Local Government Association
Provisional Local Government Finance Settlement 2019/20
On the Day Briefing
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Briefing

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Introduction

The local government finance settlement is the annual determination of funding to local government from central government. This briefing covers the consultation on the local government finance settlement for 2019/20. We expect the final 2019/20 settlement to be laid before the House of Commons, for its approval, in late January or early February 2019.

The LGA has issued a media statement responding to today's announcement.

Key messages

- The extra funding in the 2018 Budget showed that the Government is listening to the LGA's call for desperately needed investment to ease some of the pressure facing local services next year. This included an additional £650 million for children and adults, and £420 million for roads funding.

- There is new money from central government included in the provisional settlement. Councils, however, will still face an overall funding gap of £3.2 billion in 2019/20. It is therefore disappointing that the Government has not used the settlement to provide further desperately-needed resources for councils next year.

- We are pleased that the Government has decided not to increase the New Homes Bonus (NHB) threshold further next year, and has provided up to £20 million to fund this. This makes up a considerable part of funding for some councils, particularly shire district authorities.

- Many councils will be forced to take tough decisions about which services have to be scaled back, or stopped altogether, to plug funding gaps. It is vital that the Government provides new funding for all councils in the final settlement, and uses the 2019 Spending Review to deliver truly sustainable funding for local government.

- We acknowledge that the Government has provided extra resources to some councils in 2019/20 to cancel the 'negative RSG' adjustment to tariffs and top-ups. The Government has also made an extra £16 million available through the Rural Services Delivery Grant.

- It is right that the £180 million surplus on the levy account is returned to local government.

- The additional one-off funding for adults and children's services announced in the 2018 Budget is welcome. However, there is still a substantial funding gap facing children's and adult social care in 2019/20. We have repeatedly warned of the serious consequences of the funding pressures facing these services. An injection of new money from central government is the only way to protect the vital services which care for older and disabled people, protect children and support families.

- Continued flexibility for local authorities in setting council tax levels will give some councils the option of raising extra money to offset some of the financial pressures they face next year. For shire districts with the lowest council tax levels the new limit does not provide any more spending power, as they can already increase council tax by 3 per cent or more due to the £5 flexibility. For many other district councils, the positive impact is minimal for the same reason. We call on the Government to offer further flexibility to these councils.

- No national tax is subject to referendum. The council tax referendum limit needs to be abolished so councils and their communities can decide how local services are paid for, democratically, through the ballot box. On its own, council tax flexibility is not a sustainable solution to the funding crisis. Increasing council tax raises different amounts of money in different parts of the country, unrelated to need. This also adds an extra financial burden on households.

- Further Business Rates Retention pilots will enable aspects of the 75 per cent Business Rates Retention system to be tested prior to implementation for all in 2020/21. Consultations on further Business Rates Retention and the Fair Funding Review have been published alongside the settlement. We will continue to work with the Government on these reforms, including tackling the impact of business rates appeals on local authorities.

- The four year deal runs out in March 2020. We remain concerned that there is no clarity over funding levels, nationally and locally, after that date. This hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades and demand pressures are increasing.

The following council tax referendum principles were announced:

  - a core principle of up to 3 per cent applying to shire county councils, unitary authorities, London borough councils, the City of London, the Isles of Scilly, the GLA general precept and fire and rescue authorities.
  - a continuation of the Adult Social Care precept, with an additional 2 per cent flexibility available for social care authorities. This is subject to total increases for the Adult Social Care precept not exceeding 6 per cent between 2017/18 and 2019/20, and increases being no more than 2 per cent in 2019/20.
  - shire district councils in two-tier areas will be allowed increases of up to 3 per cent, or up to and including £5, whichever is higher.
  - police and crime commissioners (PCCs) will be allowed increases of up to £24 in 2019/20 (including the Greater London Authority charge for the

  Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept).
  - Directly elected mayors will decide the required level of precept by agreement with their combined authorities.
  - Continue to defer the setting of referendum limits for town and parish councils.

- In the run up to the final settlement we will continue to work to ensure that the views of councils are heard and understood. We will be urging the Government to provide new funding for all councils as they prepare for the next financial year. This is the only way to help plug the growing funding gaps facing our local services.

