

Statement to parliament: Provisional local government finance settlement 2019 to 2020: statement

With permission, Mr Speaker, I wish to make a statement on funding for local authorities in England next year. Every day, these councils and the many hard-working, dedicated people who work for them do their communities proud; delivering the essential services on which we all depend and making a difference to every life they touch. It's a privilege to be working with and representing these communities.

In doing so, I'm determined to ensure that they get the resources and support to rise to new opportunities and challenges, to grow their economies and to ensure there is opportunity for all, here no one is left behind.

The [draft local government finance settlement](#) being published today – is an important step towards this. Provisional local authority funding allocations will be subject to further review before final settlement in line with my department's usual processes.

This provisional settlement confirms that Core Spending Power is forecast to increase from £45.1 billion in 2018-19 to £46.4 billion in 2019-20, a cash-increase of 2.8% and a real-terms increase in resources available to local authorities.

It has been challenging.

I am in no doubt about how challenging it has been for councils to drive efficiencies as they contributed to helping rebuild our economy and tackling the deficit [political content removed].

Which is why I'm delighted that the Budget committed around £1 billion of extra funding for local services, with a strong focus on supporting some of our most vulnerable groups.

This includes £650 million for adults and children's social care in 2019-20.

Of this, £240 million will go towards easing winter pressures, with the flexibility to use the remainder – £410 million for either adult or children's services and, where necessary, to relieve demands on the NHS.

This is on top of the £240 million announced in October to address winter pressures this year.

In addition, the Budget pledged an extra £84 million over the next five years to expand our Children's Social Care programmes to support more councils with high or rising numbers of children in care. This builds on the good work my department is already doing through the Troubled Families programme to improve all services for families with complex problems.

The Budget also provided a boost for our high streets via a £1.5 billion package of support; including a business rates discount worth almost £900 million and a £675 million Future High Streets Fund to help them adapt and thrive in changing times. In addition, there is a further £420 million to repair and improve our roads this year.

Mr Speaker, I recognise some of the pressures within social care.

I've been working with the Health and Social Care Secretary to take this forward and the government will soon be publishing a green paper on the future of Social Care.

This is a complex issue and we're working with local authorities – to ensure we get this right.

And we've taken this approach across the board – listening carefully to what councils of all shapes and sizes, across the country, are telling us and responding.

My thanks to my ministers – especially the Minister for Local Government, my Honourable Friend, the Member for Richmond – for all their work on this.

As a result, I can confirm that I will increase the Rural Services Delivery Grant by £16 million in 2019-20 to maintain this at last year's level. This recognises extra costs of providing services in those communities.

In addition, I am committing up to £20 million to maintain the New Homes Bonus baseline at 0.4% in 2019-20 – to ensure we continue to reward councils for delivering the homes we need.

There will also be no change to the Council Tax Referendum limits set for local authorities in 2018-19, aside from further flexibility offered on the police precept level.

Authorities will have the flexibility to increase their core Council Tax requirement by up to 3% and can draw, as needed, on the Adult Social Care precept to meet demand for services. But local residents will continue to be protected and be able to approve or veto any excessive rises in a referendum.

Measures that I have agreed with the Home Secretary – to allow Police and Crime Commissioners to increase the police precept to £24 – will also help Police and Crime Commissioners tackle the changing demands they face. Now, I'm also conscious that so-called "negative RSG" remains an issue in certain areas.

Having consulted on options for addressing this, I am pleased to announce that we intend to directly eliminate the £152.9 million "negative RSG" in 2019-20 using foregone business rates.

This will prevent any local authority from being subject to a downward adjustment to their business rates tariffs and top-ups that could act as a disincentive for growth.

So, Mr Speaker, we have been listening and acting on what we hear.

And nowhere is this more than true than when it comes to answering calls from councils, over many years, for more control over the money they raise.

Our plans to increase business rates retention to 75% from 2020 does that and more – giving local authorities powerful incentives to grow their local economies.

Under the current scheme, councils estimate that they will receive around £2.4 billion in business rates growth in 2018-19.

A significant revenue stream on top of the core settlement funding that I'm unveiling today.

It's therefore no wonder that councils are queuing up to get involved in the pilots we've been running to test the new approach.

And I'm delighted to announce that, in 2019-20, 15 new pilots will get underway in:

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

We will also be piloting 75% rates retention in London and continuing the existing pilots in devolution deal areas.

I'm also pleased to announce that every authority in England stands to reap the rewards of increased growth in business rates income, which has generated a surplus in the business rates levy account in 2018-19, and we are proposing to distribute £180 million of levy surplus to all councils based on need.

I am aware of a few authorities though who are continuing to undertake significant amount of borrowing for commercial purposes. I share the concerns of CIPFA and others about the risks that these local authorities are exposing themselves and local taxpayers to. We are considering with HM Treasury what further interventions may be required.

We're also launching two further consultations today on reforms to the business rates retention system and the new approach to distributing funding

through the Review of Relative Needs and Resources.

There is little doubt that the current funding formula needs fixing – and replacing with a robust, straightforward approach where the link between local circumstances and resources allocated is clear.

And with these consultations, we're making important progress towards this – and a stronger, more sustainable system of local government.

Mr Speaker, 2019 is shaping up to be a big moment for local government, drawing together our plans for a new approach to distributing funding and increased business rates retention, as well as the upcoming Spending Review.

No one knows their local areas like the councils that are at the heart of their communities.

And we're supporting them to harness that vast local knowledge and those networks to, yes, make the best of available resources and increase efficiency – but to also innovate and improve the way that we deliver services.

We're working with local authorities to promote efficiency and using this, we will develop a package of support to help councils become more efficient and get better service outcomes.

We will launch a continuous improvement tool in Spring 2019.

And we're championing authorities who are putting communities at the heart of service delivery.

The smarter use of technology is clearly pivotal to this and has the potential to be genuinely transformative. Which is why the Digital Declaration – launched by my Honourable Friend, the Minister for Local Government – to share and spread best practice in this area is so important.

This is backed by a £7.5 million Local Digital Innovation Fund and I'm delighted to say that the first successful bids were announced last week to kickstart projects, led by councils, to promote service transformation.

Mr Speaker, there is so much excellent, inspiring work that is underway in our local communities and it is right that we get behind it and have faith in the authorities who, day in, day out, always deliver.

This settlement and the extra funding announced in the Budget reaffirm that faith.

Delivering a cash-terms increase of 2.8% and a real-terms increase in spending for local authorities in 2019-20. Delivering extra support for the vulnerable, for quality public services, for our high streets and for local economic growth.

And paving the way for a fairer, more self-sufficient, more resilient future for local government – and a brighter future for the people and places they

serve.

And I commend this settlement to the House.