



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

09 February 2021

Dear Sir George,

Thank you for your email of 18 December to the Chancellor of the Exchequer about Spending Review 2020 and local government finance. I am replying as the Minister responsible for this policy area.

I am very sorry for the delay in responding. The Treasury has received over 26,000 items of correspondence from MPs since the outbreak of COVID 19, and such a large and sustained increase in the amount of correspondence at the same time as delivering targeted action to protect millions of jobs and livelihoods is a significant challenge.

The local government settlement at Spending Review 2020 includes an estimated 4.5 per cent increase in core spending power for local authorities in cash terms, which follows the largest real terms increase in core spending power for a decade at Spending Review 2019. In addition, the Government expects to provide local authorities with over £3 billion of further support for Covid-19 pressures.

The Government's focus at Spending Review 2020 was on ensuring that local authorities can continue to play a vital role in the response to Covid-19. In order to provide stability to the sector, the Government announced that it would not proceed with a reset of business rates baselines in 2021-22 and will maintain the existing 100 per cent business rates pilots for a further year.

However, as set out by the Ministry of Housing, Communities and Local Government in the consultation on the provisional Local Government Finance Settlement for 2021-22, the Government intends to revisit the priorities for reform of the local government finance system ahead of the next Spending

Review. This will include working with local authorities to understand the potential longer-term impacts of Covid-19 and will take account of the Treasury's ongoing review of the business rates system.

The Government continues to recognise the importance of ensuring that local government funding is aligned with need, which is why the Government is proposing that £240 million of the £300 million increase in the Social Care Grant that was announced at Spending Review 2020 will be used to equalise the variation in potential yield from the Adult Social Care council tax precept.

Yours sincerely,

A handwritten signature in black ink, reading "Steve Barclay". The signature is written in a cursive style with a horizontal line crossing through the middle of the letters.

RT HON STEVE BARCLAY MP