The Settlement in Detail

The Ministry for Housing Communities and Local Government (MHCLG) has announced the provisional local government finance settlement for 2019/20.

We have provided a glossary of Local Government Finance terms which provides a brief explanation of some of the language used in this briefing. This can be found at Annex B.

Today's statement is broadly in line with the indicative figures for 2019/20 published in February 2018 with the following changes:

- The additional resources of £240 million for Adult Social Care and £410 million, for both adults and children's social care, announced in the Budget in October 2018, have been incorporated into Core Spending Power;

- Council tax figures have been updated to reflect decisions local authorities made in 2018/19, revised taxbase growth assumptions, and assumptions on council tax increases as set out in the 'Core Spending Power' section below;

- The Government has confirmed its decision to remove the downward adjustment to tariffs and top-ups for authorities which would otherwise have been in 'negative RSG' for 2019/20. This is being funded by central government;

- New Homes Bonus allocations have been revised to reflect actual housing growth. The Government has not increased the New Homes Bonus threshold; the government is committing up to £20 million to maintain this;

- £180 million of surplus on the levy account will be distributed to all councils, based on the 2013/14 Settlement Funding Assessment.

- 15 local authority areas have been selected to pilot 75 per cent Business Rates Retention in 2019/20, as well as all London boroughs and the City of London Corporation (previously 100 per cent in 2018/19). The five 100 per cent business rates pilots which started in 2017/18 will continue at 100 per cent in 2019/20. This should have no financial effect on non-pilot authorities.

97 per cent of councils accepted the multi-year settlement offer from 2016/17 to 2019/20. This included:

- Revenue support grant;
- The business rates top-up or tariff (adjusted for the 2017 revaluation);
- Rural Services Delivery Grant; and
- The Transition Grant for 2016/17 and 2017/18.

The closing date for responses to MHCLG is 10 January 2019. We expect the final settlement to be published in late January / early February 2019.

At the LGA's Annual Finance Conference on Tuesday 8 January 2019 we will share details of further analysis of the settlement with councils. The event will also cover the forthcoming Spending Review, further Business Rates Retention and the Fair Funding Review. You can book your place and find out more information here.

Core Spending Power

Core Spending Power in 2019/20 consists of:

- Revenue Support Grant;
- Retained business rates;
- Section 31 grants to compensate for historic caps on business rates multiplier increases, and uprating the multiplier by the Consumer Price Index instead of the Retail Price Index;
- Income from the New Homes Bonus, including any returned unused top-slice;
- Adult social care winter pressures grant for 2018/19 and 2019/20;
- The additional Social Care Support Grant for 2019/20;
- Improved Better Care Fund;
- Rural Services Delivery Grant;
- Income from council tax assuming that the tax base grows and councils increase council tax by the 3 per cent basic referendum limit in 2019/20. It also includes an assumption of the maximum possible social care precept in 2019/20, and the additional flexibility for shire districts and police and crime commissioners.

The Government figures indicate that Core Spending Power in accordance with this definition will rise by an average 2.8 per cent in 2019/20. These Government assumptions are on the basis that every council will raise their council tax by the maximum permitted without a referendum. The change over the whole Spending Review period is an increase of 3.8 per cent in cash terms.

Detailed Core Spending Power figures are included in Annex A.

LGA view:

- It is disappointing that there is not more new money from central government in the settlement, other than an extra £16 million of rural services delivery grant and up to extra £20 million of new homes bonus. It is right that the £180 million surplus on the levy account is returned to local government.

- Local services are facing a £3.2 billion funding gap in 2019/20. The resources announced today and local authority council tax income are nowhere near enough to meet this gap. The Government needs to provide new funding for all councils in the Final Settlement and in Spending Review 2019 so they can protect vital local services.

- The Government should fully fund the new burdens resulting from the introduction of the National Living Wage for both in-house staff and providers. Local authorities are also facing significant price inflation, which was not forecast when local authorities signed up to the four year offer.

- The four year deal ends in 2019/20. We remain concerned that there is no clarity over funding levels, both nationally and locally, after March 2020. This hampers meaningful financial planning at a time when government grant funding is the lowest it has been for decades and demand pressures are increasing.

