

# Statement to Parliament: Final local government finance settlement 2018 to 2019

## **Introduction**

Madam Deputy Speaker, every day, local government delivers vital services for the communities they serve.

Services that many of us take for granted.

Provided by dedicated, often unsung councillors and officers in places that we are proud to call home.

As such – as I have said before – local government is the frontline of our democracy.

And deserves the resources it needs to do its job and deliver truly world-class services.

To that end, we published a [provisional settlement](#) for funding local authorities in England late last year.

## **Consultation**

And invited people to give their views on this via a [formal consultation](#) – to which we have received almost 160 responses.

My ministers and I have also engaged extensively with the sector...

...with individual councils and their MPs and also the Local Government Association and other representative groups.

Ensuring that we were available to speak to anyone who wanted to raise particular issues or ask questions.

And I want to pay tribute to my Honourable Friend for Nuneaton for his sterling work in this area over...

...not just this period, but the past 3 years.

And to thank my Honourable Friend for Richmond (Yorkshire), who recently joined my department, for picking up the baton.

I am immensely grateful to everyone who has contributed to the consultation and our wider engagement with the sector.

# Settlement

This work has informed the [final settlement](#) which I am unveiling today.

Part of a 4-year settlement that gives English councils access to over £200 billion in funding in the 5 years to 2020.

That gives them greater freedom and flexibility over the money they raise...

...in recognition of the fact that no-one knows their local areas – the opportunities, the challenges, the pressures – better than the councils who serve them.

And that strikes a balance between relieving growing pressure on local government...

...whilst ensuring that hard-pressed taxpayers do not face ever-increasing bills.

Madam Deputy Speaker, the settlement comes in the third year of a four-year deal that was accepted by 97% of councils in return for publishing efficiency plans.

This gives them the certainty and stability they need to plan for the future.

Many local authorities have done impressive work to deliver better value for money.

And are setting an example to other parts of the public sector.

And we are keen to continue to work with sector; to increase transparency and share best practice...

...so that councils can deliver increased efficiency and, over the coming years, transform services.

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

In all, this settlement answers calls from councils, over many years, for greater control over the money they raise...

...and the tools to make this money go further.

And this is the approach we have taken across the board: listening to local authorities and responding to what we hear.

## Fair funding review

Starting with creating a whole system of local government finance that's fit for the future.

The current formula for financial allocations has served local areas well

over the years.

But a world of constant change – involving big shifts in demographics, lifestyles and technology...

...demands an updated and more responsive way of distributing funding.

We have to question the fairness of the current system.

Which is why I was pleased to launch a formal [consultation](#) on a review of councils' relative needs and resources in December.

This is not just a paper exercise.

We have an unparalleled opportunity to be really bold and ambitious.

To consider, with the sector, where the most up-to-date data and evidence leads as regards drivers of local authority costs.

And to create a whole new system that gives councils the confidence to face the opportunities and challenges of the future.

The consultation closes on 12 March.

And I urge all those with a stake in this system to make their voices heard.

We aim to introduce this new approach in 2020 to 2021.

## **Business rates retention**

Which is also when the latest phase of our business rates retention programme gets underway.

A programme that gives local authorities powerful incentives to grow their local economies.

And that has so far been a resounding success.

Under the current scheme, local authorities estimate that they will receive around £1.3 billion in business rates growth in 2017 to 2018.

A significant revenue stream on top of the core settlement funding that I'm talking about today.

So it's right that we're going further.

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

This will be achieved by incorporating existing grants into business rates retention...

...including Revenue Support Grant and the Public Health Grant.

Local authorities will be able to retain 75% of the growth in their business rates from the new baselines in 2020 to 2021, when the system is reset.

The long-term plan is to allow local government to keep 100% of its business rates.

And, with that in mind, I announced an expansion of the 100% retention pilots that have proved so popular in December.

As a result, we will be taking forward 10 new pilots, covering 89 authorities, instead of the 5 we originally planned.

A further pilot will also begin in London in 2018/19 and existing devolution pilots will continue in 2018 to 2019.

This will help us see how well the system works across a broad range of areas and circumstances...

...in the North and South, urban and rural, small and large.

These pilots will keep 100% of the growth in their business rates if they expand their local economies – double what they can keep now.

I can confirm that I will open a further bidding round for pilots in 2019 to 2020 in due course.

As I said, in expanding these pilots, we have responded to what councils have told us.

And we are doing the same in other areas.

## **Rural Services Delivery Grant**

Rural councils, for example, expressed concern about the fairness of the current system...

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

In response, I can confirm today that we will increase the Rural Services Delivery Grant by £31 million in 2018 2019.

£16 million more than proposed in the provisional settlement.

This takes the total figure to £81 million – the highest amount ever paid in rural grant.

