

Speech: Sajid Javid's speech to LGA Local Government Finance Conference 2018

Thank you, Gary, and good afternoon everybody. As I'm sure you can imagine, it's been a busy start back since the New Year!

It's great to see the Local Government Association back home at Smith Square. As I said when I helped with the reopening, I got a little paranoid when you moved to the other side of London right after I arrived just around the corner!

But it's also good to have you back here in the heart of Westminster because that is where local government deserves to be. You're not the junior partner, a democratic afterthought. You're a vital part of British life, as important as any ministry, playing a huge and growing role in the daily lives of millions of people.

Speaking of ministries, as you know, my department has a new name – the Ministry of Housing, Communities and Local Government. A name that reflects the fact that this government is absolutely committed to building the homes our country so desperately needs.

I'm delighted to have been reappointed to lead on this. I've been clear that fixing our broken housing market is my number one priority. Great places for people to live and put down roots.

I recognise that local government has a vital role in helping us deliver on this.

The people of this country rely on you, put their faith in you. And you, in turn have to be able to put your faith in central government. You have to know that we're here for you, that we're standing up for you, that we're doing all we can to get you the resources that you need.

That's why, in the 5 years to 2020, we're giving English councils access to more than £200 billion in funding. And that's why, through our reforms to business rates, we're giving you greater freedom to raise and retain revenue in your areas.

After all, you know your communities better than anyone else. You understand the challenges, the pressures, the opportunities and more. And if you're going to really make the most of that knowledge, you need the freedom and flexibility to be truly local government, not merely local administration.

That's the thinking behind this year's finance settlement. Now, I know that [last month's draft](#) wasn't greeted with wild enthusiasm in the sector. Mind you, I don't think ANY local government finance settlement has ever been greeted with wild enthusiasm!

This year's was particularly special. I had one of those days when the press office phone up and say "Well, Secretary of State, the good news is you've made the front pages..."

Unfortunately I wasn't here before lunch to hear my Labour counterpart's verdict, so I'm going to assume he warmly welcomed the whole package... Is that right? I know he's a big fan of mine!

But look, it's important to remember that this is part of a broader and continuing process to establish what local government needs to continue to deliver excellent public services. There are plenty of discussions still to be had, I know the incoming Local Government Minister will be doing little else over the next month or so. Building on the excellent work that Marcus Jones has already done over the last 3 years. I want to take this opportunity to thank him for all of his work, and to reassure you, that he will still be working with local government in his new role.

So I'm going to run through some of the highlights of the settlement, talk a little about what we're doing and why. And then I'm looking forward to hearing what you have to say, hearing your thoughts.

Local government finance settlement

I'll start with the future of the whole system of local government finance. Over the years, the current formula of budget allocations has served councils and residents well.

But we live in a changing world. Shifts in demographics, lifestyles and technology lead to changes in the different pressures facing different councils, and new risks emerge all the time. What's right today may not be right tomorrow, and the system of financing local government needs to reflect that, and help manage risks as well as providing opportunities.

We need an updated and more responsive way of distributing funding. One that gives councils the confidence to face the challenges and opportunities of the future. That's why I was pleased to launch a [formal consultation on a review of relative needs and resources](#). It's not just a paper exercise, it's going to be used to create a whole new system, one that more fairly reflects modern needs. And I hope to have that system in place in 2020 to 2021.

We're building a country fit for the future, and this review will ensure we have a local government finance system that's also suited to the challenges and opportunities of the years ahead.

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 councils the incentives they need to grow their local economies.

As you know, our aim is for local authorities to retain 75% of business rates from 2020 to 2021. That will be through incorporating existing grants into business rates retention including Revenue Support Grant and the Public Health Grant. And you'll be able to keep 75% of the growth in your business

rates from the new baselines in 2020 to 2021, when the system is reset. And we will continue to work with you to identify other opportunities to increase business rates retention further when it is right to do so.

Business rates retention encourages growth in your local economies. So it's no surprise that our 100% retention pilots have proved so popular with councils. We were originally planning on running an extra 5 pilots in 2018 to 2019, but when we asked councils to apply to take part we were almost overwhelmed by the reaction. More than 200 authorities put themselves forward.

