# Statement to Parliament: Final local government finance settlement 2017 to 2018

I have today laid before the House, the Report on Local Government Finance (England) 2017 to 2018, which represents the annual local government finance settlement for local authorities in England.

I would like to thank all colleagues in the House, and council leaders and officials, who contributed to the consultation after the provisional settlement was published before Christmas. Representations from nearly 200 organisations or individuals have been carefully considered before finalising the settlement.

[political content removed]. As we continue to bring the deficit down, local government, which still accounts for nearly a quarter of public spending despite the savings delivered since 2010, must continue to play its part.

At the same time, local residents rightly continue to expect excellent public services. I commend all councils for how they are getting on with the job. Public satisfaction with local services has been maintained, and councils are engaged in substantial efforts to modernise, transform local services, and reduce waste so that frontline services can be protected.

The 2017 to 2018 local government finance settlement supports councils to continue in that regard, and progresses funding reforms to make councils more self-sufficient.

We remain committed to increasing funding certainty for local government. In total, local government spends more than £120 billion a year and the 2015 Spending Review and 2016 to 2017 settlement delivered a flat-cash settlement for local government, providing 4 year funding allocations for the first time.

The settlement being published today is the second year of the 4 year offer which was accepted by 97% of councils. To enshrine this commitment to stability in law the Local Government Finance Bill establishes a legal framework for multi-year settlements.

Councils are able to use this increased funding certainty to continue reforming the way they work and become more efficient, both in back-office functions and front line service delivery. Building on the £508 million savings already delivered from shared service arrangements, councils are using improved digital technology, new delivery models and innovative partnerships to deliver savings across local government.

We listened to the unanimous view that we must prioritise spending on adult social care services that councils provide to our elderly and vulnerable citizens. The Spending Review put in place up to £3.5 billion of additional funding for adult social care by 2019 to 2020.

Recognising the immediate challenges in the care market facing many councils next year, this settlement repurposes £240 million of money which was previously directed to local authorities via the New Homes Bonus to create a new adult social care support grant next year. It also grants councils extra flexibility to raise the adult social care precept by up to 3% next year and the year after.

These measures make available almost £900 million of additional funding for adult social care over the next 2 years, bringing the total dedicated funding available for adult social care to £7.6 billion over the 4 year settlement period.

But more money is not the only answer. We will bring forward reforms to provide a sustainable market that works for everyone who needs social care. And I welcome the consensus across both sides of the House that every area should move towards the integration of health and social care services by 2020, so that it feels like one service.

## Council Tax referendum principles

We are committed to keeping Council Tax down, and will maintain referendum principles to protect hard-working tax-payers from rising bills. Council Tax in England has fallen by 9% in real terms from the levels [political content removed] in 2010, and is expected to be lower in real terms in 2019 to 2020 than it was in 2010 to 2011.

This year, in addition to the further flexibility on the Adult Social Care Precept, we are proposing a core Council Tax principle of 2% for principal authorities, or £5 – whichever is greater – for all shire district councils, and for police and crime commissioners in the lowest quartile.

## 100% business rates retention

To reduce local government's dependence on central government for funding – long campaigned for by councils – we have announced that by the end of this Parliament, local government will keep 100% of the income raised locally through business rates.

Councils will take on new responsibilities to be funded from this additional income – estimated to be around £12.5 billion – as central government grants are phased out. And to ensure councils with less business rates do not lose out, there will continue to be redistributions between authorities.

The Local Government Finance Bill, currently before Parliament, provides the legislative framework for these reforms. This will allow us to continue to work closely with interested parties over the coming months on the more detailed aspects of reforms.

A consultation has already been conducted. The government response to that announced that, in the reformed system, Revenue Support Grant, Rural Services Delivery Grant, the Public Health Grant and the Greater London Authority Transport Grant will be funded through retained business rates.

Taken together these account for around half of the additional retained business rates that we estimate will be available to councils. We will continue to engage with local government on the remaining responsibilities to be devolved as part of these reforms but it has already been confirmed that the devolution of Attendance Allowance funding is no longer being considered as part of the business rates retention reforms.

A further consultation has been published seeking views on many of the important aspects of the new system – for example, how growth in business rates can best be rewarded, and how the system can help authorities to manage and share risk. Responses to that consultation are invited by 3 May.

Pilots of these reforms will take place from April 2017 in Liverpool, Greater Manchester, West Midlands, West of England, Cornwall and Greater London. We have also confirmed that we are interested in building on the existing pilot scheme and will be inviting all councils to apply to participate in piloting aspects of 100% business rates retention from April 2018. We will be publishing more information about this process shortly.

## Conclusion

Reforms to local government finance, based around 100% business rates retention offer a bold and innovative response to the twin challenges of promoting economic growth and securing more self-sufficient and sustainable local government. They will help determine the role, purpose and means of delivery for local government in the years ahead.

The 2017 to 2018 local government finance settlement provides the financial stability authorities need as they transition towards the reformed system in 2019 to 2020; these longer-term reforms will ensure the councils people rely on for their local services are both sustainable, and more self-sufficient.