



Department for Levelling Up,
Housing & Communities

Lee Rowley MP

*Parliamentary Under Secretary of State for Local
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Our reference: 26958762

Simon Jupp MP
House of Commons
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31 May 2023

Dear Simon,

Thank you for your letter of 10 March on behalf of, John Street of Exeter City Council, regarding council tax discounts and exemptions being accounted for in the Local Government Finance Settlement. I am replying as this matter falls within my ministerial responsibilities. Please accept my apologies for the delay in responding to you.

I am grateful for you getting in touch and please thank Mr Street for sharing his concerns and for sharing the views on council tax which were expressed at the Exeter City Council meeting.

The Government recognises concerns that discounts and exemptions might be seen to create a shortfall in income for local authorities. Each year, the Local Government Finance Settlement sets out how much funding will be available to local authorities for the core services they provide. The distribution of this funding takes into account both the relative costs of meeting demand for services and the local resources a council has available to fund services. The methodology recognises the impact of the council tax exemption on local authorities' income and allocations are higher, relative to a situation in which the exemption was not in place.

Differing abilities to generate income from council tax increases are taken into account when allocating funding in the Local Government Finance Settlement. To assess the amount of funding required for local government ahead of fiscal events, we estimate the additional resource required to fund the expenditure needs of local authorities. We use a range of forecasts and indices to estimate demographic and unit cost pressures facing local government.

We have also equalised against the adult social care precept since its introduction, to level the playing field between authorities who can raise different amounts from the precept. We do this through redistributing a proportion of the Social Care Grant and the improved Better Care Fund. On the issue of reform to the council tax system, we recognise that now is the time for stability and as such we have confirmed through our policy statement that we will not be proceeding with the Review of Relative Needs and Resources or Business Rates Reset during this spending review period. The government remains committed to improving the local government finance landscape in the next Parliament, and we will work closely with local partners and take stock of the challenges and opportunities they face, before consulting on any potential funding reform.

Thank you for writing in on this important matter.

Yours ever,

LEE ROWLEY MP