# Local Government Association
# Provisional Local Government Finance Settlement 2018/19 – On the Day Briefing

19 December 2017

## 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 2018/19. We expect the final 2018/19 settlement to be laid before the House of Commons, for its approval, in February 2018.

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

## Key Messages

- Almost no new money from central government has been included in the settlement. The Government has increased the general council tax referendum limit from 1.99 per cent to 2.99 per cent for 2018/19 and 2019/20. Further 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 88 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 other national tax is subject to referenda. The council tax referendum limit needs to be abolished so councils and their communities can decide how under-pressure 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 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.

- Local services are facing a £5.8 billion funding gap in 2019/20, as well as a £1.3 billion pressure to stabilise the adult social care provider market today. The additional council tax flexibility – estimated by our analysis to be worth up to £540 million in 2019/20 if all councils use it in both 2018/19 and 2019/20 – is nowhere near enough to meet the funding gap. The Government needs to provide new funding for all councils over the next few years so they can protect vital local services from further cutbacks. Further business rates retention income could be used to meet the funding gap facing local government.

Briefing

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- The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities. It is good news that the Government has accepted our call to avoid further increases to the threshold and no holdback for decisions on new homes approved by the Planning Inspectorate.

- It is extremely disappointing that the Government has again chosen not to address the continuing funding gap for children's and adult social care. We have repeatedly warned of the serious consequences of funding pressures facing these services, for both the people that rely on them and the financial sustainability of other services councils provide. 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.

- Ten further 100 per cent business rates retention pilots will enable aspects of the 100 per cent business rates retention system to be tested. At the same time, discussions will continue between Government officials, the LGA and councils on the introduction of further business rates retention for all in 2020/21. The Government has also confirmed that the Fair Funding Review will be completed in time for implementation in April 2020. We will continue to work with the Government on further business rates retention and the Fair Funding Review, including tackling the impact of business rates appeals on local authorities in time for the implementation of further business rates retention in 2020/21.

- Councils will see their core funding from central government cut in half over the next two years and almost phased out completely by the end of the decade. We acknowledge that the Government has recognised the need to find a way to help councils who will not receive a penny of Revenue Support Grant funding in 2019/20. It must now also use the final Settlement to provide funding to all councils over the next two years.

- The four year deal runs out in March 2020. We remain concerned that there is no clarity over funding levels, for both the national pot and local allocations, 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.

- Autumn Budgets needs to be earlier in the year so that the provisional Local Government Finance Settlement can be brought forward. This would allow councils to make robust and efficient medium term plans.

- The settlement means the following council tax referendum principles now apply:

    - For social care authorities, a 3 per cent basic referendum principle in 2018/19 and 2019/20, in addition to the adult social care precept under previously announced rules;
    - For shire district councils, the higher of 3 per cent or £5 for a Band D property in 2018/19 and 2019/20;

- For fire authorities, a general council tax referendum principle of 3 per cent in 2018/19 and 2019/20;
- For Police and Crime Commissioners, the higher of 3 per cent or an extra £12 on a Band D property;
- For Mayoral Combined Authorities (excluding the West of England), directly elected Mayors will have an ability to set the required level of council tax by agreement of their Combined Authorities;
- No referendum limit for parish councils for the next three years.

- We will continue to work with the Government to help shape the details of today's announcements ensuring that the views of councils are heard and understood, and will continue to respond to all related consultations. We will be particularly pushing the Government to provide new funding for all councils as they prepare for the final settlement, as we have done in previous years. This is the only way to help plug the growing funding gaps facing our local services.

## The Settlement in Detail

The Department for Communities and Local Government (DCLG) has announced the provisional Local Government Finance Settlement for 2018/19.