Picking just 5 areas was never going to be easy, which is why we're now going to do 10 pilots instead, covering 89 authorities. The 10 that we've selected, taken alongside the existing pilots, give a broad geographic spread. North and south, urban and rural, small and large. This is no accident, we want to see exactly how the system works in all circumstances, and the pilots will make sure that happens.

The expansion of the pilots – and our plan to do more piloting in 2019 to 2020 – is a great example of this government listening to local councils and responding to what we hear.

And that has also been the driving force behind a number of other elements in the settlement.

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. In response to that, we're increasing Rural Services Delivery Grant by £15 million in 2018/19 so that the total figure remains at £65 million for the remainder of the 4-year settlement.

We've also responded to concerns about proposed changes to the New Homes Bonus. To date we have made almost £7 billion in NHB payments to reward the building of 1.4 million homes. Over £946 million in NHB payments will be allocated in 2018 to 2019, rewarding local authorities for their work in fixing our broken housing market.

It has been a huge success, but I'm a hard man to please, I always want to know if we can do even better. That's why, last year, I asked the sector for its views on proposals to link NHB payments to the number of successful planning appeals, further rewarding councils who don't let the bureaucracy slow down housing growth.

But the appetite for change wasn't there. The sector wanted continuity and certainty and that's what it's getting, no changes to the NHB this year and a baseline maintained at 0.4%.

Then there's "negative RSG". I know this has been a concern for several of you over the past few months, it's something that crops up again and again in my regular meetings with councillors from right across the country.

Although we won't see the effects until 2019 to 2020 I want all of you to know that it is on the radar and it is being looked at. My department is

developing fair and affordable options for dealing with the issue. We'll be formally consulting on these in the spring, so that we have plenty of time to reflect on what you tell us ahead of next year's settlement.

Of course, I couldn't talk about local government finance and not mention social care. It's one of the biggest single issue facing councils today, one of the biggest challenges facing the whole country in fact. That's why, over the past 12 months, we've put billions of pounds of extra funding into the sector.

At Spring Budget, an additional £2 billion was announced for adult social care over the next 3 years. 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 have access to £9.25 billion more dedicated funding for adult social care over 3 years.

Since 2014 the government has also invested more than £200 million in innovation and improvement in Children's Social Care, and before Christmas I announced an additional £19 million to support councils develop their capacity to care for unaccompanied asylum seeking children. The detailed allocations, together with the successful proposals for supporting unaccompanied asylum seeking children that will receive Controlling Migration Fund money, will be announced shortly.

I know you'd like me to stand here today and say I'm turning on the spending taps, writing the big cheques, throwing taxpayers' money at the problem. [political content removed] But this is a long-term challenge. The challenge of social care is not going to go away. We need long-term systemic change. And I very much hope that this summer's green paper on future challenges within adult social care will set us on the path to securing that.

Finally, of course, there is Council Tax. And this is an issue that requires a serious balancing act. While we all want to ease growing pressure on local government services, none of us want to see hardworking taxpayers saddled with ever-higher bills. That's particularly important at a time when inflation is growing faster than wages, when people are already feeling the effects on their pockets.

This settlement aims to keep taxes low whilst also raising the revenue you need. In addition, we are continuing to ensure that council taxpayers can veto excessive increases via a local referendum if they choose to do so. The referendum threshold has been set in line with inflation, and so we are setting the core council tax referendum principles at 3%.

Conclusion

Our homes talk to us about who we are. So what does the refurbished, refitted Local Government House tell us about local government?

Well, its location, in the heart of our democracy speaks volumes about its importance. The building itself, a historic site, talks about local government's deep roots in our society. And the building's modern new

interior speaks of a sector that is fit for and looking to the future.

There are challenges in that future, yes. But there are opportunities too. Opportunities that we will only be able to make the most of by working together. By listening to each other. And I'm confident that, by working together, we can deliver reforms to the financial system that work for national government, for local government and – most important of all – for the millions of people we all seek to serve.

Thank you.