Fair Funding Review

Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a further consultation on its progress. The deadline for responses is 21 February 2019.

This consultation covers all three key strands of the Review. In particular, it:

- Sets out the Government's preferred options on the structure of the relative needs assessment, including tier-specific foundation formulas and formulas to assess specific services, the leading cost drivers for inclusion in these formulas, and analytical techniques to weight cost drivers;

- Sets out the Government's preferred options on measuring the council tax base, in particular treatment of mandatory and discretionary council tax discounts, and the choice of council tax level to be used when calculating the resources adjustment; and

- Outlines options on high level principles that could underpin the choices of transition mechanism, and the definition and measurement of 'baseline' and 'target' between which the transition mechanism would be applied to.

We encourage member authorities to respond to the consultation and share their views with us by emailing lgfinance@local.gov.uk as we formulate our response. We will also be running a series of free regional events, with MHCLG, on the consultation to enable local authorities to discuss their views directly with MHCLG officials. More details are available on the LGA's events page.

LGA view:

- Local authorities must receive as much advance notice as possible of their provisional funding baselines to enable proper financial planning.

- In our response to the consultation we will be making clear that any outcome of the Fair Funding Review will not be sustainable unless it is introduced alongside sufficient additional resources to meet the funding gap facing local authorities.

New Homes Bonus

The provisional amount of £918 million for the New Homes Bonus (NHB) has been included in Core Spending Power in 2019/20. This is an increase of £18 million compared to the indicative figures included in Core Spending Power for 2019/20 published with the 2018/19 final settlement in February 2019. The bonus will be funded through £20 million in grant with the rest (£900 million) in top-sliced funding. Following changes in 2018/19, the bonus is now paid for four years.

The threshold over which the bonus will remain at 0.4 per cent.

LGA view:

- We welcome the Government's decision not to increase the threshold further in 2019/20. The NHB makes up a considerable part of funding for some councils particularly shire district authorities.

Business rates

The new areas that will pilot 75 per cent Business Rates Retention in 2019/20 have been announced. They are:

- Berkshire
- Buckinghamshire
- East Sussex
- Hertfordshire
- Lancashire
- Leicestershire
- Norfolk
- Northamptonshire
- North and West Yorkshire

- North of Tyne
- Solent Authorities
- Somerset
- Staffordshire and Stoke
- West Sussex
- Worcestershire

The pilot areas announced in 2017/18 (Greater Manchester, Liverpool City Region, Cornwall Council, the Combined Authorities of the West of England and the West Midlands) will continue. The London pilot will continue, but at a reduced rate of 75 per cent rather than 100 per cent. This means that 16 areas will be piloting 75 per cent retention in 2019/20 and 5 areas will still be at 100 per cent. Adjustments will be made to the tariff and top-ups of these authorities. The pilots will not impact on non-pilot authorities. Including these areas, MHCLG is consulting on 30 business rates pools.

The Secretary of State confirmed his aim to introduce 75 per cent Business Rates Retention for all in 2020/21 and published a consultation document on possible changes to the system. The main proposals relate to balancing risk and reward; resets, the safety net, the levy, tier splits within areas, incentivising pools, central and local rating lists, including inviting proposals for properties that should change lists, There is also consideration of the best way of dealing with appeals and an alternative model of business rates retention. The deadline for responses is 21 February 2019.

We encourage member authorities to respond to the consultation and share their views with us by emailing lgfinance@local.gov.uk as we formulate our response. We are also running a series of free regional consultation events in cooperation with MHCLG – you can book your place on our events website.

The following table shows the change to the business rates multiplier, incorporating the September 2018 increase to the Consumer Prices Index

2018/19 small business rates multiplier	48.0p
plus September 2018 CPI increase	1.1p
equals 2019/20 small business rates multiplier	49.1p
2019/20 national business rates multiplier	50.4p

Source: Business Rates Information Letter 4 (Autumn Budget)

LGA view:

- We welcome the consultation on reforms to the Business Rates Retention system and will submitting a response in due course.