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 2018/19 announced last year with the following changes:

- The council tax figures have been updated to reflect decisions local authorities made in 2017/18, revised taxbase growth assumptions, and assumptions on council tax level increases as set out in the 'Core Spending Power' section below;

- There is a new line within the Core Spending Power calculation which reflects past and future section 31 grants paid to compensate councils for caps to the business rate multiplier increases;

- New Homes Bonus allocations have been revised to reflect actual housing growth;

- There is a £35 million top-slice from RSG to supplement the levy to fund the business rates safety net;

- The Rural Services Delivery Grant will be £65 million, an increase of £15 million on the amount originally announced for 2018/19 and maintains the 2017/18 funding levels to the end of the spending review period;

- An additional 10 local authority areas are piloting 100 per cent business rates retention, as well as all London boroughs and the City of London Corporation. This should have no financial effect on other authorities.

Local government funding allocations have not been increased to reflect the pressures on pay, in particular the significant cost of meeting the National Living Wage requirements.

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.

For those authorities who have not accepted the multi-year offer and published an efficiency plan, the Government is only confirming funding allocations for 2018/19. The consultation states that the funding allocations for these authorities in 2019/20 will be revisited in due course as part of the annual settlement process covering that year and that the Government cannot guarantee that funding allocations for these authorities in these years will not be reduced or distributed on a different basis.

**The closing date for responses to DCLG is 16 January 2018.** We expect the final settlement to be published in February 2018.

At the LGA's Annual Finance Conference on Tuesday 9 January 2018 we will share details of further analysis of the settlement with councils. The event will also cover other topics, such as 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 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 measure of inflation instead of the Retail Price Index from April 2018 onwards;
- Income from the New Homes Bonus, including the returned unused topslice;
- Income from the Transition Grant, which has been discontinued from 2018/19 onwards as previously indicated by the Government;
- Income from the one-off Adult Social Care Support Grant in 2017/18 only;
- Income from the Improved Better Care Fund;
- Income from the Rural Services Delivery Grant;
- Income from council tax assuming that the tax base grows, councils increase council tax by the 3 per cent basic referendum limit in 2018/19 and 2019/20,

a 3 per cent social care precept in 2018/19 and the maximum possible amount in 2019/20, and the additional flexibility for shire districts and police and crime commissioners announced today.

The Government figures indicate that Core Spending Power in accordance with this definition will rise by an average 1.5 per cent in 2018/19. 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 2.1 per cent.

Detailed Core Spending Power figures are included in Annex A.

There are no changes to the proposed distribution of Revenue Support Grant (RSG) in 2018/19 or 2019/20 other than the adjustments for pilots.

According to the Government's figures there is still a 'negative RSG' for many authorities in 2019/20. This adjustment is made through the top-up and tariff system. The Government has said that it will consult on 'fair and affordable' options for 'negative RSG' in 2019/20 ahead of next year's settlement.

**LGA view:**

- It is disappointing that there almost no new money from central government in the settlement. However, the Government has increased the general council tax referendum limit by 1 per cent (from 1.99 per cent to 2.99 per cent). This adds an extra financial burden on already struggling households.

- Local services are facing a £5.8 billion funding gap by 2019/20 as well as a £1.3 billion pressure to stabilise the adult social care provider market today. This is nowhere near enough to meet this gap. The Government needs to provide new funding for all councils over the next few years so they can protect vital local services from further cutbacks. This could be done either through further business rates retention or additional grant funding.

- 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 were not forecast when local authorities signed up to the four year offer. Many authorities are also very concerned about the 'negative RSG' in their settlement for 2019/20. We acknowledge that the Government has recognised the need to find a way to help them.

- The four year deal runs out 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 the consultation: [Fair funding review: a review of relative needs and resources](#).

This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities. In particular, it:

- presents the idea of using a simple foundation formula to measure the relative needs of local authorities, based on a small number of common cost drivers;
- considers a number of service areas where in addition, a more sophisticated approach to measuring relative needs may potentially be required; and
- outlines the statistical techniques that could be used to construct relative needs.

The consultation does not cover the relative resources adjustment, transition or other technical matters but these will be the subject of a later series of discussion papers.

