

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.

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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.