- Along with individual councils, the LGA will continue to engage extensively in discussions with the Government on the implementation of further Business Rates Retention. We remain clear that extra business rates income should go towards meeting the funding gap facing local government and no council should see its funding reduce as a result of a new distribution system.

- We welcome the fact that certain aspects of further retention can be tested through pilots and that 15 new pilots have been announced. At the same time it is important that this does not affect other authorities now or when further Business Rates Retention is implemented.

- There are still more than 90,000 business rates appeals outstanding from the 2010 list. We are working with the Government to find a better way to deal with business rates appeals under the Business Rates Retention system. Separately, we call on the Government to ensure that all outstanding appeals from the 2010 rating list are dealt with as soon as possible through providing resources to the Valuation Office Agency and other relevant organisations. This will be relevant in the run-up to the next revaluation, due in 2021.

- It is positive that councils will continue to be fully compensated for the loss of income from the centrally determined reliefs, such as the retail relief announced in Budget 2018, continuing rural rate relief and small business rate relief. However, this reduces the buoyancy of the tax base by impacting upon the amount of business rates income and the growth in business rates. This is one of the issues to discuss with the Government as we move to further Business Rates Retention.

Council tax

The basic referendum principle for 2019/20 is proposed to be 3 per cent, with the exception of all shire district authorities, for which a higher limit of either 3 per cent or £5 (on a Band D bill) applies. All Police and Crime Commissioners, and the GLA charge for the Metropolitan Police, will have a limit of £24 on a Band D bill. The Government intends to defer the setting of referendum principles for town and parish councils for three years from 2018/19.

As previously announced, social care authorities will be able to increase their council tax by up to 2 per cent (over the existing basic referendum threshold of 3 per cent referred to above) as long as precept increases do not exceed 6 per cent over the 3 year period from 2017/18 to 2019/20. That means that if a council has already used up the flexibility in 2017/18 and 2018/19 it cannot increase its social care precept further.

Directly elected mayors will decide the required level of precept by agreement with their combined authorities.

LGA view:

- No national tax is subject to referenda. The council tax referendum limit needs to be abolished so councils and their communities can decide how local services are paid for, with residents able to democratically hold their council to account through the ballot box.

- However, this is not a sustainable solution as increasing council tax, or introducing a social care precept, raises different amounts of money in different parts of the country, unrelated to need. This also adds an extra financial burden on already struggling households.

- Should the Government proceed with setting referendum limits, we would call on it to take into account the following:

  - There is a particular impact on those social care authorities who cannot increase their precept further due to already being at the 6 per cent limit.
  - For shire districts with the lowest council tax levels the 3 per cent limit does not provide any more spending power, as they can already increase council tax by 3 per cent or more due to the £5 flexibility. For many other district councils, the positive impact is minimal for the same reason. We call on the Government to increase the £5 limit for district councils to £10.
  - There is also a case to examine an additional 'prevention precept' to be raised in shire district areas so that the same amount, adjusting for differing taxbases, could be raised in a two tier area as in a unitary area. How this 'prevention precept' is used should be agreed locally.
  - The adult social care precept raises significantly different levels of resources in different council areas which do not necessarily match spending pressures.
  - Fire authorities have particular pressures due to the funding of pay increases. If there is not an increase in the grant for FRAs, we understand they have suggested that there be an increase in the referendum cap for standalone FRAs so they could budget for a pay increase from raising council tax.

Adult social care

The Government has confirmed the allocations of £240 million adult social care winter pressures funding in 2018/19 and 2019/20, as well as a £410 million social care grant in 2019/20.

£410 million of social care grant in 2019-20 for adult and children's services is intended to be spent, where necessary, to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.

As per flexibilities introduced in the 2017/18 Local Government Finance Settlement, social care authorities will be able to increase their council tax by up to 2 per cent (over the existing basic referendum threshold of 3 per cent referred to above) in 2019/20 as long as adult social care precept increases do not exceed 6 per cent over the 3 year period between 2017/18 and 2019/20. The majority of councils exhausted this flexibility in the previous years.

The Government's green paper on adult social care and support is still not published.