**LGA view:**

- The Government's consultation and the confirmation that the Review will be finished in time for implementation in April 2020 is a welcome sign.
- The content of the consultation suggests that the Government has been listening to local authorities' suggestions that there might be ways to simplify the needs assessment without a disproportionate cost to fairness.
- **The deadline for responses is 12 March 2018.** In our response to the consultation we will be making clear that no council should see its funding reduce as a result of a new distribution system. We encourage member authorities to share their views as we formulate our response by emailing lgfinance@local.gov.uk.

## New Homes Bonus

The provisional amount of £946 million for the New Homes Bonus (NHB) has been included in Core Spending Power in 2018/19. This is an increase of £8 million when compared to the indicative figures included in Core Spending Power for 2018/19 published with the 2017/18 settlement in February 2017. The bonus will be funded through £46 million in grant with the rest (£900 million) in top-sliced funding.

The provisional settlement confirms that, as consulted on in 2016, the length of time that the bonus is paid for will reduce from five years to four years in 2018/19 and thereafter.

The threshold over which the bonus will be paid will remain at 0.4 per cent, as it was in 2017/18. The Government has also decided not to go ahead with the changes consulted on which would have meant bonus being withheld for homes which have been approved by the Planning Inspectorate.

**LGA view:**

- The NHB makes up a considerable part of funding for some councils particularly shire district authorities.

- The baseline of 0.4 per cent reduces the incentive to grow in relatively low growth areas. It is good news that the Government has listened to our calls to not increase this even further, and has committed to not pressing ahead with further adjustments to bonus awards which it consulted on earlier in 2017.

## Business rates

The new areas that will pilot 100 per cent business rates retention in 2018/19 have been announced. They are

- London (GLA and boroughs)
- Berkshire
- Derbyshire
- Devon
- Gloucestershire
- Kent & Medway
- Leeds
- Lincolnshire
- Solent
- Suffolk
- Surrey

The pilot areas announced last year (Greater Manchester, Liverpool City Region, Cornwall Council, the Combined Authorities of the West of England and the West Midlands) will continue and the London pilot will be expanded. This means that 16 areas will be piloting 100 per cent retention in 2018/19. In practice, a number of grants will be rolled into their business rates base and they will be able to keep 100 per cent of business rates growth. Adjustments will be made to the tariff and top-ups of these authorities. The pilots will not impact on non-pilot authorities. Pilots will continue in 2019/20, with details to be announced in due course.

DCLG is consulting on business rates pools, including the areas piloting 100 per cent business rates retention in 2018/19. Some boundaries have been adjusted in the light of the 100 per cent pilot areas.

The methodology for adjusting top-ups and tariffs following the 2017 revaluation has been slightly changed, in order to remove the impact of decisions on business rates appeal provisions in 2016/17. The revised 2017/18 tariffs and top-ups, calculated in accordance with this formula, will be indexed by the change in the small business rating multiplier between 2017/18 and 2018/19 to determine a tariff or top-up for each authority for 2018/19. Exceptionally, in 2018/19 authorities will also pay, or receive, an “adjustment”, representing the difference between their revised 2017/18 tariff or top-up, and the tariff or top-up that was set out in the 2017/18 local government finance settlement.

The Government announced its intention to introduce 75 per cent business rates retention for all in 2020/21. This will be through rolling in Revenue Support Grant, GLA Transport Grant, the Rural Services Delivery Grant and the Public Health Grant. The Government will also continue to work with the sector to improve the way the local government finance system works, such as tackling the impact of business rates appeals on local authorities.

The following table shows the change to the business rates multiplier, following the Government’s announcement in the Autumn Budget that the multiplier will from 2018/19 rise by the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI):

| | |
|---|---|
| 2017/18 small business rates multiplier | 46.6p |
| *plus* September 2017 CPI increase; 3.0 per cent | 1.4p |
| *equals* 2018/19 small business rates multiplier | 48.0p |
| 2018/19 national business rates multiplier | 49.3p |

Source: Business Rates Information Letter 8 (Autumn Budget)

**LGA view:**

- 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 ten new pilots have been announced, in addition to the pilot covering London. At the same time it is important that this does not affect other authorities now or when full business rates retention is implemented.

