Department for Levelling Up, Housing & Communities

Sarah Healey CB
Permanent Secretary

Department for Levelling up, Housing and Communities
4th Floor, Fry Building
2 Marsham Street
London
SW1P 2DF

www.gov.uk/dluhc

Tel: 0303 444 2785
Email: PSPerm.Sec@levellingup.gov.uk

17 February 2023

Dear Dame Meg,

I write to provide further information on several issues raised at the DLUHC Recall session of 23 January 2023.

Building Safety

Sir Geoffrey Clifton-Brown MP asked for further information surrounding two vacant high-rise residential buildings with ACM cladding that have not progressed with their remediation. We are monitoring both buildings and are in contact with the relevant local authorities and fire and rescue. One of the buildings has a prohibition order in place, preventing occupation. Our understanding is that this order will not be lifted until the premises are made safe. The second building is a hotel which is currently closed. We are considering other options to ensure the buildings are remediated should the latest plans for progressing remediation be delayed. As neither building has residential leaseholders, they fall outside of the scope for government funding, however it remains a priority that the buildings are made safe as soon as possible.

Local Government Finance

On business rates, Olivia Blake MP mentioned the funding made available for new burdens and asked how long we expect that funding to last councils. From 1 April 2023, the business rates revaluation will update rateable values for non-domestic properties in England in line with evidence from April 2021 as well as the tax rate (or ‘multiplier’). This will mean business rates bills are more reflective of the current property market. The revaluation is designed to be revenue neutral for councils. Unmitigated, changes in rateable value and the tax rate would lead to changes in the amount of business rates income collected and retained by each council under the business rates retention system. The department is therefore adjusting the business rates retention system to ensure that, as far as practicable, a local authority's retained income is no more or less than it would have been had the revaluation not taken place.

Councils will also be fully compensated for lost income due to the business rates reliefs announced at the Autumn Statement. In addition, we will provide new burdens funding for administrative and IT costs associated with these reliefs, with payments made in 2023/24. New burdens payments in future years will depend on any relief schemes that are in place. Councils are funded for the administrative work involved in implementing the new rateable values and transitional arrangements through a cost of collection allowance which is payable annually. The Chancellor also announced at the Autumn Statement that the business rates multiplier for 2023-24 would be frozen at 49.9p. We will compensate local authorities for the reduction in their income resulting from this decision.

On Core Spending Power, Sir Geoffrey queried the difference between changes in Core Spending Power and total revenue expenditure. 'Core Spending Power' is the consistent definition of the resources available to local government in England through the annual Local Government Finance Settlement. It includes central government grants within the settlement, as well as the locally retained share of business rates and the resources available from Council Tax. The final Local Government Finance Settlement for 2023/24 makes available up to £59.7 billion, an increase in Core Spending Power of up to £5.1 billion on 2022/23. Of this additional available resource:

- Approximately £1.7 billion is the net growth in central government grant funding
- Approximately £1.4 billion is locally retained business rates and compensation for freezing the business rates multiplier
- Up to £2.0 billion is our estimate of the potential growth in Council Tax income, including the flexibility for social care authorities to increase the Adult Social Care Precept by up to 2%. Council Tax levels remain a matter for local authorities, although the government maintains a referendum threshold to protect residents from excessive increases.

A full breakdown of Core Spending Power can be found in the 'Core Spending Power supporting information table' here: https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2023-to-2024.

Core Spending Power is distinct from local authorities' 'Revenue Expenditure', which is the measure of what local authorities spend and is not yet available for 2023/24. Revenue Expenditure is higher than Core Spending Power as local authorities have access to additional sources of income that are not included within the Local Government Financial Settlement. These include central government grants outside of the settlement, such as the Public Health Grant and local authorities' share of the Dedicated Schools Grant, and income raised locally, such as from sales, fees and charges.

Importantly, Revenue Expenditure is not always directly comparable year to year because the range of services included in local authority expenditure can change. For example, the government committed over £15 billion over 2020/21 and 2021/22 to help local authorities to respond to the COVID-19 pandemic. This money is outside of Core Spending Power due to its temporary nature, expiring in 2022/23. This is why Revenue Expenditure is falling (budgeted to be £112.8 billion in 2022/23, 1.7% lower than in 2021/22) despite an increase in Core Spending Power of £3.9 billion for the same year. Additionally, expenditure can be lower if local authorities choose to use new resources to increase reserves as has been the case recently. Local authority reserves increased by £11.4 billion over the two years of the pandemic, up to 31 March 2022. Additional information on the definition of Revenue

Expenditure is available at: https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2021-to-2022-final-outturn/local-authority-revenue-expenditure-and-financing-england-2021-to-2022-final-outturn-technical-notes#definitions.

Finally, Olivia Blake MP sought clarification on whether the department is expecting any further Section 114 notices. The position today remains as set out by the then Accounting Officer at the Committee: I am not imminently expecting any Section 114 notices or aware of a firm decision of a local authority to issue a section 114 notice, but our door is always open. It is for Section 151 officers to make the decision to issue a report in line with their statutory duties. Councils are currently in the process of setting their budgets for 2023/24. This is a process councils carry out independently in line with their statutory duties. However, as above, councils are encouraged to engage with the department if they are facing significant financial difficulties.

Yours sincerely,

SARAH HEALEY