LGA view:

- The Government has provided helpful extra short term funding to tackle some of the immediate pressures facing these vital services, and this will be welcomed by councils. However, short term measures are not enough and the funding does not address the full extent of all immediate pressures, let alone pave the way for a sustainable, long-term future. Councils, charities, care providers and others continue to warn of the serious consequences of funding pressures on older and disabled people who use services, their carers and the provider market. Councils cannot simply turn services on and off as funding ebbs and flows.

- Putting in place the right services, that are high quality and delivered by a sustainable provider market and properly skilled workforce, requires forward planning. Adult social care services still face a £3.56 billion funding gap by 2024/25, just to fund the National Living Wage and to maintain existing standards of care.

- In response to our own green paper on social care and wellbeing, we are now calling on the Government to abandon this short-term incrementalism and make the case for national tax rises or a new insurance scheme so that current and future generations can be confident they will have the care and support they need to live the life they want to lead.

- While adult social care council tax flexibility is welcome, it is unfair to shift the burden of tackling a national crisis onto councils and their residents. Our analysis shows that nearly 40p in every £1 of council tax paid in England will be spent on adult social care by the end of the decade. The adult social care council tax precept policy also has a different effect in different areas as authorities with a weaker tax base will not be able to raise as much income through this flexibility than those authorities with a stronger tax base. In addition, the ability to collect council tax is unrelated to need.

Children's services

Further details have been given on the additional £410 million announced in the budget, which is for both children's and adults' social care, and which will be paid in the form of a Social Care Grant. Other than that there is no new money in the settlement for children's services.

As announced in the 2018 Autumn Budget, £84 million has been made available over 5 years for up to 20 local authorities, to help more children to stay at home safely with their families. This investment builds on the lessons learned from successful innovation programmes in Hertfordshire, Leeds and North Yorkshire.

LGA view:

- Whilst flexibility in the use of resources is welcome, the £410 million additional funding allocated to support social care can only be spent once and the combined funding gap for adult and children's social care in 2019/20 is £2.6 billion meaning that very significant pressures remain.

- The announcement of £84 million over five years to expand children's social care programmes in 20 areas is a small step in the right direction, but councils in England face a £1.1 billion shortfall in the next year alone just to keep services running at current levels. While any additional investment is welcome, this will do little to alleviate the immediate and future pressures on services for some of the most vulnerable children and families in the vast majority of council areas.

- Organisations from across the public and voluntary sector have joined our consistent warnings that the current situation is unsustainable, with ongoing cuts to national funding for preventative services leaving children and families entering the child protection system in record numbers. On average, councils started more than 500 child protection investigations every day last year – up from just 200 a decade ago – and the number of children in the care system increased at the fastest rate since 2010.

- Children who are experiencing, or are at risk of, neglect or abuse deserve the very best support to make sure they are safe and well and councils are committed to ensuring every child has the best start in life. Increasing demand-led pressures, combined with the funding gap mentioned above, means councils are finding it increasingly difficult to continue to provide high quality support to children and families who need it. It is time for the Government to give councils the resources they need to provide the support that vulnerable children and families need, when they need it.

<u>Schools and SEND funding</u>

The settlement did not contain any announcements on schools and education funding.

LGA view:

- The introduction of the National Funding Formula for Schools, combined with changes to High Needs Funding, is exacerbating existing shortfalls in funding to support children and young people with special educational needs and disability (SEND), by reducing council flexibility to move funding between the schools and high needs funding blocks. The Government needs to provide additional funding to meet the pressures, otherwise councils may not be able to meet all aspects of their statutory duties. We acknowledge the Department for Education (DfE) has provided some extra funding since 2015/16, but this has been allocated on the basis of the total number of children in an area, rather than any measure of the number of children with complex needs.

- Councils are telling us that pressures on the High Needs funding block is one of the most serious financial challenges that they are currently dealing with. We have therefore commissioned research to look at the scale of the issue and the initial findings show that councils are facing a funding shortfall of £472 million for the 2018/19 financial year, double the shortfall for 2017/18. Councils need an urgent injection of cash to effectively meet the needs of children with Special Educational Needs and Disabilities.

Public health

While final allocations for 2019/20 public health grant have not yet been published, the Government has previously published indicative allocations which imply a reduction of £85 million.