- There are still almost 200,000 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 and it is a positive sign that the consultation document indicates that reforms will be implemented in 2020/21. 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.

- It is positive that councils will continue to be fully compensated for the loss of income from the centrally imposed reliefs, such as 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 2018/19 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 £12 on a Band D bill. The Government intends to defer the setting of referendum principles for town and parish councils for three years.

As announced last year, social care authorities will be able to increase their council tax by up to 3 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.

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

**LGA view:**

- Further 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. However, the additional council tax flexibility – estimated by our analysis to be worth up to £260 million in 2018/19 and £540 million in 2019/20 if all councils use it in both years – is not enough to meet the funding gap of £5.8 billion.

- With no other national tax subject to referenda, the council tax referendum limit needs to be abolished so councils and their communities can decide how under-pressure 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.

- For 88 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.

## Adult social care

The Government has confirmed it will publish a Green Paper on adult social care in the summer of 2018. There are no new announcements on adult social care or its funding.

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 3 per cent (over the existing basic referendum threshold of 3 per cent referred to above) in 2018/19 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 Government's calculation of Core Spending Power indicates no change to improved Better Care Fund allocations since the 2017 Spring Budget announcements. Recent Government correspondence confirms that only a handful of councils will face the threat of conditions being applied to their additional 2018/19 improved Better Care Fund allocations (i.e. their share of the £2 billion for social care announced in the Spring Budget). The conditions on their grant will be reviewed in January using November delayed transfers of care (DToC) data. They could be subject to up to a third of this funding being targeted at reducing pressures on the NHS or spent on recommendations set out by a CQC local system review, if applicable.

The Settlement also confirms that the 2017/18 Adult Social Care Support Grant, worth £241 million, has been discontinued.

**LGA view:**

- It is extremely disappointing that the Government has again chosen not to address the continuing funding gap for adult social care with an injection of new money from central government. Councils, charities and care providers have repeatedly warned of the serious consequences of funding pressures on older and disabled people who use services, their carers and the provider market.

- It is unfair to shift the burden of tackling a national crisis onto councils and their residents. The flexibility to raise more funding through the social care precept, and front load it, is some recognition by Government of the urgent need to tackle the immediate and significant pressures facing social care. 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.

- Councils should be free to use the social care precept without conditions imposed by the Government. If any assurance is required the Government should ensure the administrative burden of assurance on councils regarding the social care flexibility is kept to a minimum.

- The Government’s commitment to publish a Green Paper on reform of care and support for older people by summer recess 2018 is encouraging. However, any proposals the Government may take forward will inevitably take time to implement. It is therefore essential that adult social care receives the funding it needs in the interim period.

- £2 billion for adult social care was announced in Spring Budget 2017. This funding stream reduces over time, from £1 billion in 2017/18 to £337 million in 2019/20, reducing councils’ ability to support social care services. Since the announcement of this funding, there has been a considerable and, at times, deeply unhelpful focus on councils’ use of the funding to reduced delayed transfers of care from hospital. Councils are doing all they can to get people out of hospital safely and quickly and delays attributable to social care are down 12 per cent since July. This compares to NHS delays which have fallen by 4 per cent.

## Children’s services

There are no new announcements on children’s services but the Government recognised that local government has concerns over the funding of children’s social care.

**LGA view:**

- It is extremely disappointing that the Government has failed to address the significant funding pressures facing children’s services. 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 entering 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 a projected £2 billion funding gap for children’s services by 2020, 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. The alternative means risking more and more families reaching a critical stage where councils have no choice but to intervene to keep everyone safe, within a system that is already struggling to cope with unprecedented levels of demand.

## Capital receipts

It was announced the flexibility to use capital receipts to help meet the revenue costs of transformation programmes will continue for a further three years.

