

# Final local government finance settlement 2020 to 2021: written statement

Today I laid before the House the 'Local Government Finance Report (England) 2020-21', the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2020-21' and the 'Referendums Relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2020-21', which represent the [final local government finance settlement for 2020-21](#).

This year's settlement delivers an increase in Core Spending Power from £46.2 billion in 2019-20 to £49.2 billion in 2020-21. In real terms this is a 4.4% increase and the largest year on year real terms increase in a decade.

The local government finance settlement relies on collaboration. My ministers and I have engaged extensively with the sector, holding meetings with representative groups, with councils, and with MPs.

During this process, we received over 200 representations from organisations or individuals, and these have been carefully considered before finalising the settlement.

I would like to take this opportunity to thank all colleagues in the House, and council leaders and officers, who have contributed to the consultation process.

This year's settlement is a strong and well-balanced package, that delivers significant extra resources to the priority areas of adult and children's social care, whilst protecting other vital service areas.

This government is serious about protecting the millions of people that rely upon adult and children's social care in their daily lives. To do this, this settlement will allow local authorities to access an additional £1.5 billion for social care.

This comprises £1 billion of additional grant – for both adult and children's social care – and a proposed 2% council tax precept for adult social care, which will enable councils to access a further £500 million.

£150 million of the additional grant will be used to equalise the distributional impact of the adult social care council tax precept.

These additional resources sit on top of the existing social care package, which will continue at 2019-20 levels, and mean that local authorities will have access to almost £6 billion of dedicated funding across adult and children's social care in 2020-21.

## **Core settlement resources**

The local government finance settlement for 2020-21 will also protect other key services by providing a uniform percentage uplift in core settlement resources, in line with the change in the small business rates multiplier. Vital services are also protected by continuing other key grants from 2019-20.

## **Council tax**

Local authorities will continue to be able to increase council tax in 2020-21 by a core principle of up to 2%, without holding a local referendum, with a bespoke council tax referendum principle of 2% or £5, whichever is higher, for shire district councils, and a £10 Band D council tax referendum principle for all police authorities.

Authorities with adult social care responsibilities will be able to increase their council tax by a further 2% on top of the core principle, without holding a local referendum, to be spent exclusively on adult social care.

The proposed referendum principles strike a balance between giving local authorities the flexibility to address service pressures, and not overburdening council tax payers with excessive increases which do not have local support.

The 2020-21 final local government finance settlement will mean that the expected average council tax increase for 2020-21 will be the lowest since 2016.

## **New Homes Bonus**

The government will be making a new round of allocations of the New Homes Bonus for 2020-21, amounting to £907 million.

As part of this, I am committing an additional £7 million to maintain the growth baseline for payments at 0.4%. We will make no legacy payments on these new allocations, but the government will make legacy payments on allocations made in earlier years which are due to be paid in 2020-21.

In order to ensure that the New Homes Bonus is focussed on incentivising homes where they are needed most, I am announcing that the government will consult on the future of the housing incentive in the Spring. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need.

## **Rural Services Delivery Grant**

We will continue to recognise the extra costs of delivering services in rural areas and propose to maintain last year's Rural Services Delivery Grant of £81 million, which is the joint-highest paid to date.

It will be distributed using the same methodology as in 2019-20, which allocated funding to the top quartile of local authorities on the 'super-sparsity' indicator.

## **Conclusion**

This settlement acts as the foundation for a robust and resilient future for local government finance, delivering on calls for certainty and stability from local government.

For those who deliver key front-line services, it provides significant extra resources where they are needed most.

I look forward to debating this topic with all MPs next week.