

The 2018/19 Provisional Local Government Finance Settlement

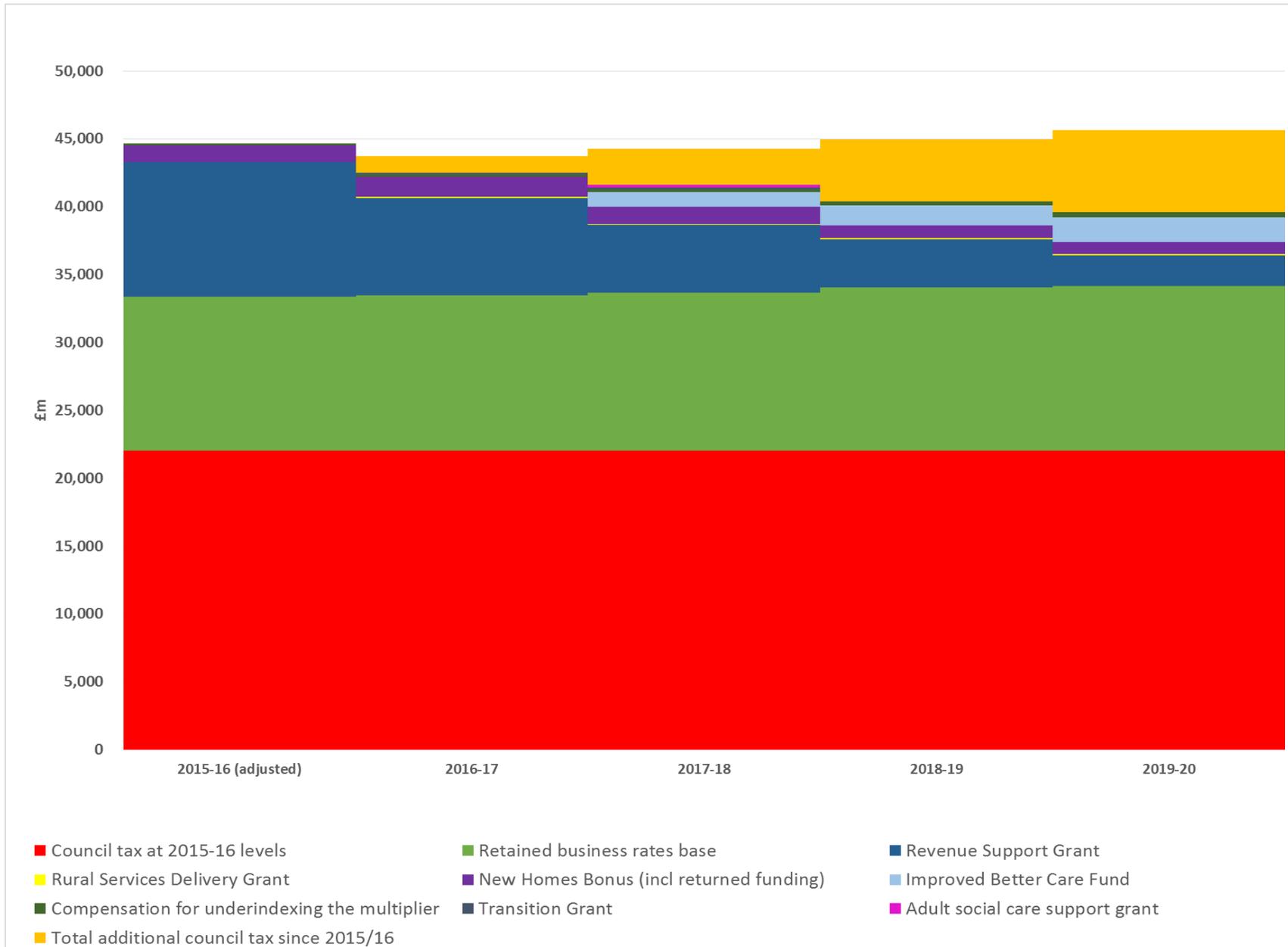
LGA Annual Local Government Finance
Conference January 2018

