

Statement to Parliament: Final local government finance settlement 2018 to 2019: written statement

Local government finance

Yesterday, I laid before the House, the '[Report on Local Government Finance \(England\) 2018-19](#)', which represents the annual local government finance settlement for local authorities in England.

I would like to thank all colleagues in the House, council leaders and officers, who contributed to the consultation after the provisional settlement was published before Christmas.

My ministers and I have engaged extensively with the sector, including offering a teleconference to all local authorities, and holding meetings with representative groups including the Local Government Association and with councils and MPs. Representations from almost 160 organisations or individuals have been carefully considered before finalising the settlement.

This settlement is the third year of a 4 year offer which was accepted by 97% of councils in return for publishing efficiency plans. This settlement sees 2 years of real terms increases in available resources to local government: £44.3 billion in 2017 to 2018 to £45.6 billion in 2019 to 2020.

The current business rates retention scheme is yielding strong results. Local authorities estimate that in 2017 to 2018 they will keep around £1.3 billion in business rates growth, which we expect will be maintained into 2018 to 2019 and 2019 to 2020. This is on top of the core settlement funding I am announcing today (6 February 2018).

I commend local authorities for their work in securing efficiency savings supported by the long term certainty of the multi-year settlement. Councils continue to seek to maximise public value for every pound invested in public services. Of course, there is further for all councils to go.

To help this, I am extending the capital receipts flexibility programme for a further 3 years. This scheme gives local authorities the freedom to use capital receipts from the sale of their own assets to support transformation and unlock efficiency savings. We will also continue to work with the sector to help them increase transparency and share best practice supporting greater progress in delivering increased efficiency over the coming year. I expect this to have a tangible impact on the steps councils take to promote efficiency by 2019 to 2020.

Social care

I recognise the need to prioritise spending on social care services that councils provide to our elderly and vulnerable citizens. This is why we announced an additional £2 billion at Spring Budget 2017 for adult social care over the 3 years from 2017 to 2018. This year we have seen how this money has enabled councils to increase provider fees, provide for more care packages and reduce delayed transfer of care.

And, having listening to representations since the provisional settlement, I am today announcing a further £150 million in 2018 to 2019 for an Adult Social Care Support Grant. This will be taken from anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government. This will be allocated according to relative needs and we will expect to see councils use it to build on their progress so far in supporting sustainable local care markets.

With this, and other measures, the government has given councils access to £9.4 billion dedicated funding for adult social care over 3 years.

This is a long-term challenge that requires a sustainable settlement for the future. The publication of a green paper this summer setting out our proposals for reform sets us on the path to securing a resilient and sustainable system.

In children's social care too, it is important to understand cost drivers as well as service quality and efficiency in a highly complex and critical service area. The government has invested £200 million since 2014 in the Innovation Programme and Partners in Practice Programme, as well as £920 million in the Troubled Families Programme, to help the children's social care sector innovate and re-design service delivery to achieve higher quality, improve family outcomes and secure better value for money.

I also recognise the good work that local authorities do in caring for unaccompanied asylum seeking children. I have therefore made £19 million available to local authorities in 2017 to 2018 from within existing budgets, including the Controlling Migration Fund, to develop the skills and capacity to be able to support these very vulnerable children.

Protecting residents from excessive Council Tax rises

Under the Localism Act 2011 and as re-affirmed in the government's 2017 manifesto, councils can set whatever Council Tax rates they wish, but they need the direct consent of local people if they wish to impose an excessive rise.

This year, that referendum threshold is set in line with inflation at 3%. In addition, local authorities with responsibility for social care may levy a precept to spend exclusively on adult social care. As announced last year, this precept equates to up to 6% over 3 years, from 2017-18 to 2019-20, with

a maximum increase of 3% in the first 2 years and 2% in the final year.

This settlement strikes a balance on Council Tax between the need to relieve pressure on local services, including social care, while also recognising that many households face their own pressures.

New Homes Bonus

Local authorities are instrumental in ensuring the building of homes this country needs. By the end of 2018 to 2019, we will have allocated £7 billion in New Homes Bonus payments to reward the building of 1,400,000 homes since the scheme was introduced in 2011.

We recognise the need for continuity and certainty on New Homes Bonus, and therefore for the year ahead there will be no new changes to the way New Homes Bonus works. The New Homes Bonus baseline will be maintained at 0.4% and £947.5 million in New Homes Bonus payments will be paid in 2018 to 2019.

Rural funding

I am committed to ensuring the needs of rural areas are met and recognise the particular costs of providing services in sparse rural areas. So in 2018 to 2019, in response to representations made since the provisional settlement, I will increase the Rural Services Delivery Grant by £31 million – £16 million more than proposed in the provisional settlement. This will take the total to £81 million, a little over the 2016 to 2017 level and the highest it has ever been.

2019 to 2020 and later years

To meet the challenges of the future we need an updated and more responsive distribution methodology. We have published a formal [consultation](#) on a review of relative needs and resources and aim to implement its findings in 2020 to 2021. There have been widespread calls for a thorough, evidence-based review, and we will deliver this. The review will examine the cost of delivering services across the country, including rural areas, and will consider which factors should be taken into account when considering a local authority's relative resources.

Following the delay to the implementation of 100% business rates retention and reforms to the local government finance system, I acknowledge concerns around 'negative RSG'. We will be looking at fair and affordable options that will address the problem of negative RSG that occurs in 2019 to 2020, and will formally consult on proposals ahead of next year's settlement.

We will also work towards implementing the next phase of our business rates retention reforms in 2020 to 2021 to support the long held objective for local authorities of greater self-sufficiency and financial sustainability. This will give local councils the levers and incentives they need to grow their local economies.

Local authorities will be able to keep more business rates, to the value of the Revenue Support Grant, the Greater London Authority Transport Grant, the Rural Services Delivery Grant and the Public Health Grant. Overall, this is equivalent to 75% retention at 2019 to 2020 levels. Local authorities will then be able to keep the equivalent share of business rates growth on their baseline levels from 2020 to 2021, when the system is reset. The government intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from a grant to retained business rates.

Ahead of this, we will continue to test out aspects of the future business rates retention system in a broad range of authorities right across the country. And, to help us take forward our continued long-term plan to let local government keep 100% of its business rates, in 2018 to 2019 we will continue to pilot 100% business rates retention in Greater Manchester, Liverpool City Region, the West Midlands, West of England and Cornwall, introduce a London pilot, and will take forward 10 further 100% business rates retention pilots.

These are Berkshire, Derbyshire, Devon, Gloucestershire, Kent and Medway, Leeds City Region, Lincolnshire, Solent Authorities, Suffolk and Surrey. The 10 pilot areas will cover 89 local authorities in total.

I recognise that there is disappointment among those areas that were unsuccessful in their pilot applications this year and I am pleased to confirm that I intend to open a further bidding round for pilots in 2019 to 2020. Further information on this will be published in due course.

Conclusion

Local government delivers vital services at the heart of the communities they serve. This settlement strikes a balance between relieving growing pressure on local government whilst ensuring that hard-pressed taxpayers do not face excessive bills. We have listened to representations made and delivered on these requests: two years of real terms increases in resources, more freedom and fairness, and greater certainty to plan and secure value for money.