**LGA view:**

- We called for the extension to beyond 2020 for the flexibility to use capital receipts on revenue projects in our submission to the Autumn Budget, so this announcement is welcome.

## Planning Fees

The Secretary of State confirmed that local authorities will be able to increase planning fees by 20 per cent where they commit to spending the additional income on their planning services.

**LGA view:**

- This clearly acknowledges that planning departments are under-resourced. We call on the Government to go even further and allow local authorities to have the freedom to set their own fees so that council taxpayers no longer have to subsidise the planning system.

## Schools Funding

In a separate written statement the Government has today confirmed the school and early years funding allocations for 2018/19. This announcement covers the Dedicated Schools Grant (DSG), the allocations for which are available online, and the Pupil Premium.

On the four blocks that make up the DSG:

- The schools block has been allocated between local authorities on the basis of the primary and secondary units of funding published in September 2017.

- The high needs block allocations have been updated with the latest pupil numbers, following the publication of provisional allocations in September indicating how much each local authority was likely to receive.

- The new central school services block, which funds local authorities for their ongoing responsibilities for both academies and maintained schools, has also been allocated on the basis of the latest pupil numbers, in line with September's announcement.

- The early years block comprises funding for: the free early education entitlements for 3-and 4-year-olds and disadvantaged 2-year-olds, supplementary funding for maintained nursery schools; the early years Pupil

Premium, and the Disability Access Fund. The early years national funding formula rates for 3- and 4-year-olds for 2018-19 were published on 17 November, and the Government today announced initial allocations for this block.

The pupil premium per pupil amounts will be protected at the current rates, with the exception of the pupil premium plus, which will increase from £1,900 per pupil to £2,300, as previously announced.

**LGA view:**

- We have campaigned for fairer funding for all schools and for councils to be able to work with schools to set budgets that reflect local need. We are therefore pleased that the Government has recognised the important role councils can play in the introduction of the national funding formula by giving councils and schools the flexibility to set budgets locally. This will help schools and local areas adapt to the new formula in the long term.

- We are, however, concerned about the growing funding pressures facing support for children with special educational needs and disabilities (SEND). It is therefore right that the Government has allowed councils to retain the ability to make additional funding available, with the agreement of schools, to meet the rising demand and pressures for SEND support.

- We do not believe that asking schools to meet the shortfall in central government funding for this vulnerable group is sustainable in the long term, particularly given the huge pressures facings schools' core budgets. We are keen to work with the Government on a fundamental review of high needs funding in order to ensure we meet the needs of those children who most need support.

## Rural Services Funding

The Rural Services Delivery Grant will be £65 million in 2018/19, an increase of £15 million on the figure originally announced in January 2017.

**LGA view:**

- Councils in rural areas will welcome this higher than planned funding.

## Fire Funding

As with councils, Fire and Rescue Authorities will be able to raise their precept by 3 per cent in 2018/19.

**LGA view:**

- The fire and rescue service has a track record of improving safety while making the service more efficient and effective through increasing collaboration within the service and with other parts of the public sector.

- Without changes to the funding of the fire and rescue service in 2018/19, there will continue to be pressure put on the delivery of fire and rescue services, and their ability to respond to the full range of risks it faces and is expected to address. The reductions the fire and rescue service will have to continue to find will have an impact on national and local resilience as well as operational capacity, and the ability of fire and rescue to respond to unpredictable events.

- The fire and rescue service needs to be funded to take account of the risks and demands the fire and rescue service faces, such as increased fire safety inspections since the summer. To assist the fire and rescue service address the financial challenges it faces the referendum cap on the fire and rescue service precept should be removed, additional funding should be made available to enable the fire and rescue service 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 it being presented to government to deliver the best outcomes for fire and rescue services, their communities, partners and employees.