Nicola Morton, Head of Local Government Finance

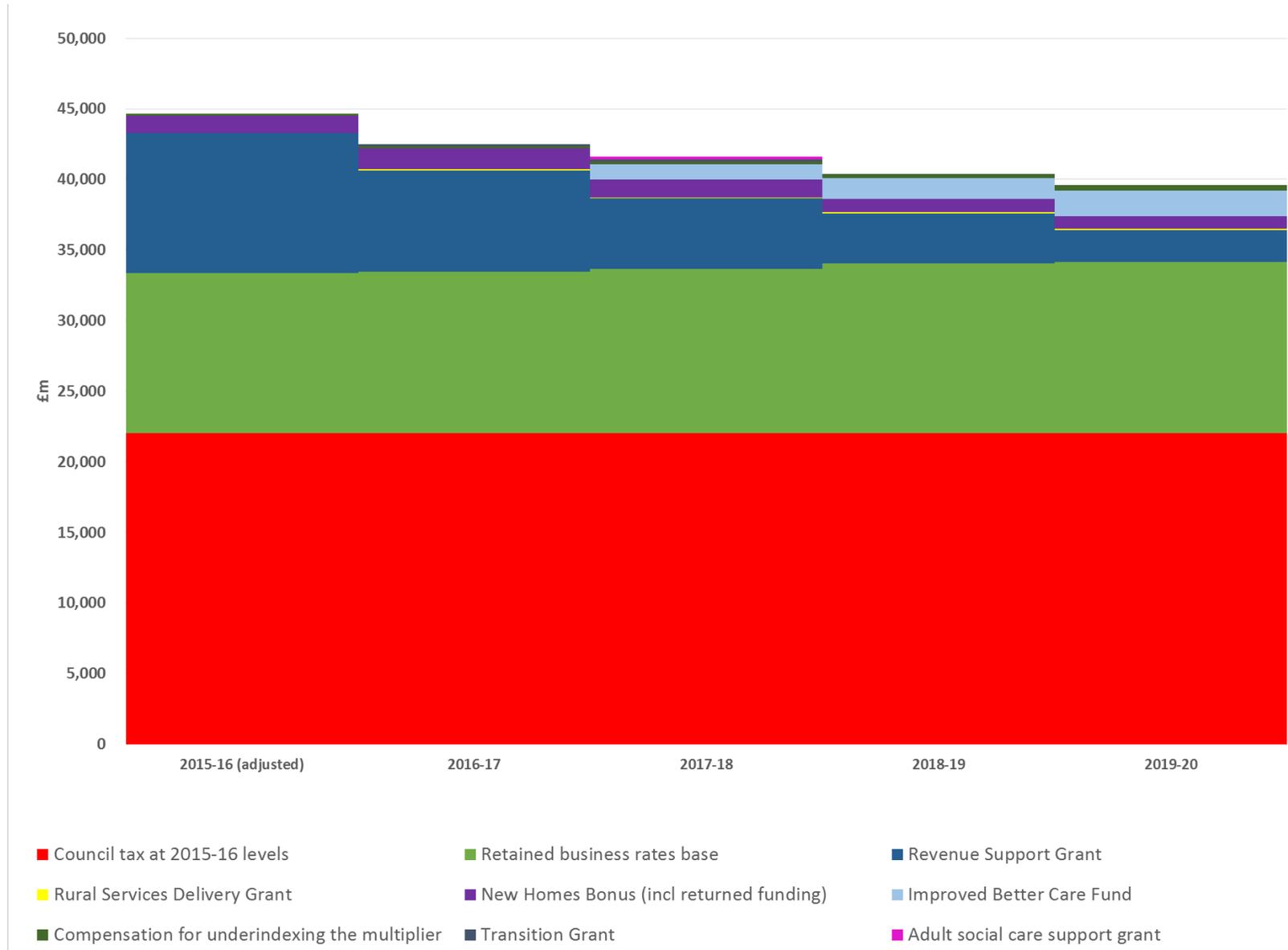
2018/19 LGF Settlement - Headlines

- Almost no additional central government funding
- Core Spending Power will increase by 2.1% over SR period
- 1.5% increase in Core Spending Power in 2018/19
- Expanded flexibility for local authorities in setting council tax levels
- Forthcoming consultation on negative RSG – ‘fair and affordable’
- 97% of councils accepted the multi-year settlement offer

