it is not clear from the settlement how the £1.5bn of new funding is being allocated, or indeed how the underlying £9bn of Local Government DEL is distributed as different grants. Without a breakdown of the LG DEL and other relevant departmental expenditure limits which fund local authorities, it is unclear how the central share of business rates funds grants inside and outside of the settlement. **We continue to urge the Government to publish a full reconciliation between the funding made available to local government and the Local Government DEL figures published annually by HMT.**

25. **We also urge the Government to be clearer about how the national business rates yield is used to fund different local authority grants (as the 1988 Local Government Finance Act states it must), so that allocation decisions can be understood by the lay person and given the appropriate scrutiny.**

## Council Tax Principles

26. While we welcome the visibility of council tax referendum principles for the next three years, London Councils continues to oppose the principle of capping council tax increases, which represents central government control over the only locally determined tax. **We believe the referendum limit should be lifted completely, allowing councils to address local spending pressures in ways for which they can be held accountable to their local electorates.** No other tax at any level of government is subject to the same referendum principle.
27. It is disappointing that the Government has continued the Adult Social Care Precept, rather than funding adult social care through a needs-based grant, as this not only represents unnecessary central government control over local taxation, but it fails to deliver funding where it is needed most, while placing the greatest burden on those who can least afford it. **We urge the Government to reconsider its plans to continue the precept beyond 2022-23, so it does not become a permanent hypothecation of council tax.**

## Social Care Funding

28. London Councils is concerned that the £3.6bn funding over three years to implement fair cost of care reform, the care cost cap and extension of the means test threshold will not be sufficient. The LGA estimates the existing provider market funding gap is £1.5bn nationally. Tackling this alone is more than the funding allocated for the fair cost of care reforms, leaving nothing for other practical implementation matters. Delivering these reforms will redirect resources away from delivering frontline social care when the pandemic is putting huge pressure on staff capacity. Moreover, boroughs will be unable to play their part in delivering the Government's White Paper ambitions if the existing pressures within ASC, including the rising demand and significant overspending caused by the pandemic, are not addressed as an immediate priority. **We, therefore, call on the Government to redirect a greater share of the Health and Social Care Levy to frontline adult social care.**
29. London Councils recognises that delivering the social care funding reforms, including transitioning to funding social care via the Health and Care Levy, will take time to implement. We, therefore, welcome the continuation of the IBCF and Social Care Grant (SCG) in 2022-23. The 37% uplift in the SCG is particularly welcome as this will support not only adult but children's social care. However, the increase across London (amounting to just over £100m) will not keep pace with the growing funding gaps presenting in adult and children's social care, which together had an annual shortfall in excess of £300m in London even *before* the pandemic.
30. We continue to oppose the proposed methodology for distributing the SCG based solely on the adult social care Relative Needs Formula (RNF). If the intention is for this funding to alleviate pressure on both adult and children's social care, its distribution should reflect relative levels of need in both services. The proposed approach disadvantages London boroughs as a whole, whose aggregate share of the adult social care RNF is 15.5%, while their aggregate share of the children's social care RNF is 25.5%. We estimate that London Boroughs would receive over £200m more if the total £2.3bn Social Care Grant used both the ASC and CSC RNFs, for example, in equal weighting. **We believe that the evidential basis for this decision must be clearer. We urge the Government to reconsider the distribution at the final settlement.**

## New Homes Bonus

31. London Councils welcomes the proposed new round of New Homes Bonus (NHB) allocations. We are, however, disappointed in the continued diminution of this funding stream, and the continuation of the phasing out of legacy payments. The scheme has already seen significant reductions in eligibility and generosity that have reduced its effectiveness as an incentive.
32. The scale of the reduction in London boroughs' 2022-23 allocation (to just 13.5% of the England total when historically it has been over 20%) suggests that housebuilding in the capital has slowed considerably and is further evidence of the disproportionate impact of the pandemic on London's economy.
33. Having consulted in the spring, it is unclear why the outcome of the consultation has not been published or why confirmation over the future of the NHB was not provided until the PLGFS, leaving authorities with no certainty to plan for this significant funding stream. This is the third year the existing scheme has been rolled forward and **a more permanent solution is required to provide longer term certainty. Any reforms to the bonus, or indeed a successor scheme, must ensure it truly incentivises house building in areas of the country facing the greatest housing pressures.**

## Lower Tier Services Grant and 2022-23 Services Grant

34. London Councils welcomes the new one-off "Services Grant", of which London boroughs will receive £152m. This represents more than half of the new £1.5bn of grant funding in the settlement. However, it is unclear why the 2013-14 SFA formula is being used as the basis for distribution rather than 2022-23 SFA. The Government should clarify the rationale behind this decision.
35. We also welcome the continuation of the un-ringfenced Lower Tier Services Grant, of which London boroughs will receive £25m. We further welcome the decision to update the minimum funding floor from 2021-22 to ensure no authority sees an annual reduction in Core Spending Power in 2022-23.