In the Fair Funding Review consultation documents published alongside the settlement, the Government has set out that the final decision on whether public health grant will be funded through business rates from April 2020 will now be made in 2019.

LGA view:

- The Government should publish the 2019/20 individual local authority allocations of public health funding as soon as possible.

- Councils continue to face significant spending reductions to their public health budget up to 2020/21. The public health grant will have been cut by the Government by £531 million (nearly 10 per cent) from 2015/16 to 2019/20. These cuts must be reversed.

- Any reductions to the public health budget will have a significant impact on the essential prevention and health protection services provided by councils. Given that much of the local government public health budget pays for NHS services, including sexual health, drug and alcohol treatment and Health Visitors, this will be a cut to the NHS in all but name.

- If the further cut to funding is to go ahead, it is crucial that councils are given a free hand in how best to find the savings in public health budgets and we seek the Government’s reassurance on this point. Anything less will make the task of finding the reductions more difficult. Councils are best placed to decide how reduced resources should be used to meet our public health ambitions locally.

- We are disappointed to see continued uncertainty over the future of the public health grant. The Government has previously committed to this grant being rolled into Business Rates Retention (and, as such, forming part of the Fair Funding Review) multiple times.

Rural Services Funding

The Rural Services Delivery Grant will be £81 million in 2019/20, £16 million higher than previously announced.

LGA view:

- Councils in rural areas will welcome this additional funding.

Commercial Investments

- MHCLG is considering, in conjunction with HM Treasury, what interventions may be needed in relation to the few authorities that it is aware of that are continuing to undertake significant borrowing for commercial purposes.

LGA view

- Councils have been encouraged to find ways of protecting services by generating income from alternative sources. Councils face a choice of either accepting funding reductions and having to cut services, or considering other ways to generate resources to secure those services in the long term. If councils make investments, they have to follow strict rules and undertake assessments to ensure they invest wisely and manage the risk of their investments appropriately.

- In many cases, councils have not only been making investment decisions that can help them replace funding shortfalls, but also contribute to their local economy and environment.

Support for councils on improvement

The Government is developing a package of support to help councils become more efficient and get better service outcomes. The Government has announced the launch of a continuous improvement tool in Spring 2019.

LGA view:

- We are working with MHCLG and councils to develop this self-assessment tool to help councils continuously improve. This will form part of a wider package of support easily accessible on-line and will build on all the improvement tools we already have in place including peer challenge, leadership development and LG Inform.

Fire Funding

As with councils, Fire and Rescue Authorities will be able to raise their precept by 3 per cent in 2019/20.

LGA view:

- Without changes to the funding of fire and rescue services in 2019/20, there will continue to be pressure put on them and, and their ability to respond to the full range of risks they face and are expected to address. The reductions fire and rescue services will have to continue to find will have an impact on national and local resilience as well as operational capacity, and their ability to respond to unpredictable events.

- Fire and rescue services need to be funded to take account of the full range of risks and demands they face, such as the new role they will have in ensuring building safety after the fire in Grenfell Tower and new fire risks they face such as the wild fires that occurred over the summer. To assist fire and rescue services to address the financial challenges they face, the referendum limit on their precept should be removed. Additional funding should be made available to enable fire and rescue services to drive transformation in the way they deliver their services and the capital funding issues faced by some services addressed.

- It is disappointing that the Government has not recognised the issue of rewarding fire employees to reflect the positive impact that the broader work of fire and rescue services in collaborating with health and other partners could have. Work on developing the funding case continues and we look forward to continued discussions with government to deliver the best outcomes for fire and rescue services, their communities, partners and employees.

Brexit preparations

To support Brexit preparations, the 2018 Budget confirmed that the Government will have invested over £4 billion in preparing for the EU exit since 2016. The settlement did not contain any announcement on funding to support councils to prepare for Brexit.

LGA view:

- Councils are making preparations for Brexit, without extra funding to support this additional work.

- The LGA has stated that any new responsibilities or added financial pressures for councils arising from Brexit must be fully funded.

- We look forward to a future announcement from the Treasury on the departmental allocations from the additional resources. MHCLG must ensure that additional work being carried out by councils in preparation for Brexit is fully funded.

