

# Statement to Parliament: Provisional local government finance settlement 2018 to 2019: statement

With permission, Mr Speaker, I would like to make a statement on funding for local authorities in England next year.

From 2015 to 2020, councils in England have access to over £200 billion to deliver high-quality services their local communities need.

They deserve no less.

Local government is at the front line of this country's democracy, with councillors and officers working at the heart of the communities that they serve.

But to make the most of that local knowledge, councils need greater control of the money that they raise.

They need greater freedom to tackle challenges in their areas.

And they need the certainty and stability that will allow them to plan ahead.

This government is committed to delivering that...

... and today I am publishing a draft local government finance settlement that marks an important milestone in the journey to doing so.

It comes in the third year of a 4-year deal that was accepted by 97% of councils in return for publishing efficiency plans.

We will continue to work with the sector to help them increase transparency and share best practice...

...supporting greater progress in delivering increased efficiency over the coming year.

I expect this to have a tangible impact on the steps councils take to promote efficiency from 2019 to 2020.

Local government operates in a society that is constantly changing.

And the system of financing local government needs to reflect that.

The current formula of budget allocations has served councils and communities well over the years.

But to meet the challenges of the future we need an updated and more responsive distribution methodology.

One that gives councils the confidence to face the challenges and opportunities of the future.

So I am today publishing a formal consultation on a review of relative needs and resources.

I aim to implement a new system based on its findings in 2020 to 2021.

Alongside the new methodology, in 2020 to 2021 we will also be implementing the latest phase of our business rates retention programme...

...a scheme that gives local authorities the levers and incentives they need to grow their local economies.

The aim is for local authorities to retain 75% of business rates from 2020 to 2021.

This will be through incorporating existing grants into business rate retention including the Revenue Support Grant, and the Public Health Grant.

Local authorities will be able to keep that same share of growth on their baseline levels from 2020 to 2021, when the system is reset.

So from 2020 to 2021 business rates will be redistributed according to the outcome of the new needs assessment...

... subject to suitable transitional measures.

A number of 100% retention pilots have already been announced and those will continue.

A further pilot will begin in London in 2018 to 2019 and we had intended that a further 5 pilots would begin that same year.

However, interest in the scheme was such that we will now be taking forward twice as many as planned.

I'm pleased to announce today that the new pilots will take place in:

- Berkshire
- Derbyshire
- Devon
- Gloucestershire
- Kent & Medway
- Leeds
- Lincolnshire
- Solent
- Suffolk
- and Surrey.

The first batch of pilots are taking place largely in urban authorities; the second wave will mainly cover counties.

This ensures that councils right across the country will benefit...

...that the scheme can be tested in a wide range of environments,

...and that the benefits of growth are broadly comparable between London, existing pilots and new pilots

We received so many applications to take part that we will continue to pilot the business rates retention programme in 2019 to 2020.

Full details will be published in due course.

Mr Speaker, over the past year my ministers and officials have been listening to councils of all shapes and sizes...

...understanding their concerns and working together to develop ways of tackling them.

The result of those conversations is reflected in this draft settlement.

So for example, rural councils have expressed concern about the fairness of the current system...

...with the Rural Services Delivery Grant due to be reduced next year.

So today I can confirm that I will increase the Rural Services Delivery Grant by £15 million in 2018 to 2019...

... meaning the total figure will remain at £65 million for the remainder of the current 4-year settlement.

We've also heard concerns about proposed changes to the New Homes Bonus.

To date we have made almost £7 billion in New Homes Bonus payments to reward the building of 1.4 million homes.

Over £946 million in New Homes Bonus payments will be allocated in 2018 to 2019, rewarding local authorities for their work in fixing our broken housing market.

I consulted on proposals to link New Homes Bonus payments to the number of successful planning appeals and considered raising the NHB baseline.

Following conversations that I've had with the sector, I have been persuaded of the importance of continuity and certainty in this area.

So today I can confirm that in the year ahead no new changes will be made to the way New Homes Bonus works...

...and that the New Homes Bonus baseline will be maintained at 0.4%.

As I set out in the [housing white paper](#), local authorities will be able to increase planning fees by 20% where they commit to investing the additional income in their planning services.

This is a significant step towards addressing the widespread concerns of under-resourcing in local planning authorities.

Following discussions with the sector I am also announcing a continuation of capital receipts flexibility programme for a further 3 years.

This scheme gives local authorities the continued freedom to use capital receipts from the sale of their own assets.

This will help fund the costs of transformation and release savings.

One particular issue that's caused concern for some councils is the so-called "Negative RSG".

This is where changes in revenue support grant have led to a downward adjustment of some local authorities' business rates top-up or tariff for 2019 to 2020.

I do recognise the strength of feeling in local government around this issue.

So I can confirm that my department will be looking at fair and affordable options for dealing with Negative RSG...

...and we will formally consult on proposals in the spring so that the findings are in ahead of next year's settlement.

And of course, anyone who has spoken to anyone in local government will be aware of concerns about funding for adult and children's social care.

That's why, over the past 12 months, we've put billions of pounds of extra funding into the sector...

... and why the Department for Education are spending more than £200 million on innovation and improvement in children's social care.

At [Spring Budget](#), an additional £2 billion was announced for adult social care over the next 3 years.

With the freedom to raise more money more quickly through the use of the social care precept that I announced this time last year...

...we have given councils have access to £9.25 billion more dedicated funding for adult social care over 3 years.

But we also need to find a long-term solution to challenges that are not going to go away.

That's why we have already announced that a green paper on future challenges within adult social care will be published in the summer of 2018.

Finally, I am conscious of calls for further flexibility in the setting of Council Tax.

While we all want to ease growing pressure on local government services, I'm

sure none of us want to see hardworking taxpayers saddled with ever-higher bills.

This settlement strikes a balance between those two aims...

...giving councils the ability to increase their core Council Tax requirement by an additional 1% without a local referendum – bringing the core principle in line with inflation.

We have abolished Whitehall capping.

Under the Localism Act, local government can increase Council Tax as they wish – but excessive rises need to be approved by local residents in a referendum.

This provides an important check and balance against the excessive increases [political content removed].

This change...

...combined with the additional flexibility on the adult social care precept that I confirmed last year...

...gives local authorities the independence they need to help relieve pressure on local services such as adults and children's services, while also recognising that many households face their own pressures.

In addition, directly elected mayors will decide the required level of precept by agreement with their combined authorities.

I'm sure voters will be watching closely to ensure this freedom is not abused – as I will.

I can also confirm that the government intends to defer the setting of referendum principles for town and parish councils for 3 years.

This is subject to the sector taking all available steps to mitigate the need for Council Tax increases...

...and the government seeing clear evidence of restraint in the increases set by the sector as a whole.

I have also agreed measures with the Home Secretary to make it easier for Police and Crime Commissioners to meet local demand pressures...

...by allowing a £12 Council Tax flexibility for police services – raising an additional £139 million next year.

Mr Speaker, this settlement recognises the need to keep spending under control while also tackling many of the issues that have been raised by local government over the past year.

With 2 years of real terms increases in resources available to local government...

...it will give local authorities the funding and freedom they need to make decisions in the best interests of the communities they serve.

It's a settlement that offers councils the resources they need...

...the stability they've requested...

...and the fairness they deserve...

...and I commend it to the House.