A little over the sum paid in 2016 to 2017.

## **Negative RSG**

We also recognise that so-called “negative RSG” is causing concern.

This is a situation 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.

We know that we must address this problem and will consult formally on fair and affordable options for doing so...

...with plenty of time to reflect on the findings before next year's settlement.

## **Capital receipts**

And, following discussions with the sector, we are also continuing the 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...

...to help fund the transformation of services and release savings.

## **New Homes Bonus**

We have also responded to concerns about proposed changes to the New Homes Bonus.

By the end of 2018 to 2019, we will have paid out £7 billion under this scheme to reward the building of 1.4 million homes.

This includes £947.5 million for 2018 to 2019.

However, when we consulted last year on proposals to link NHB payments to the number of successful planning appeals...

...it was clear from this that sector wanted continuity and certainty.

And so that is what we have delivered, with no new changes to the NHB this year and a baseline maintained at 0.4%.

## **Planning fees**

Furthermore, as set out in our Housing White Paper, we are enabling local authorities to increase planning fees by 20%...

...where they commit to investing the extra income in their planning services.

This should provide a welcome boost to local planning authorities and address concerns about under-resourcing.

## **Valuation Office Agency (VOA)**

The final settlement includes small adjustments to top-up and tariffs for authorities based on corrected VOA data.

Now I know that my opposite number – for today – has been trying to make some mischief on this point.

So let me spell it out clearly for him one last time.

The provisional settlement was based on the VOA's official statistics – the best published data available at the time.

Ahead of the provisional settlement, officials were notified of an error in the VOA data.

Ministers were not told about this until 15 January, as officials did not know what, if any, changes might have to be made...

...to individual authorities' tariffs and top-ups.

The Honourable Gentleman will know that the moment corrected statistics were published by the VOA...

...revised figures were provided to local authorities to enable them to finalise their budgets.

He should also know that part of the reason for the publication of a provisional settlement...

...is to test the numbers and make adjustments.

[political content removed]

## **Housing Infrastructure Fund**

Madam Deputy Speaker, councils have a crucial role to play in helping deliver the homes our country desperately needs.

However, we all know that we can't achieve this without having the right infrastructure in place...

...the schools, the GP surgeries, the transport links and other essentials.

The private sector can go some way to delivering this, but it's clear we have to raise our game on this to match our ambitions.

Which is why we set up the Housing Infrastructure Fund last July...

...to support local authorities to provide this infrastructure and build more homes.

In the end, we received a staggering 430 bids, worth almost £14 billion, to deliver 1.5 million homes.

Demonstrating the incredible ambition that is out there to tackle the housing crisis...

...an ambition that we are keen to get behind and fully back.

Hence our move to more than double the Housing Infrastructure Fund at Autumn Budget...

...dedicating an additional £2.7 billion of funding, bringing the total Fund to £5 billion.

And last week I was delighted to announce the first funding allocation...

...£866 million for 133 successful projects involving 110 councils that will unlock up to 200,000 homes.

That promise to deliver a strong pipeline of homes at pace and scale.

And that represent another important step towards meeting one of the defining challenges of our time...

...as are the measures we are taking on social care.

## **Adult social care**

I am under no illusions about the pressures that councils face in addressing this; one of the single biggest issues we face as a country.

Which is why we've put billions of pounds of extra funding into the sector over the past 12 months.

And I can today announce a further £150 million for an Adult Social Care Support Grant in 2018 to 2019.

This will be allocated according to relative needs and will help councils build on their work to support sustainable local care.

It comes on top of an additional £2 billion announced for adult social care over the next 3 years at Spring Budget.

And 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 access to £9.4 billion more dedicated funding for adult social care over 3 years.

But we know that there is much more to do – and that funding alone is not going to help us fix this.

This is a long-term challenge that requires long-term systemic change.

The publication of a Green Paper this summer on future challenges within adult social care will set us on the path to securing this.

## **Council Tax**

And, finally, we are responding to calls for more flexibility over setting council tax.

Local authorities will be able to increase their core council tax requirement by an additional 1% without a local referendum...

...bringing the core principle in line with inflation.

This will enable them to raise revenue to meet growing demand for their services whilst keeping taxes low.

Having done away with Whitehall capping, we have enshrined these checks and balances into the system.

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.

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

And it will be easier for Police and Crime Commissioners to meet local demand pressure under measures that I have agreed with the Home Secretary.

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

We will, however, defer the setting of referendum principles for town and parish councils for three years and keep this under review.

In all, I want to see the sector doing everything possible to limit council tax increases and show restraint. I am keen to ensure that these freedoms are not abused – as, I am sure, are voters.