Police Funding

The police funding settlement was announced in an oral statement today. Police and Crime Commissioner precepts, as well as the GLA charge for the

Metropolitan Police, will be permitted to increase by up to £24 compared to 2018/19. Provisional allocations for individual policing bodies are published on the Home Office website.

Further Information

To help inform the LGA's response to the consultation settlement we will continue to analyse the settlement to develop a deeper understanding of the effect on councils. To further inform the LGA's response please send your responses to, and any comments on, the settlement to lgfinance@local.gov.uk.

The LGA will share the results of some of this analysis with authorities at the LGA's Finance Conference on 8 January 2019. The event will also cover the 2019 Spending Review, further Business Rates Retention and the Fair Funding Review. Among other speakers, this year's conference will hear from the Secretary of State for Housing, Communities and Local Government, his Shadow counterpart and the Chief Secretary to the Treasury. You can find out more about the agenda and book your place here.

For further information on the content of this briefing please contact Mike Heiser, Senior Adviser (Finance) (mike.heiser@local.gov.uk / 020 7664 3265); Thomas Leighton, Public Affairs and Campaigns Adviser (thomas.leighton@local.gov.uk / 020 7664 3094).

Annex A: Core Spending Power

	2015/16	2016/17	2017/18	2018/19	2019/20
			£ million		
Settlement Funding Assessment	**21,249.9**	**18,601.7**	**16,632.6**	**15,574.2**	**14,559.6**
Compensation for under-indexing the business rates multiplier	**165.1**	**165.1**	**175.0**	**275.0**	**400.0**
Improved Better Care Fund	**0.0**	**0.0**	**1,115.0**	**1,499.0**	**1,837.0**
Rural Services Delivery Grant	**15.5**	**80.5**	**65.0**	**81.0**	**81.0**
Transition Grant	**0.0**	**150.0**	**150.0**	**0.0**	**0.0**
Adult Social Care Support Grant	**0.0**	**0.0**	**241.1**	**150.0**	**0.0**
New Homes Bonus	**1,167.6**	**1,461.9**	**1,227.4**	**947.5**	**917.9**
New Homes Bonus - returned funding	**32.4**	**23.1**	**24.5**	**0.0**	**0.0**
Winter pressures Grant	**0.0**	**0.0**	**0.0**	**240.0**	**240.0**
Social Care Support Grant	**0.0**	**0.0**	**0.0**	**0.0**	**410.0**
Council Tax *of which:*	**22,035.9**	**23,247.3**	**24,665.8**	**26,331.6**	**27,927.1**
'Core' Council Tax, including tax base growth and maximum allowed increases from 2017/18 to 2019/20	*22,035.9*	*22,858.5*	*23,701.6*	*24,766.9*	*26,025.2*
Adult Social Care Precept	*0.0*	*381.8*	*948.2*	*1,529.1*	*1,810.2*
Additional flexibility for Shire Districts	*0.0*	*7.0*	*16.0*	*35.6*	*91.7*
Core Spending Power	**44,666.5**	**43,729.5**	**44,296.5**	**45,098.3**	**46,372.7**
Year-on-year Change (£ million)		*-936.9*	*566.9*	*801.8*	*1,274.4*
Year-on-year Change (%)		*-2.1%*	*+1.3%*	*+1.8%*	*+2.8%*
Change over the SR period (£ million)					*1,706.2*
Change over the SR period (%)					*+3.8%*

Source: Core Spending Power: Supporting Information, Department for Communities and Local Government