## Rural Services Delivery Grant

36. London Councils continues to question why the additional funding allocated to meet unique challenges in rural areas through Rural Services Delivery Grant is not mirrored by a comparable grant funding stream to address unique challenges in urban areas. While there are likely to be higher costs for delivering a few services in rural areas, there is more evidence of higher delivery costs in urban areas<sup>2</sup>. This has not been equally recognised through bespoke additional grant funding. If the Government is minded to further recognise some of the financial pressure on rural authorities, **London Councils believes that it is reasonable to expect further consideration to be given to the unique pressures faced by urban areas, particularly the impact of population underestimation, daytime visitors and high levels of population churn.**

## Grants outside of the settlement

37. While the confirmation of the main funding streams within the settlement prior to Christmas is welcome, several other funding streams outside of the main finance settlement had not yet been confirmed at the time of drafting. These include: The Public Health Grant; Independent Living Fund; Rough Sleeping Initiative Fund; the Better Care Fund; and Housing Benefit and Council Tax Administration Subsidies.

<sup>2</sup> We fully support the paper by SIGOMA and Core Cities to the FFR technical working group on this issue in September 2018: <https://www.local.gov.uk/sites/default/files/documents/Consideration%20of%20population%20concentration%20by%20SIGOMA%20%26%20Core%20Cities%20%28NR%20TW....pdf>

38. With regards to Public Health Grant, London Councils is very concerned that this is being held flat in real terms for the next three years (as confirmed at the SR). This makes no sense during an ongoing pandemic when many pre-existing public health functions are likely to have been adversely affected by the capacity and resources needed to cope with the ongoing emergency response and vaccination programme. **We urge the Government to reconsider this decision and provide an increase in funding to support not only the ongoing response to pandemic but the delivery of this key service as we move back to “business as usual”.**
39. **We also ask that the public health grant formula is reviewed in the next year, to take account of significant changes in demography and deprivation since 2013 and the increases health inequalities that have been exacerbated and highlighted by the pandemic.** A new formula should be in place by 2023-24.
40. Although it was published later than the PLGFS, we welcome the continuation of the Homelessness Prevention Grant, and the confirmation at the SR that this will continue for three years. However, given this is the case, it is unclear why allocations could not be set out for the three-year period to enable more strategic planning of resources. We are concerned that London’s share of funding allocations in the last few years has decreased. This is particularly disappointing given London’s disproportionate housing and homelessness challenges, which have been worsened by the pandemic. London has 57,000 households in Temporary Accommodation: two thirds of the England total and an increase of over 50% since 2010. This crisis is one facing many metropolitan areas, and London has a set of specific factors that mean it is most pronounced in the capital. **We remain concerned that there is no long-term plan to find a sustainable solution to London’s unique homelessness pressures.**
41. While outside of the core funding settlement, the funding shortfall in the High Needs block of the Dedicated Schools Grant (DSG) for pupils with Special Educational Needs and Disabilities (SEND) has become the single biggest financial pressure for some London boroughs who are fast running out of options for recovering deficits. If left unaddressed, it could place several boroughs in extreme financial difficulty in the next few years. Over half of London boroughs will have an accumulated DSG deficit by the end of the year, collectively totalling over £300m. The scale for those in deficit averages around 13% of the DSG – but for some it will be almost 40% - meaning they have little prospect of recovering deficits over the next three years. Although the £1bn increase in 2022-23 is very welcome, the 9% average HB block increase for London boroughs is below the recent annual increases in EHCP numbers (10% in 2021) and is barely enough to stand still. The £136m increase for London boroughs next year is less than half of the existing deficits.
42. We welcome the DfE’s attempts to tighten the ring-fence on the DSG via secondary legislation and the statutory override introduced last year. However, these changes are temporary and do not resolve the underlying deficits. The current “Safety Valve” approach focusses only on a handful of the worst affected authorities, providing no assistance to the growing number of authorities where deficits are now typically £20m or more. If action is not taken to support these authorities, the numbers requiring an emergency intervention will only grow. **We therefore continue to urge the Government to set out a robust strategy to support all councils to clear DSG deficits alongside its SEND Review, which must be published as soon as possible.**
43. We are also disappointed that there was no additional funding within SR21 or the settlement to support councils with the considerable costs associated with supporting people with No Recourse to Public Funds. London Boroughs spend £40-50m per annum were supporting households with accommodation and/or financial support. These are often extremely vulnerable people. **We urge the Government to provide financial support to help with this cost pressure, if not by a separate grant, then through core funding as part of the new needs assessment.**