## **Conclusion**

Madam Deputy Speaker, my department's name recently changed to the Ministry of Housing, Communities and Local Government.

This underlines our focus on fixing our broken housing market and getting Britain building.

But I remain absolutely committed to the Community and Local Government elements of our work.

They are the foundations on which everything else stands.

It is not enough to just build more homes. We need to build better, strong communities.

And councils acting truly as local government and not local administration will help us achieve this.

Which is why we have listened to local authorities.



And through this settlement delivered what they have asked for while keeping spending in check:

A real terms increase in resources over the next 2 years.

More freedom and fairness.

Greater stability and certainty to plan and drive value for money.

They – and the communities they serve – deserve no less.

I commend this settlement to the House.

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## [News story: Investigation update: fv Nancy Glen](#)

The Marine Accident Investigation Branch (MAIB) is investigating the capsizing and loss of the fishing vessel Nancy Glen and why, tragically, two of the crew did not survive.

The wreck of Nancy Glen is lying at a depth of over 140m. Following a multi-beam sonar survey of the wreck conducted by Northern Lighthouse Board vessel Pharos last weekend, the MAIB has contracted KML to carry out a more detailed survey of the wreck. KML's vessel Seven Seas is on scene, and has carried out a side-scan sonar survey of the wreck. This has provided us with 3-dimensional information on how the wreck is lying on the seabed and potential obstacles such as wires or nets that could be hazardous to remotely operated vehicle (ROV) operations. The ROV is fitted with cameras, used to collect important evidence as part of our investigation. ROV surveys commenced on Wednesday 7 February, but progress has been slow due to low underwater visibility of around 3 metres and the risk of the ROV becoming snagged on wires and ropes around the wreck. Our inspectors are on board, and are keeping the families updated on progress.

### **Press enquiries**

Press enquiries during office hours 01932 440015

Press enquiries out of hours 020 7944 4292

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# News story: Partnership working to tackle fraud

DBS has been made aware that a number of people have been targeted by fraudsters asking them to pay upfront for DBS certificates that never materialised.

Dr Sue Smith, Director of Safeguarding, Strategy and Quality at the DBS said:

This sort of scam can be really distressing to those involved and we are keen to do all we can to prevent it. We will be working closely with colleagues in SAFER Jobs to raise awareness of the issue and advising people where to go for more support.

SAFER Jobs is a not-for-profit organisation set up by the Metropolitan Police to raise awareness and combat criminal activities that may be attempted on those seeking a job.

Keith Rosser, Chair of SAFER Jobs, said:

Recruitment fraud takes many guises including paying for background checks, identity theft, premium rate phone interview scams, and even human trafficking and modern slavery. The public can fall for fake jobs advertised online or they can even be 'head-hunted' by criminals finding their profiles or CVs online. We are proud of the impact we have had so far but there is still so much more to do to prevent job seekers from falling victim to fraudsters. It is great to be working with the DBS to help raise awareness of the issue and help reduce the number of people falling victim to this crime.

The DBS issue around 4 million certificates every year. The type of role you apply for will determine the level of DBS check you are eligible to have carried out. The following are the three types of checks available:

- Basic Check: This is suitable for any role. The certificate will show any unspent cautions and convictions under the terms of the Rehabilitation of Offenders Act 1974
- Standard Check: This is suitable for certain trusted roles such as security guards. The certificate shows both spent and unspent convictions, cautions, reprimands and warnings that are held on the Police National Computer
- Enhanced Check: This is suitable for people working with children and vulnerable adults. These certificates show the same information as the Standard but with the addition of further relevant information from the Police. They can in some cases also show if a person is on one of the DBS Barred lists

Applicants can only request a Basic Check to be carried out on themselves. For a Standard or Enhanced criminal records check they need to get an application form from the employer who asked them for a DBS check. This would then be submitted to the DBS by an organisation registered to do so. The certificate would then be issued to the individual and it would be up to them to share the information with their potential employer. They can however, request a Basic check.

Dr Smith added:

If anyone is concerned that they are being asked unnecessarily for a DBS check or that the person requesting a check may not be a legitimate organisation, especially if they are asking for money, then they should get in touch with us or SAFER Jobs to discuss their concerns. It is also worth remembering that if you are applying for a volunteer position we process your application for free.

For more information or to raise a concern visit [www.safer-jobs.com](http://www.safer-jobs.com) or contact DBS Customer Services via email [customerservices@db.s.gsi.gov.uk](mailto:customerservices@db.s.gsi.gov.uk) or call the DBS helpline on 03000 200 190 or for Welsh speakers 03000 200 191.

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## **[News story: Government responds to consultation on disadvantage support](#)**

The government will support even more disadvantaged children to receive free school meals and free early education for two-year-olds, Education Minister Nadhim Zahawi has announced today (Wednesday 7 February).