## Police Funding

The police funding settlement was announced in a written statement today. Core government grant funding for each Police and Crime Commissioner (PCC) continues to be protected at 'flat cash levels', while PCC precepts, as well as the GLA charge for the Metropolitan Police, will be permitted to increase by up to £12 compared to 2017/18. Following the terrorist attacks earlier in the year there will also be an increase of £50 million in the counter-terrorism budget. Provisional allocations for individual policing bodies are published on the Home Office website.

## Public health

The Government confirmed that public health grant will be rolled into further business rates retention by 2020/21.

We are awaiting final allocations of the public health grant for 2018/19.

**LGA view:**

- 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.

- The Government need to confirm the allocations for the public health grant for

2018/19 as soon as possible. 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.

- 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.

## 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 and 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 9 January 2018. The event will also cover other topics, such as business rates retention and the Fair Funding Review. Among other speakers, this year's conference will hear from the Secretary of State for Communities and Local Government and his Shadow counterpart. 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); or Melanie Haslam, Public Affairs and Communications Adviser (melanie.haslam@local.gov.uk / 020 7664 3087).

## Annex A: Core Spending Power

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| | | | £ million | | |
| **Settlement Funding Assessment** | **21,249.9** | **18,601.5** | **16,632.4** | **15,574.0** | **14,397.9** |
| **Compensation for under-indexing the business rates multiplier** | **165.1** | **165.1** | **150.0** | **250.0** | **375.5** |
| **Improved Better Care Fund** | | | **1,115.0** | **1,499.0** | **1,837.0** |
| **Rural Services Delivery Grant** | **15.5** | **80.5** | **65.0** | **65.0** | **65.0** |
| **Transition Grant** | | **150.0** | **150.0** | | |
| **Adult Social Care Support Grant** | | | **241.1** | | |
| **New Homes Bonus** | **1,167.6** | **1,461.9** | **1,227.4** | **946.2** | **900.0** |
| **New Homes Bonus - returned funding** | **32.4** | **23.1** | **24.5** | **0.0** | **0.0** |
| **Council Tax** *of which:* | **22,035.9** | **23,247.3** | **24,665.8** | **26,600.2** | **28,047.4** |
| *'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* | *24,902.6* | *26,166.0* |
| *Adult Social Care Precept* | | *381.8* | *948.2* | *1,661.2* | *1,824.4* |
| *Additional flexibility for Shire Districts* | | *7.0* | *16.0* | *36.4* | *57.0* |
| **Core Spending Power** | **44,666.5** | **43,729.3** | **44,271.3** | **44,934.4** | **45,622.8** |
| *Year-on-year Change (£ million)* | | -937.1 | 542.0 | 663.1 | 688.4 |
| *Year-on-year Change (%)* | | -2.1% | +1.2% | +1.5% | +1.5% |
| *Change over the SR period (£ million)* | | | | | *956.4* |
| *Change over the SR period (%)* | | | | | *+2.1%* |

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

## Annex B – Glossary of Local Government Finance Technical Terms

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| **Adult social care support grant** | A one-off unringfenced grant in 2017/18, allocated to social care authorities on the basis of the 2013/14 adult social care relative needs formula calculations. It was funded by reductions to New Homes Bonus payments introduced through a 0.4 per cent threshold on housing growth before any bonus is payable. |
| **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, currently undertaken every five years, to reassess the rateable value of individual non-domestic hereditaments. The results are used to set new business rates bills. From 2022 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 |
| **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 it also includes 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. |
| **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. From 2018/19, as announced in the Autumn Budget 2017, the small business multiplier is uprated annually by the Consumer Prices Index as opposed to the Retail Prices Index and the other multiplier adjusted accordingly. |
| **Negative RSG** | Many councils will find themselves in a position where they receive no revenue support grant (RSG) by the end of the decade. On top of this, they will also have their tariffs adjusted upwards or top-ups adjusted downwards. |

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| **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 7.5 per cent below their baseline funding level. |
| **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** | From April 2017 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 will receive tapered relief. |
| **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. |
| **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. In 2017/18 and 2018/19 they have been recalculated 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. It is not being paid in 2018/19. |