

# Statement to Parliament: Statement in debate on the Local Government Finance Settlement

Local government is the frontline of our democracy.

Every day, England's almost 400 districts, counties, boroughs, unitary councils and metropolitan areas provide countless services to millions of people.

They clean our streets, repair our roads, care for our most vulnerable citizens, maintain our infrastructure, shape our communities, put roofs over our heads and so much more.

It's our job to make sure they're adequately funded to do just that.

A [provisional financial settlement](#) was published late last year.

Since then, we have received formal representations from nearly 200 organisations and individuals.

And let me take this opportunity to thank everyone who has taken part in that process.

The results of the consultation are before you all today in the shape of the [final settlement](#).

It's a settlement that provides councils with the resources required to deliver world-class public services in the year ahead, while continuing to play their part in bearing down on the deficit.

Nobody knows local government better than local government itself.

So this is a settlement that answers requests made to us by representatives from every tier of local government and every political party.

The measures can be broadly grouped into 3 areas, which I'd like to go throughout for debate.

And I'll also update the House on an important source of local government funding, and that is business rates.

## **Greater funding certainty for councils**

The first request we've had from local authorities is increased considering over funding.

For years, councils have called for the tools to improve services and deliver efficiencies over a longer horizon.

That's why the 2015 Spending Review delivered a £200 billion flat cash settlement for local government.

And that's why we've delivered 4-year funding allocations, which provide the financial certainty required for councils to be bold and ambitious.

They have used that funding certainty to publish long term efficiency plans, showing their taxpayers that they can deliver great services and still live within their means.

But the story does not end there.

Last month we introduced the Local Government Finance Bill to this House.

It will devolve 100% of business rates to local government.

And it will also enshrine in law our commitment to providing funding certainty, establishing a legal framework for multi-year settlements.

The Revenue Support Grant will be abolished, so councils will become financially self-sufficient.

And with services financed locally, councils will be even more accountable to their electorates, rather than to ministers in Whitehall.

Under the new system there will no longer be an annual finance settlement, reviewed and imposed by Westminster each year.

Instead the government will set the envelope and the principles for allocating funding over a period, and it will be for councils to grow their income.

This could be done in a variety of ways, from attracting new businesses, to building new homes, to working with local partners to deliver more efficient and more joined-up local services.

100% business rate retention is being piloted from next year in Greater Manchester, in the Liverpool City region, the West Midlands, Cornwall, the West of England and by the Greater London Authority.

These authorities will be able to keep more of the growth in their business rate income, with no impact on the rest of local government.

We plan to undertake further pilots in 2018 to 2019, in areas without a devolution deal, including 2-tier council areas.

And I'd like to welcome applications from any council wanting to take part in this second trial.

The nationwide roll-out of 100% business rate retention will take place across England in 2019 to 2020.

Earlier this month my department [published a consultation](#) seeking views on exactly how this system will look.

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

The second key area where we have listened and responded is funding for adult social care.

This is an issue that transcends party politics.

Local government may have the statutory duty to look after our most vulnerable citizens, but we all have a moral duty to help them do so.

The Spending Review put in place up to £3.5 billion of additional funding for adult social care by 2019 to 2020.

But we recognise that the coming year is the most difficult in the settlement period for many councils.

There are immediate challenges in the provision of care.

And these are challenges that must be met now, before those substantial additional resources become fully available.

So this settlement creates a new £240 million adult social care support grant.

And it allows councils to raise the adult social care precept by up to 3% next year and the year after.

Together, these measures make almost £900 million of additional funding for adult social care available over the next 2 years.

That means the total dedicated funding available for adult social care over the 4-year settlement period is £7.6 billion.

Of course, some local authorities, when it comes to the precept, will be able to raise less than others.

That's why we have confirmed the Improved Better Care Fund allocations, worth £1.5 billion by 2019 to 2020.

These allocations take into account a councils' ability to raise funding through the precept.

But more money for adult social care is not the only answer.

We want every area to move towards the integration of health and social care services by 2020, so it feels much more like one service.

And I welcome the consensus across both sides of the House that, in the long term, we will need to develop reforms to make social care sustainable and effective for everyone involved.

## **Commitment to a fairer funding formula**

The third key area concerns the Fair Funding Review, through which we are

devising a new funding formula for local government.

It is nearly a decade since the current formula was looked at thoroughly.

Some parts of it date back as far as 1991, a time when Theresa May was an up-and-coming young councillor.

It's fair to say that one or two things have changed since then.

The demographic make-up of many areas has altered radically.

An ageing population means demand for different services has shifted.

And we're entering a world in which local government spending is funded by local resources, not central grant.

So we are undertaking a Fair Funding Review, to thoroughly consider how to introduce a more up-to-date, a more transparent and fairer needs-assessment formula.

It's vital that the new formula delivers, so we're working closely with all of local government to get it right.

We had literally hundreds of responses to the Call for Evidence that my department published last year. And it's clear that people in many areas feel strongly about it.

I've also been privileged to hear the views of colleagues from across this House on this issue, many of them with direct experience of service in local government.

Various themes have emerged.

