

[Press release: James Brokenshire confirms funding package for local authorities in 2019 to 2020](#)

Councils in England are to benefit from increased funding for core services including additional support for the most vulnerable in society, Communities Secretary Rt Hon James Brokenshire MP confirmed today (5 February 2019).

Local authorities' core spending power will rise in 2019 to 2020 by £1.3 billion, taking councils' funding to £46.4 billion.

This year's [local government finance settlement](#) includes extra funding for local services with a strong focus on greater support for adult and children's social care. The settlement also supports and rewards economic growth and sets out reforms for a sustainable path for the future funding model for local government.

The real terms funding increase for 2019 to 2020 is in recognition of the pressures local authorities are facing to deliver the services residents need, whilst protecting taxpayers from excessive increases in bills.

The 2019 to 2020 settlement marks the end of a 4-year deal – accepted by 97% of councils – which provided local authorities with access to £200 billion in the 5 years to 2020.

Communities Secretary Rt Hon James Brokenshire MP said:

This year's settlement paves the way for a fairer, more self-sufficient and resilient future for local government. That is why local authorities will have more control over the money they raise and a real terms increase in their core spending power.

The settlement also recognises the pressures councils face in meeting growing demand for services and rewards their impressive efforts to drive efficiencies and rebuild our economy.

[Provisional plans](#) for the local government finance settlement for 2019 to 2020 were published in December followed by a period of extensive consultation with the sector. Representations from around 170 organisations and individuals were carefully considered before finalising the settlement.

The [final local government finance settlement for England, 2019 to 2020](#), will be debated in the House of Commons with a vote by all MPs on Tuesday 5 February.

This year's Spending Review will determine funding for local authorities from 2020 onwards.

What the financial settlement includes:

Additional support for social care

The government committed £650 million more for social care for 2019 to 2020 in the Autumn Budget. This includes £240 million towards easing winter pressures on adult social care, with local authorities able to use the remaining £410 million on adult or children's social care, and, where necessary, to relieve demand on the NHS.

This additional funding, alongside the adult social care precept and the improved Better Care Fund, means the government will have given councils access to £10 billion in dedicated funding which can be used for adult social care in the 3-year period from 2017-18 to 2019-20. For 2019 to 2020, local authorities will have access to £4.3 billion in dedicated resources for adult social care, including £1.8 billion in improved Better Care Fund Grant.

The Budget also confirmed £84 million is available, over 5 years, to drive improvements in social work practice and decision-making in children's social care. The additional funding is part of the government's measures to address pressures in services helping society's most vulnerable.

Business rates pilots

To test out aspects of proposed business rates retention reforms in a wide range of areas across the country, the selection of 15 areas as 75% retention pilots for the 2019 to 2020 financial year has been announced.

Communities Secretary Rt Hon James Brokenshire MP has confirmed London will be piloting 75% rates retention in 2019 to 2020.

And as previously confirmed, pilots originally launched in 2017 in devolution deal areas will continue on the existing basis in 2019 to 2020.

The pilots will inform the government's proposed reforms ahead of a renewed business rates retention system being introduced in 2020 to 2021.

Business rates levy account surplus to be redistributed to councils

Local authorities play a key role in supporting economic growth.

The current business rates retention scheme is performing well, with local authorities estimating in 2018 to 2019 they will keep around £2.4 billion in business rates growth, on top of settlement funding.

As a result of increased growth in business rates income, the government has announced it plans to distribute £180 million of the business rates retention levy surplus to all local authorities and proposes to share it on the basis of need.

Future of business rates retention

The government is aiming to increase the level of business rates retention from the current 50% to 75% from 2020 in a way which is fiscally neutral. It is also intending to implement reforms to the business rates retention system to ensure local councils have the levers and incentives they need to grow their local economies.

A [consultation](#), launched in December, is seeking views until the 21 February on the proposed reforms. It seeks views on how the business rates system can be reformed to continue to provide a strong incentive for local authorities to grow their business rates bases. It proposes a change in how the system is administered to mitigate the volatility business rates appeals have on local authorities' income and to help reduce complexity in the system.

Review of relative needs and resources

Having consulted last year on a review of local authorities' relative needs and resources, the [next stage of consultation](#) ahead of the review's planned implementation in 2020 was announced at the provisional settlement in December and will run to 21 February.

This continues the government's work to address concerns about the fairness of current funding distributions by determining a robust and effective funding formula.

Maintenance of Council Tax referendums thresholds, aside from further flexibility offered on the police precept level.

The threshold at which a local referendum is triggered for rises in Council Tax will stay at 3%.

Further flexibility is also available for certain local authorities, such as those with responsibility for adult social care services. Referendum limits for police and crime commissioners will be set at £24, for a band D property, to address changing demands on police forces.

Northamptonshire county council will have an additional 2% Council Tax flexibility, to assist with the improvements to council governance and services after their serious issues.

The level of Council Tax will be a matter for the authority's cabinet and full council.

During the provisional settlement consultation, some local authorities called for referendum limits to be removed.

However, the government is committed to protecting local taxpayers from excessive Council Tax increases, in line with the government's manifesto. The

Council Tax referendum provisions ensure that local residents have the final say over any large increase.

Negative Revenue Support Grant (RSG)

Negative RSG is a direct consequence of the distribution methodology adopted for the 2016 to 2017 settlement, whereby for less grant dependent authorities the required reduction in core funding exceeds their available RSG.

Having listened to representations from local authorities since the provisional settlement, government has announced it intends to directly eliminate the £152.9 million of Negative Revenue Support Grant in 2019 to 2020 through the use of foregone business rates. This will prevent any local authority from being subject to a downward adjustment to their business rates tariffs and top-ups which could act as a disincentive for growth.

New Homes Bonus

The consultation after December illustrated local authorities want certainty on the future of the New Homes Bonus after next year. The government remains fully committed to incentivising housing growth and will consult widely with local authorities on how best to reward housing delivery effectively after 2019 to 2020.

An additional £18 million in funding will be provided for the New Homes Bonus, and the baseline for growth, below which new allocations of the Bonus are not paid, will stay the same at 0.4%.

This housing growth baseline provides a further incentive to local authorities to welcome housing growth and build more homes to relieve housing need. This strikes the right balance between supporting local authorities and ensuring they work to give more people the opportunity to have a place to call home.

Rural support

Communities Secretary Rt Hon James Brokenshire MP has responded to a number of councils' concerns over rural services funding by announcing the level of Rural Services Delivery Grant in 2019 to 2020 will increase by £16 million to £81 million, in line with the levels of grant funding provided in 2018 to 2019. This recognises the extra costs of providing services in rural communities.

Fire funding for pensions

Around £97 million of funding has been announced to cover fire pensions liabilities. This responds to concerns raised by the sector over increased pensions liabilities for Fire and Rescue Authorities.

Further information

This relates to England only.

The provisional settlement gives councils a 2.8% cash-terms increase, and a 1% real-terms increase in core spending power in the 2019 to 2020 financial year – up from £45.1 billion in this financial year to £46.4 billion.

The areas selected for business rates pilots are:

- Berkshire
- Buckinghamshire
- East Sussex
- Hertfordshire
- Lancashire
- Leicester and Leicestershire
- Norfolk
- Northamptonshire
- North and West Yorkshire
- North of Tyne
- Solent Authorities
- Somerset
- Staffordshire and Stoke-on-Trent
- West Sussex
- Worcestershire

Following negotiations with London authorities, the Greater London Authority, the City of London and all London boroughs will also be forming a 75% business rates pilot pool. Existing pilots in devolution deal areas will continue.