Annex B – Glossary of Local Government Finance Technical Terms

Adult Social Care Precept	Local authorities with responsibility for adult social care have flexibility to raise additional council tax above the referendum threshold. Funding raised through this additional 'precept' must be used entirely for adult social care.
Adult social care support grant/ Winter pressures grant	A grant allocated to social care authorities on the basis of the 2013/14 adult social care relative needs formula calculations.
Baseline funding level	The business rates baseline for each authority determined at the start of the 50 per cent business rates retention scheme in 2013/14, uprated in line with the small business rates multiplier each year.
Better Care Fund (BCF)	A single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.
Business rates revaluation	A regular exercise by the Valuation Office Agency, last carried out in 2017, to reassess the rateable value of individual non-domestic hereditaments. The results are used to set new business rates bills. The next revaluation is planned for 2021 and from then on the Government intends to move to a three-yearly revaluation cycle.
Central Share	The percentage share of locally collected business rates paid to central government by billing authorities. In 2013/14 when business rates retention began this was set at 50 per cent. The central share is redistributed to local government through grants including the Revenue Support Grant.
Core Spending Power	The Government's measure of the core components of local government funding, comprising the Settlement Funding Assessment, assumed income from council tax (including the adult social care precept), New Homes Bonus, Rural Services Delivery Grant and the improved Better Care Fund and Adult Social Care Support Grant
Dedicated Schools Grant	The Dedicated Schools Grant is the principal source of funding for schools and related activities in England. It is a ringfenced grant paid to local authorities for maintained schools. School-level allocations are currently determined in consultation with the schools forum in each local authority area. From April 2017 has also included the 'retained duties' element previously paid as part of the Education Services Grant
Improved Better Care Fund (iBCF)	Additional funding for adult social care authorities from 2017/18 onwards.
Levy account	A Government account into which proceeds from the business rates levy, and any top-slice, are paid and which is used to pay safety net to qualifying authorities. Any surplus is to be returned to authorities.
Local Share	The percentage share of locally collected business rates retained by local government. This was set at 50 per cent at the implementation of business rates retention.
(Business Rate) Multiplier	The business rates multiplier when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. Unless the Government decides to set a lower increase, the small business multiplier is uprated annually by the Consumer Prices Index and the other multiplier adjusted accordingly.

New Burdens Doctrine	The Cabinet agreed that all new burdens on local authorities must be properly assessed and fully funded by the relevant department.
New Homes Bonus (NHB)	A grant paid to reward local authorities for the number of homes built and brought back into use.
Pupil Premium	A grant allocated to schools based on the number of pupils who have been registered for free school meals at any point in the last six years ('Ever 6 FSM'). Schools also receive funding for children who are or have been in local authority care and for children of service personnel.
Revenue Support Grant	A grant paid to local authorities as part of the Settlement Funding assessment (see below) which can be used to fund revenue expenditure on any service.
Rural Services Delivery Grant	A grant paid to the top quartile of local authorities on the basis of the super-sparsity indicator, in recognition of possible additional costs for rural councils.
Safety Net	A mechanism to protect any authority which sees its business rates income drop, in any year, by more than a given level below their baseline funding level. In 2019/20 this level is set at 7.5 per cent for authorities with 50 per cent business rates retention, 5 per cent for authorities with 75 per cent business rates retention and 3 per cent for authorities with 100 per cent business rates retention.
Section 31 Grant	A grant paid to local councils under Section 31 of the Local Government Act 2003, under such conditions as the minister may determine. This mechanism is used to compensate local authorities for the costs of additional business rates reliefs announced by Government.
Settlement Core Funding	Settlement Funding Assessment (Revenue Support Grant plus baseline funding) plus council tax at 2015/2016 levels.
Settlement Funding Assessment (SFA)	This is a local authority's share of the local government spending control total which will comprise its Revenue Support Grant for the year in question and its baseline funding level.
Small Business Rate Relief	Businesses with a property with a rateable value of £12,000 and below receive 100 per cent relief on business rates. Businesses with a property with a rateable value between £12,000 and £15,000 receive tapered relief.
Social Care Support Grant	A £410 million grant paid in 2019/20. This is intended to be spent, where necessary, to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.
Top-Ups and Tariffs	The difference between an authority's business rates baseline (the amount expected to be collected through the local share of business rates) and its baseline funding level (the amount of SFA provided through the local share). Tariff authorities make a payment and top-up authorities receive a payment. Tariffs and top-ups are self-funding at the outset of the scheme and uprated in line with the small business rates multiplier each year, except for recalculation so that authorities do not have gains or losses solely due to business rates revaluation.
Transition Grant	A grant provided to some authorities to smooth the transition to the new methodology used to allocate reductions to Revenue Support Grant in 2016/17 and 2017/18.