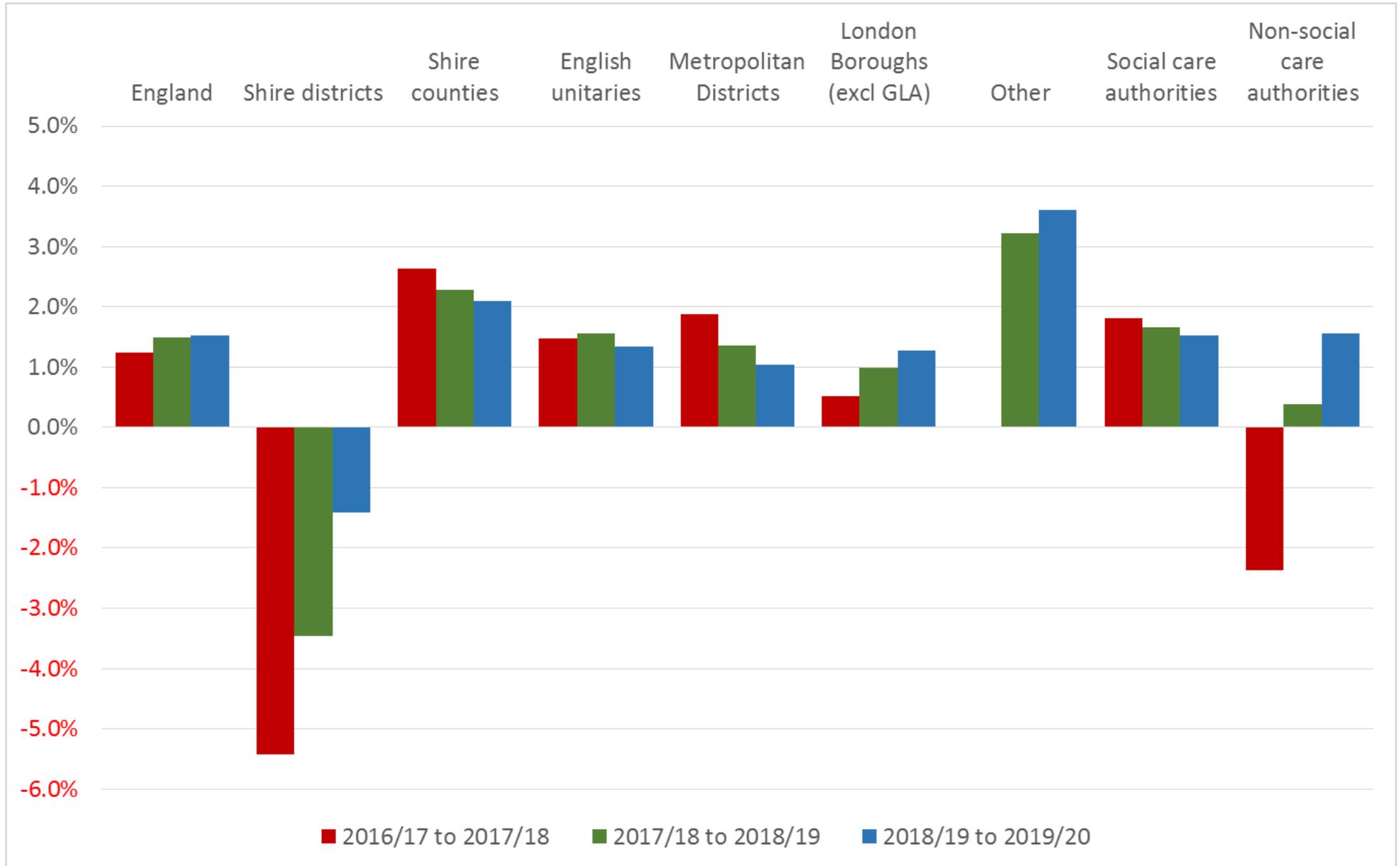
Core Spending Power (Dec 2017)