Foremost among them is the need to make sure the formula works for all local authorities, wherever they are. Rural councils, in particular, have unique needs that have to be met.

And councils have also been very clear that they want to see action sooner rather than later.

I am happy to confirm what we have previously said on this issue.

So I am happy to confirm what we have previously said on this issue.

We will make changes to the fastest possible Parliamentary timetable.

And we will aim to implement new baselines for every authority in 2019 to 2020, following Royal Assent of the Local Government Finance Bill, the necessary secondary legislation and the completion of the Fair Funding Review.

I'll update the House as soon as I have further details to share.

## **Business rates**

Of course, local government funding doesn't just have to be fair for local government.

It also has to be fair to the people who provide the funds in the first place, and that includes the millions of hardworking business owners who pay business rates.

Now, growing up above the family shop, I saw for myself the impact that an increase in rates can have on a small business.

A rise in costs lowered the mood of the whole family.

Even as a child, I knew that it wasn't good when I found a stack of bright red final reminders hidden away at the back of a drawer.

And my dad was never shy about sharing what he thought of the out-of-town retail parks that took so many customers away from the high street in Bedminster.

If he were alive today I'm sure he'd be first to phone me up and lobby me about the business rate revaluation, in particular I can just imagine him telling me about the treatment of large online retailers and how that compares with traditional shops on the high street.

My background helps explain why I've always been passionate about supporting business.

It's why, as Business Secretary, I championed the £6.7 billion relief package that means 600,000 small businesses will never have to pay rates again.

That is one third of all businesses. That's the biggest business rate cut in history.

The current rate revaluation is fiscally neutral, it is not being used to raise a single extra penny for the Treasury.

In fact, to do so would be illegal.

For most businesses, three-quarters of them in fact, the amount they'll end up paying will go down or stay the same.

And, as I said, 600,000 small businesses are being lifted out of business rates altogether, permanently.

But while three-quarters of businesses will benefit or see no change, I am also acutely aware of the impact on the quarter that will see increases.

If your rates are going up it's no consolation to hear that others' will be going down.

I've long recognised the need to provide support.

That's precisely why we've put in place a £3.6 billion package of transitional relief to help more than 140,000 smaller businesses.

But as colleagues and the media have highlighted in recent days, there are clearly some individual businesses facing particular difficulties.

For example, businesses that are coming off rate relief can be faced with an alarming cliff edge.

Independent retailers in some high value areas are also struggling.

I have always listened to businesses, and this situation is no exception.

It's clear to me that more needs to be done to level the playing field and to make the system fairer.

I am working closely with my Rt Hon Friend the Chancellor to determine how best to provide further support to businesses facing the steepest increases.

We expect to be in a position to make an announcement at the time of the Budget, in just 2 weeks

Property-based business taxes have been around, in one form or another, for many decades.

Centuries, even.

Nobody would argue that the current system is perfect, and it's entirely right to ask whether the time has come for reform.

The Treasury's 2015 consultation showed little appetite for replacing the whole business rates system.

It remains a vital element of the local government finance settlement, and its importance will only rise with the introduction of business rate retention.

However, with underlying concerns about things like globalisation, international tax structures and the struggle between the high street and the virtual world, there is clearly some room for improvement.

And we'll be looking closely at all possible steps for making it fairer and more sustainable in both the short term and the long term.

## **Conclusion**

This local government finance settlement honours our commitment to 4-year funding certainty for councils that are committed to reform.

It recognises the costs of delivering adult social care and makes more funding available sooner.

And it puts local councillors in the driving seat with a commitment to support them with a fairer funding formula.

I commend it to the House.

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## **News story: Environment Secretary announces bridging payments for Basic Payment Scheme 2016**

From:

First published:

22 February 2017

Part of:

Bridging payments secured for eligible farmers awaiting their full BPS payment for 2016

Environment Secretary Andrea Leadsom has secured bridging payments for farmers awaiting their full BPS payment for 2016, to ease their financial cash flow.

To date BPS payments worth £1.52 billion have been made to more than 82,000 (95.5%) farmers in England. These include payments on a range of claim types and sizes, including cross-border, young farmer, those inspected and common land claims.

Any eligible farmer who has not received their full payment for 2016 by the end of March will be offered a bridging payment for 75% of their claim value.

Speaking at the 2017 NFU Conference, Andrea Leadsom said:

As of today 95.5% of farmers have received their 2016 basic payment, but I recognise that if you're one of the 4,000 still waiting – you need to know when you will get paid.

So this week I secured agreement from the Treasury to offer a 75% bridging payment to anyone with outstanding payments by the end of March.

The Rural Payments Agency remains focused on paying the remainder of eligible claims as promptly as possible.

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# News story: 750 apprenticeships in government open for applications

The [Civil Service Fast Track Apprenticeship programme](#) is now open for applications. There are 750+ positions across 46 locations across England, Scotland and Wales. The Civil Service is calling on ambitious people from all backgrounds to apply so the Civil Service reflects the society that it serves.

The Civil Service Fast Track Apprenticeship is an exciting talent programme which allows you to earn a salary starting from £19,500 (£22,000 minimum in London) while you work towards a Level 4 apprenticeship, gaining the skills and experience that you'll need for a successful career in the Civil Service.