## Funding reforms

44. Finally, London Councils welcomes the Government's commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. We welcome the Government's intention to engage with the sector, and consult on potential future changes to the system. This process should be as open and transparent as possible. We note that both the Written Ministerial Statement and the consultation document only refer to updating data and not to reviewing the structure of the formulae which determine core funding. **We urge the Government to clarify the scope of the reforms to the relative needs and resources assessment as soon as possible.**
45. By April 2023, it will have been a decade since the funding formula has been updated, in which London's population will have grown by almost 800,000<sup>3</sup> and when the gap between wages and housing costs grew starkly in many parts of London. The pandemic has further deepened inequalities and has hit London particularly hard.
46. As such, our key priorities for updating the relative needs assessment will be to:
- **ensure any measures of deprivation properly take into account housing costs** – Londoners have higher wages but also far higher housing costs than other parts of the country. 27% of Londoners live in relative poverty after housing costs are taken into account: the highest of any region<sup>4</sup>.
  - **ensure reliable and robust population projections are used** that take account of any temporary, short-term impact of the pandemic within the 2021 Census data.
  - **ensure any measures of need are up-to-date in light of the pandemic**, which has exacerbated inequalities in many areas and has disproportionately impacted on London and Londoners.
  - **ensure any new formula accurately takes into account the different costs of delivering services in different parts of the country** and that any changes to the area cost adjustment are based on robust evidence and are consistent with other public funding formulae.
47. The WMS and consultation document did not explicitly refer to the reset of the business rates retention scheme, which had previously been due to be implemented alongside the new needs and resources assessment. The baselines, which were set in 2013, no longer reflect the distribution of business rates yield across the country and have changed considerably since the start of the pandemic.
48. The fact that the Government will be providing over £1bn of grant funding next year to compensate for historical decisions it has taken affecting retained income, shows how the scheme is still subject to annual central government decisions which not only add complexity but move the scheme further away from its intended purpose to incentivise local economic growth. The retention scheme must be made simpler and fairer, with the costs of business rates appeals being borne by central government rather than at the individual local authority level. **We urge the Government to clarify whether it intends to deliver the business rates reset alongside the updated assessment of need and to set out a clear timeline for the delivery of the reforms.**
49. **As set out previously, we urge the Government to ensure the transitional mechanisms needed to deliver the outcome of the reforms ensure that no council experiences a loss of income.**

<sup>3</sup> SNPP estimate for 2023 compared with the 2013 population figures used in the 2013-14 settlement

<sup>4</sup> <https://researchbriefings.files.parliament.uk/documents/SN07096/SN07096.pdf>



## Responses to specific questions

### **Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2022/23, including the rolling in of two New Burdens grants?**

50. London Councils broadly agrees with the proposed approach to distributing RSG. We understand the rationale for rolling in the two new burdens grants for simplicity and given their small scale.
51. However, the Government should publish the existing distributions of the two grants, worth £2m in total, so local authorities can see whether they will be better or worse off from the proposed methodology (using 2013-14 SFA). Transparency must be a key principle underpinning any allocation of public funds, and we urge the Government to publish the previous grant distributions alongside the final settlement.
52. The proposal to continue to eliminate negative RSG is welcome for those London boroughs who receive it, although its very existence continues to show why overall SFA funding distribution formula needs to be updated urgently.

### **Question 2: Do you agree with the proposed package of council tax referendum principles for 2022/23?**

53. As set out in paragraphs 25 and 26, London Councils continues to oppose the of capping Council Tax increases through the mechanism of referendum principles and the hypothecation of council tax through the ASCP as a matter of principle. Council tax is the only locally determined tax and local authorities must have full flexibility in how it is used as well as how it is set that strikes the appropriate balance between local needs and local resources. No central government tax is subject to the same approach.