Core Spending Power excluding additional council tax (Dec 2017)



Core Spending Power Year-on-year changes



Changes in Core Spending Power since February 2017, excluding pilots

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Core spending power (Feb 2017)	43,564.2	44,078.6	44,167.8	45,015.3
Core spending power (Dec 2017)	43,729.3	44,271.3	44,934.4	45,622.8
Variance	165.1	192.7	766.6	607.6

Explained by:

Council tax - including core additional	0.0	-88.0	141.8	392.6
Adult social care precept	0.0	134.0	371.6	12.8
£5 / GLA flexibility	0.0	-3.4	4.7	13.0
Business rates - local share	0.0	0.0	-24.8	-186.4
S.31 grant for underindexing the multiplier	165.1	150.0	250.0	375.5
Revenue support grant	0.0	0.0	0.0	0.0
New homes bonus	-23.1	-24.5	8.2	0.0
New homes bonus - returned funding	23.1	24.5	0.0	0.0
Rural services delivery grant	0.0	0.0	15.0	0.0
Total variance	165.1	192.7	766.6	607.6

Council tax

- 3% referendum limit (none for town and parish councils for three years)
- ASC precept: Up to 3% in 2017/18 and 2018/19, up to 2% in 2019/20. No more than 6% overall
- Shire districts: the higher of £5 or 3% Band D
- PCCs and GLA police - £12 limit
- Directly elected mayors precept – by agreement
- Assumed growth in council tax:
 - 3% Adult Social Care Precept max possible in 18/19
 - Referendum limit
 - Growth in base based on last four years (average 2% per annum but localised)

Other announcements

- New Homes Bonus
 - Bonus paid for 4 years (reduction expected)
 - Plans to increase the threshold did not happen
 - Adjustment for homes approved by the Planning Inspectorate is not going ahead
- £35 million top slice to fund the safety net
- Adjustment to tariffs and top-ups for dealing with appeals
- Flexibility to use new capital receipts on revenue projects extended for three years, beyond 2020
- The Rural Services Delivery Grant will be £65 million in 2018/19

- 75% Business Rates Retention in 2020/21 by rolling in grants (Revenue Support Grant, Rural Services Delivery Grant, Public Health, GLA Transport Grant)
- Other improvements e.g. appeals
- Fair Funding Review implementation in 2020/21
- Fair Funding consultation published – deadline 12 March
- 2017/18 pilots to continue
- Extended London pilot announced in Autumn Budget 2017
- 10 new pilot areas (Berkshire, Derbyshire, Devon, Gloucestershire, Kent & Medway, Leeds, Lincolnshire, Solent, Suffolk, Surrey)
- 2019/20 pilots

General

- Disappointing the Government has failed to tackle the £5.8 billion funding gap
 - use BRR or new funding
- Additional council tax flexibility helps but:
 - 88 shire districts do not benefit
 - Places burden on households
 - Raises different amounts around the country, unrelated to need
 - Not enough to meet the funding gap
 - Referendums are an unnecessary burden
- Rises in pay and prices since accepted 4 year deal
- Cliff edge in 2020/21
- Announce settlements earlier

Social Care

- Extremely disappointing that Government has failed to find any new funding for children's and adults social care
- Adult social care precept continues to provide some flexibility but:
 - Places burden on households
 - Raises different amounts around the country, unrelated to need
 - Not enough to meet the funding gap
- Commitment to publishing Green paper on ASC welcome but funding needed in interim

New Homes Bonus

- The NHB makes up a considerable part of funding for many shire district authorities
- Good news that the Government has not amended the system – e.g. by increasing the baseline even further or holding back based on planning decisions
- The baseline of 0.4 per cent could remove incentive and penalise low growth areas
- Don't increase the baseline and fund this from outside the settlement

Business Rates

- Welcome ten new pilots to test 100 per cent business rates retention in 2018/19.
- Pilots must not negatively impact other councils
- Work with Government on further retention, fair funding review and a better way to deal with appeals

- Responses and representations to DCLG by 16 January
- Please send us your responses and comments to lgfinance@local.gov.uk
- Final Settlement – late January / early February
- Debate and approval in Parliament

Any Questions?