This announcement follows two public consultations – which sought the view of parents, schools, local authorities, early years providers and charities – on eligibility for free school meals, the early years pupil premium and the free early years entitlement for disadvantaged two-year-olds, in light of the national rollout of Universal Credit.

These plans follow the introduction of a similar threshold under Universal Credit for free school meals in Scotland.

The government proposals will now become law, meaning all children currently receiving this additional support will be protected, and these entitlements will be more targeted in future, to ensure they reach those most in need.

This is all part of the drive to ensure every child has the opportunity to make the most of their lives, no matter where they live or their background.

Last year, around 1.1 million of the most disadvantaged children were eligible for and claiming a free meal. Overall, it is estimated that by 2022 around 50,000 more children will benefit from a free school meal compared to the previous benefits system. In addition, it is estimated that by 2023 around 7,000 more children will benefit from the two-year-old entitlement.

Education Minister Nadhim Zahawi said:

Academic standards are rising, with 1.9 million more children now in good or outstanding schools than in 2010 and nine out of ten schools given this rating at their latest inspection.

It is right that we must continue to offer the most disadvantaged young people additional help and I am pleased that, following public consultations, we can extend free school meals and the free early education entitlement for disadvantaged two-year-olds.

Tens of thousands more children will be entitled to free school meals by 2022 compared to the previous benefits system.

I'd like to thank everyone who responded to these consultations; their views will help to ensure every child can access a world-class education and the support reaches those that need it most.

The proposals that will be taken forward include:

- introducing a net earnings threshold of £7,400 per annum for free school meals eligibility under Universal Credit, to take effect from 1 April 2018. A typical family earning around £7,400 per annum would, depending on their exact circumstances, have a total household income of between £18,000 and £24,000 once benefits are taken into account;
- mirroring this eligibility criteria for the early years pupil premium, which gives additional funding to early years settings to boost the attainment of pupils from low income families; and
- introducing a net earnings threshold of £15,400 per annum under Universal Credit for eligibility for the 15-hour free early education entitlement for disadvantaged two-year-olds, to take effect from 1 April 2018.

Any household earning below these thresholds and claiming Universal Credit will be eligible to claim these benefits for their children.

The policy will protect every child in receipt of free school meals at the point at which the threshold is introduced, and every child who gains eligibility before the end of the rollout of Universal Credit, until Universal Credit is fully rolled out. Following this, protected children still in school will continue to receive free school meals until the end of their phase of education (e.g. primary or secondary school). No child who has started their two-year-old early education place will lose it as a result of this new proposal.

The government will work with schools and local authorities to help ensure families who are entitled to these benefits feel confident in how to claim them.

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## [Press release: Government's response to the Taylor review of modern working practices](#)

The Low Pay Commission (LPC) welcomes the Government's response to the Taylor review of modern working practices

Bryan Sanderson, Chair of the Low Pay Commission said:

The LPC's view has always been that 'good work' is relevant to all workplaces, irrespective of earnings or hours worked, and we were pleased to see this set out in the Taylor review. In particular we supported the review's highlighting of practices for some low-paid workers, which in some cases result in one-way flexibility benefiting only the employer.

As such, we welcome the Government's response to the review and look forward to considering the potential of a premium rate of the National Minimum Wage, as well as other possible solutions to the issue of one-sided flexibility. We will use our experience, knowledge, and analysis and work with our stakeholders to provide evidence-based advice to the Government.

We are particularly pleased that the Government has committed to implementing the recommendation on payslips that we made in our Spring 2016 Report. This required employers to provide hourly-paid staff with a payslip that clearly states the number of hours they are being paid for. Government has gone further than this, extending the right to payslip to all workers, not just employees. This will make these rights easier to both communicate and understand and therefore aid compliance

Notes: 1. The Low Pay Commission is an independent body made up of employers, trade unions and experts whose role is to advise the Government on the minimum wage. The National Living Wage is the legally binding pay floor for workers aged 25 and over. The other minimum wage rates comprise: the 21-24 Year Old Rate, the 18-20 Year Old Rate, the 16-17 Year Old Rate and the Apprentice Rate. 2. The LPC's remit prescribes different requirements in relation to the NLW than for the four other bands of the minimum wage. For the NLW we are asked to make recommendations on the pace of increase towards a target: an 'ambition...that it should continue to increase to reach 60 per cent of median earnings by 2020, subject to sustained economic growth'. For the other rates we are asked to 'help as many low-paid workers as possible without damaging their employment prospects'. 3. Our full recommendations for

April 2018 and underpinning analysis were published in our 19th report. The rationale for our recommendations is also included in a letter from the LPC Chair to the Secretary of State for Business, Energy and Industrial Strategy.

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