

Finance Settlement

1. The provisional finance settlement was announced on 18 December with a four-week consultation running until 15 January 2024.
2. The 2024/25 final local government finance settlement provides allocations of the additional funding package announced in January 2024, as well as other funding changes compared to the provisional local government finance settlement.
3. The changes between the provisional and final settlement can be broken down into the following:
 - **Social care grant** – the additional £500 million grant has been distributed on the basis of the adult social care relative needs formula.
 - **Rural services delivery grant** – the additional £15 million grant has been distributed on the basis of existing funding shares (an uplift of 15.79% of the previous allocation).
 - **Services grant** – £7.35 million has been added to the grant, distributed on existing shares (an uplift of 9.71%), in addition to an uplift of £0.15m for the Isles of Scilly and £3m for the Isle of Wight which are also in the grant (making up a total increase of £10.5 million).
 - **New homes bonus** – data updates have resulted in small shifts in allocations for a limited number of authorities, with a net total reduction of £0.6 million.
 - **Funding guarantee** – allocations have been updated to reflect a higher 4% guarantee level and the grant increases above. The interaction of these funding streams means that in a few cases the funding guarantee allocation has gone down from the provisional settlement. Overall, the value of the guarantee has gone up by a net total of £72 million.
 - **Council tax** – following representations as part of the settlement consultation process, Birmingham council has been granted an additional flexibility to increase council tax by another 5% on top of the standard flexibilities.
4. No other funding stream totals within core spending power have changed, however these figures don't reflect additional business rates arrangements.
5. The Government has also confirmed that £100 million will be released from the safety net and levy account in 2023/24 on a one-off basis, distributed using 2013/14 settlement funding assessment shares. Allocations have not been

published, but the appendix sets out an estimated position based on the distribution of previous such releases.

6. Separately to the final local government finance settlement, the Department for Health and Social Care announced allocations of the public health grant for 2024/25. The allocations comprise of a uniform 1.36% uplift on the 2023/24 core public health grant, plus a £27.4 million uplift for the additional recurrent pay pressures due to the 2023 to 2024 consolidated NHS Agenda for Change pay award, the share of which varies by local authority.
7. Overall, the total public health grant is increasing by an average of 2.06%, but the varied nature of the Agenda for Change uplift means that local authority outcomes vary from an increase of 1.31% to an increase of 2.85%. For Somerset the increase is £0.368m (1.6%) taking the Grant for 2024/25 up to £22.964m.
8. Somerset Council requested the ability to raise Council Tax by an additional 5% which would have generated an additional £17.1m in 2024/25. It would have also reduced down the required Capitalisation Direction to balance budget and budget gap for 2025/26.
9. DLUHC's response was:

“Ministers have considered the Council’s request for additional council tax flexibilities carefully and the supporting information and evidence the Council has provided. In doing so, they took account of the rationale that you and the Council have set out for increasing council tax in Somerset.

As you know, Ministers have been very clear about their concerns regarding the effects that an additional increase in council tax would have on taxpayers, especially those on lower incomes. While Ministers acknowledge the additional steps proposed by the Council would help to protect those on the lowest incomes and in receipt of council tax support, the Government is particularly mindful of the impact of significant cost of living pressures which taxpayers are also currently facing. The Government is therefore of the view that additional council tax flexibilities should only be provided in the most serious of circumstances where a council is in severe financial failure.

Given these concerns, Ministers have decided not to provide the Council with flexibility to increase council tax in 2024-25 above national limits, without holding a referendum. ”

10. Table 1 below shows the total change in funding for Councils from 2023/24 to 2024/25. Council Tax is still the largest element, making up 56% of the total.

Table 1 – Finance Settlement for Local Government for England

| Core Spending Power by component | 2023/24 | 2024/25 | Change | |
|--|---------------|---------------|--------------|-----------|
| | £m | £m | £m | % |
| Revenue Support Grant | 2,729 | 3,024 | 295 | 11% |
| Baseline Funding Levels | 12,943 | 13,538 | 595 | 5% |
| Under indexation | 2,205 | 2,581 | 376 | 17% |
| Council Tax | 33,984 | 36,071 | 2,087 | 6% |
| Improved Better Care Fund | 2,140 | 2,140 | 0 | - |
| Social Care Grant | 3,852 | 5,044 | 1,192 | 18% |
| ASC Discharge | 300 | 500 | 200 | 67% |
| ASC Market Sustainability Improvement Fund | 562 | 1,050 | 488 | 87% |
| New Homes Bonus | 291 | 291 | 0 | - |
| Rural Services Delivery Grant | 95 | 110 | 15 | - |
| Grants rolled in | 480 | 0 | (480) | (100%) |
| Floor Grant | 133 | 269 | 136 | 48% |
| Service Grant | 483 | 87 | (396) | (82%) |
| TOTAL | 60,197 | 64,705 | 4,508 | 7% |

11. Table 2 below shows the changes in funding for Somerset Council from 2023/24 to 2024/25. The overall increase is £38.2m out of which £18m is increased grant and £20.2m is assumed council tax increase and includes the increase in the council tax base as well as the 4.99% increase in the charge.

Table 2 – Finance Settlement for Somerset Council

| Core Spending Power | 2023/24 | 2024/25 | Change | |
|---|---------|---------|--------|--------|
| | £m | £m | £m | % |
| Settlement Funding Assessment | 93.4 | 97.2 | 3.9 | 4% |
| Compensation for under-indexing the business rates multiplier | 14.6 | 17.6 | 3.1 | 21% |
| Council Tax Requirement | 338.8 | 358.9 | 20.2 | 6% |
| Improved Better Care Fund | 23.4 | 23.4 | 0.0 | 0% |
| New Homes Bonus | 3.8 | 1.9 | (1.9) | (51%) |
| Rural Services Delivery Grant | 3.6 | 4.1 | 0.5 | 16% |
| Social Care Grant | 39.2 | 51.0 | 11.8 | 30% |
| ASC Market Sustainability and Improvement Fund | 5.8 | 10.9 | 5.1 | 87% |
| ASC Discharge Fund | 3.3 | 5.5 | 2.2 | 67% |
| Services Grant | 3.3 | 0.6 | (2.7) | (82%) |
| Grants rolled in | 3.8 | 0.0 | (3.8) | (100%) |

| | | | | |
|----------------------------------|--------------|--------------|-------------|-----------|
| Core Spending Power Total | 532.9 | 571.1 | 38.2 | 7% |
|----------------------------------|--------------|--------------|-------------|-----------|