Apprenticeships are available in:

Sir Jeremy Heywood, Cabinet Secretary and Head of the Civil Service said:

The Civil Service Fast Track Apprenticeship programme is a fantastic opportunity for young people in this country with ambition, talent and enthusiasm to join one of the greatest organisations in the country, at what is a hugely exciting time to be a part of the Civil Service.

Fast Track Apprentice Skeena Ali said:

You're given a lot of support and management are very ambitious with your progression. The whole point of Fast Track is that you're going to be one of future leaders of the Civil Service, so they invest a lot in you.

Once apprentices have completed the Fast Track, they are eligible to apply for a range of roles within the Civil Service, including the [Civil Service Fast Stream](#). The Fast Stream is the flagship graduate scheme of the Civil Service.

Applications are open until 3 April 2017.

[Read the apprenticeship scheme brochure.](#)

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# News story: Business Secretary and Ministers hold meeting with leading retailers

Business Secretary Greg Clark chaired a roundtable today (22 February 2017) with the country's top retailers and trade bodies to discuss the sector's priorities and how the government's [Industrial Strategy](#) can help the industry respond to future opportunities and challenges.

At the meeting, Greg Clark stressed the vital role the UK retail sector has as a driving force in our economy, and the critical part it has to play in delivering the government's vision of an economy which works for everyone. The Business Secretary was joined by Small Business and Consumer Minister Margot James and Jane Ellison, Financial Secretary to the Treasury. They met chief executives from the UK's top retailers including ASOS, Boots, Shop Direct, Co-op Group, Dixons Carphone, Sainsbury's-Argos and Superdrug as well as key industry trade bodies, the British Retail Consortium (BRC), the Federation of Small Businesses and British Independent Retailers Association.

Following the meeting, Business Secretary Greg Clark said:

"The retail sector makes an invaluable contribution to our economy, delivering £340 billion of sales in 2015 alone. It is vitally important that government and industry work closely together to help the sector create high skilled and high paying jobs across the UK, improve productivity and shape the future of retail in the UK.

"The retail roundtable was a great opportunity to discuss the sector's priorities and how the government can support it through our Industrial Strategy, helping it build on its existing strengths, address challenges and seize new opportunities."

Helen Dickinson OBE, Chief Executive of the British Retail Consortium said:

"We are committed to ensuring that the retail industry is able to maximise its future contribution to the UK's success. There is a strong partnership role for the retail industry to play in assisting in the development of the government's Industrial Strategy, to contribute to a strong British economy in the future.

"The Industrial Strategy is an opportunity to collaborate to shape the implications of the industry's transformation for the benefit of our customers, the workforce and the government's productivity agenda."

During the meeting the retail sector presented their initial thinking on a potential sector deal with government, including how skills, trade and place based activity could help drive up the productivity, growth and sustainability of the sector.

As well as getting feedback from retailers on how the government can support the sector through its Industrial Strategy, other topics that were discussed included the future direction of the sector and how it can help improve UK productivity.

A full list of participants:

- Amazon
- Asda
- ASOS
- Associated British Foods (Primark)
- Association of Convenience Stores
- British Independent Retailers Association
- British Retail Consortium
- Co-op
- Dixons Carphone
- Federation of Small Businesses
- GFirst LEP
- John Lewis Partnership
- Kingfisher
- Lloyds Pharmacy
- Marks and Spencer
- WM Morrisons
- National Federation of Retail Newsagents
- Sainsbury's-Argos
- Shop Direct
- Superdrug (Hutchison Whampoa Europe Ltd)
- Tesco
- Walgreens Boots Alliance

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## News story: Crime news: LGFS consultation and fee cut update

From:

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Consultation on reforming payments through the Litigators' Graduated Fee Scheme and changing rates for court appointee work is now open.

Proposals to change how payments are calculated for Crown Court work are set out in a 6-week consultation called 'Litigators' Graduated Fee Scheme and Court Appointees'.

The consultation opened on 10 February and closes on 24 March 2017. It proposes changing the basis on which LGFS payments are calculated and capping payments to court appointees at legal aid rates.

## **Second fee cut**

The government has said that it is minded not to reinstate the second (8.75%) fee cut for defence litigators that was suspended in April 2016 for a period of 12 months.

This is subject to the outcome of the consultations on proposals for 'LGFS and Court Appointees'.

## **Partnership working on LGFS**

The government wants to work with the Law Society and other representative bodies to reform LGFS so that it better measures the relative complexity of cases.

The idea is to reduce or remove reliance on counting Pages of Prosecution Evidence (PPE). In the short term, the government would also like to act quickly to lower the upper limit for counting PPE.

PPE is no longer seen as the most effective way of assessing how much work a litigator needs to do on individual cases.

## **Payments to court appointees**

The consultation also seeks views on capping payments to court appointees at legal aid rates.

Court appointees are paid at rates that are significantly higher than legal aid rates. This is for carrying out work that is very similar to criminal legal aid work.

The government view is that these higher rates cannot be justified.

## **Further information**

[MoJ consultation: LGFS and court appointees](#)