### **Question 3: Do you agree with the Government's proposals for the Social Care Grant in 2022/23?**

54. The 37% uplift in the SCG is very welcome. However, the increase across London - which amount to just over £100m - will not keep pace with the growing funding gaps presenting in adult and children's social care, which together had an annual shortfall in excess of £300m in London even before the pandemic.
55. We continue to oppose the proposed methodology for distributing the SCG based solely on the adult social care Relative Needs Formula (RNF). If the intention is for this funding to alleviate pressure on both adult and children's social care, its distribution should reflect relative levels of need in both services. The proposed approach disadvantages London boroughs as a whole, whose aggregate share of the adult social care RNF is 15.5%, while their aggregate share of the children's social care RNF is 25.5%. If both formulae were used equally, London boroughs would receive at least £200m more.
56. Previously, the Government set out the rationale for using only the ASC formula as it was more up to date than the CSC one. We believe it is illogical to use a formula that is specifically designed for one service area for a funding allocation that is meant to fund two service areas. Even if the ASC formula was more up-to-date than the CSC formula, an out-of-date CSC formula still better reflects the need for children's social care than an updated adult social care formula.

### **Question 4: Do you agree with the Government's proposals for iBCF in 2022/23?**

57. We welcome the continuation of the iBCF in 2022-23, however the inflationary increase in the grant will not cover the scale of the pressures facing adult social care, particularly the ongoing impact of the pandemic on hospital discharges and long covid.

**Question 5: Do you agree with the Government's proposals for distributing the Market Sustainability and Fair Cost of Care Fund in 2022/23?**

58. In the absence of robust data, distributing the Market Sustainability and Fair Cost of Care Fund in 2022-23 via the existing ASC RNF seems reasonable at this stage. Looking ahead, we will work closely with the Government to develop appropriate grant conditions, national guidance and distribution mechanisms for future funding allocations in 2023-24 and 2024-25 and urge the Government to undertake the necessary data collection it needs to establish a robust formula that reflects the costs of implementation.

**Question 6: Do you agree with the Government's proposals for a one-off 2022/23 Services Grant distributed using 2013/14 shares of the Settlement Funding Assessment?**

59. London Councils welcomes the new one-off "Services Grant", which represents more than half of the allocation from the new £1.5bn of grants funding in the settlement. However, it is unclear why the 2013-14 SFA formula is being used as the basis for distribution rather than the 2022-23 formula, and the Government should clarify the rationale behind this.

**Question 7: Do you agree with the Government's proposals for New Homes Bonus in 2022/23?**

60. As set out in paragraphs 30-32, London Councils welcomes the proposed new round of NHB allocations but are disappointed in the continued long-term uncertainty about this funding stream. This is the third year the existing scheme has been rolled forward and a more permanent solution is required to provide longer term certainty. Having consulted in the spring, it is unclear why the outcome of the consultation has not been published or why confirmation over the future of the NHB was not provided until the PLGFS, leaving authorities with no certainty to plan for this significant funding stream.

61. The scale of the reduction in London boroughs' 2022-23 allocation to just 13.5% of the England total (when historically it has been around 20%) suggests that housebuilding in the capital has slowed considerably and is further evidence of the disproportionate impact of the pandemic on London's economy. Any reforms to the bonus, or indeed a successor scheme, must ensure it truly incentivises house building in areas of the country facing the greatest housing pressures.

**Question 8: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2022/23?**

62. London Councils continues to question why the additional funding allocated to meet unique challenges in rural areas through Rural Services Delivery Grant (RSDG) is not mirrored by a comparable grant funding stream to address unique challenges in urban areas. While there are likely to be higher costs for delivering a few services in rural areas, there is more evidence of higher delivery costs in urban areas. This has not been equally recognised through bespoke additional grant funding. If the Government is minded to further recognise some of the financial pressure on rural authorities, London Councils believes that it is reasonable to expect further consideration to be given to the unique pressures faced by urban areas, particularly the impact of population underestimation, daytime visitors and high levels of population churn.

**Question 9: Do you agree with the Government's proposal for the Lower Tier Services Grant, with a new minimum funding floor in 2022/23 so that no authority sees an annual reduction in Core Spending Power?**

63. We welcome the continuation of the un-ringfenced Lower Tier Services Grant and the decision to update the minimum funding floor from 2021/22 to ensure no authority sees an annual reduction in Core Spending Power in 2022-23.

**Question 10: Do you have any comments on the impact of the proposals for the 2022/23 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft policy impact statement published alongside the consultation document? Please provide evidence to support your comments.**

64. We have no comments at this time.

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