

# **Press release: James Brokenshire sets out funding measures for councils**

Councils in England are to share an extra £1.3 billion under funding plans published by Communities Secretary Rt Hon James Brokenshire MP today (13 December 2018).

The [provisional local government finance settlement](#) gives councils a real-terms increase in core spending power for 2019 to 2020 – up from £45.1 billion in this financial year to £46.4 billion.

The funding allows councils to deliver the services residents need while protecting taxpayers from excessive increases in bills.

Measures will help the most vulnerable in society, support and reward local economic growth while setting out a more sustainable path to future funding.

This forms the final year of the multi-year funding settlement accepted by 97% of councils in return for publishing efficiency plans.

Communities Secretary Rt Hon James Brokenshire MP said:

I'm delivering a settlement which paves the way for a fairer, more self-sufficient and resilient future for local government and a brighter future for the people and places they serve.

This settlement delivers a real-terms increase in spending for local authorities in 2019 to 2020 and gives them more control over the money they raise too, while protecting residents against excessive council tax rises.

## **What the financial settlement includes**

### **Additional support for social care**

The Autumn Budget committed £650 million more for social care for 2019 to 2020. This includes £240 million towards easing winter care pressures on adult social care, with local authorities able to use the remaining £410 million on adults or children's social care, and, where necessary, to relieve demand on the NHS.

This additional funding, alongside the adult social care precept and the improved Better Care Fund, means the Government will have given councils access to £10 billion in dedicated funding which can be used for adult social care in the 3-year period from 2017-18 to 2019-20.

The Budget also confirmed that £84 million is available, over five years, to drive improvements in social work practice and decision-making in children's

social care. The additional funding is part of the government's measures to address pressures in services helping society's most vulnerable.

## **Future of business rates retention**

The government is aiming to increase the level of business rates retention from the current 50% to 75% from 2020 in a way that is fiscally neutral. It is also intending to implement reforms to the business rates retention system to ensure local councils have the levers and incentives they need to grow their local economies.

A consultation seeking views on the proposed reforms has also been launched today. The consultation seeks views on how the business rates system can be reformed to continue to provide a strong incentive for local authorities to grow their business rates bases. It proposes a change in how the system is administered to mitigate the volatility business rates appeals have on local authorities' income and to help minimise complexity in the system.

## **Business rates pilots**

To test out aspects of proposed business rates reforms in a wide range of areas across the country, the selection of 15 areas as 75% retention pilots for the 2019-20 financial year has also been announced.

Communities Secretary the Rt Hon James Brokenshire MP also confirmed that London would be piloting 75% rates retention in 2019 to 2020.

And as previously confirmed, pilots originally launched in 2017 in devolution deal areas will continue on the existing basis in 2019 to 2020.

The pilots will inform the government's proposed reforms ahead of a renewed business rates retention system being introduced in 2020 to 2021.

## **Business rates levy account surplus to be redistributed to councils**

Local authorities play a key role in supporting economic growth.

The current business rates retention scheme is performing well, with local authorities estimating in 2018 to 2019 they will keep around £2.4 billion in business rates growth.

As a result of increased growth in business rates income, the government has announced it is intending to distribute £180 million of the levy surplus to all local authorities and proposes to share it on the basis of need.

A consultation on this has been launched as part of the provisional settlement.

## **Negative Revenue Support Grant**

Negative RSG is where changes in the way in which Revenue Support Grant is

calculated from 2016 to 2017 have led to a downward adjustment of some local authorities' business rates top-up or tariff for 2019 to 2020.

For many less grant-dependent authorities the required reduction of core funding exceeds their available Revenue Support Grant. This means that for next year, in some cases, this would result in a downwards adjustment to a local authority's business rates tariffs and top ups.

Having listened to the views of local authorities, government has announced it intends to directly eliminate the £152.9 million of Negative Revenue Support Grant in 2019 to 2020 through the use of foregone business rates. This will prevent any local authority from being subject to a downward adjustment to their business rates tariffs and top-ups which could act as a disincentive for growth.

## **New Homes Bonus**

An additional £20 million in funding will be provided for the New Homes Bonus and the baseline for growth, below which new allocations of the Bonus are not paid, will stay the same at 0.4%.

This housing growth baseline provides a further incentive to local authorities to welcome housing growth and build more homes to relieve housing need. This strikes the right balance between supporting local authorities and ensuring they work to give more people the opportunity to have a place to call home.

## **Rural support**

Communities Secretary Rt Hon James Brokenshire MP has responded to a number of councils' concerns over rural services funding by announcing the level of Rural Services Delivery Grant in 2019 to 2020 will increase by £16 million to £81 million, in line with the levels of grant funding provided in 2018 to 2019. This recognises the extra costs of providing services in rural communities.

## **Review of relative needs and resources**

Having consulted last year on a review of local authorities' relative needs and resources, the next stage of consultation ahead of the Review's planned implementation in 2020 was announced today.

This continues the government's work to address concerns about the fairness of current funding distributions by determining a robust and effective funding formula.

## **Maintenance of Council Tax referendums thresholds, aside from further flexibility offered on the police precept level**

The threshold at which a referendum is triggered for rises in council tax will stay at 3%.

Further flexibility is also available for certain local authorities, such as those with responsibility for Adult Social Care services. The provisional settlement has also announced extended precept flexibility for Police and Crime Commissioners, in recognition of changing demand facing police forces. This strikes the right balance between local authorities having the power to raise income while protecting council tax payers from excessive rises.

## **Fire funding for pensions**

Around £97 million of funding has been announced to cover fire pensions liabilities. This responds to concerns raised by the sector over increased pensions liabilities for Fire and Rescue Authorities.

## **Further information**

This relates to England only.

The provisional settlement gives councils a 2.8% cash-terms increase, and a 1% real-terms increase in core spending power in the 2019 to 2020 financial year – up from £45.1 billion in this financial year to £46.4 billion.

The areas selected for business rates pilots are:

- Berkshire
- Buckinghamshire
- East Sussex
- Hertfordshire
- Lancashire
- Leicester and Leicestershire
- Norfolk
- Northamptonshire
- North and West Yorkshire
- North of Tyne
- Solent Authorities
- Somerset
- Staffordshire and Stoke-on-Trent
- West Sussex
- Worcestershire

Following negotiations with London authorities, the Greater London Authority, the City of London and all London boroughs will also be forming a 75% business rates pilot pool. Existing pilots in devolution deal areas will continue on their existing basis.