

Spending Review and the Local Government Finance Settlement

Purpose

As background to the discussion.

Summary

The Secretary of State for Communities and Local Government, Greg Clark, has set out the financial offer to local government over the Spending Review period through the provisional local government finance settlement. This session provides an opportunity for councillors to raise questions or issues for the Secretary of State to consider prior to the publication of the final settlement in February 2016. A biography of the Secretary of State is attached at **Appendix A**.

Recommendation

Members are invited to note the presentation and raise issues from a local government perspective.

Action

Officers will take forward actions identified.

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Background

1. On 25 November 2015, the Chancellor presented his Spending Review and Autumn Statement 2015 which set the overall path of public spending, including local government, for the next four financial years. The results were not as adverse to local government as widely expected and we take this as a sign that the Government listened to the concerns of the sector.
2. Overall, the reduction to core government funding (comprising revenue support grant, business rates and additional funding through the Better Care Fund) is estimated to be 24 per cent in real terms. Once the projections for council tax (including the social care precept) and other sources of locally financed income or unavoidable costs are taken into account, 'local government spending' as defined by the Treasury in the Spending Review document is reduced by 6.7 per cent in real terms over the Spending Review period.
3. On 17 December, the Secretary of State for Communities and Local Government presented the Provisional Local Government Finance Settlement for 2016/17 and an Offer to Councils for Future Years which showed how the decisions made as part of the Spending Review impact on allocations of grants to individual local authorities.
4. The pattern of funding reductions is different from previous years due to the Government taking potential income from council tax into account. Settlements in future years are likely to reinforce this pattern, with the proposed distribution of the new Better Care Fund and a scaling back of the new homes bonus changing the funding landscape for individual councils.
5. Through the announcements in the Spending Review and the Settlement, the Government is starting the process of engagement on how, by 2020, English local government will collectively retain 100 per cent of business rate income. This will be accompanied by reductions to government grants and transfers of new responsibilities to make the overall reform cost neutral to the Exchequer at the time of implementation.

The LGA's Work

6. On the day of the Spending review and the day of the local government finance settlement, we provided on-the-day briefings for members. They are appended to this report. Following the Spending Review, we also ran a media briefing session which resulted in significant follow-up coverage. At the time of the forum, we will have provided an official response to the settlement consultation in line with the timescales set by the Government, with a copy available on [the LGA website](#). We will respond to the proposed changes to the New Homes Bonus in due course.
7. Through various working groups, we continue to engage with the Government on the arrangements for and detailed implications of the announcement to move to full collective retention of business rates income in England including discussions about which additional responsibilities should be transferred to local government. This is a very complex reform the implementation of which needs to be considered carefully to avoid unintended adverse consequences to councils, especially those currently relying on top-ups from other local authorities.

Appendix A

The Rt Hon Greg Clark MP

Secretary of State for Communities and Local Government



The Rt Hon Greg Clark was appointed Secretary of State for Communities and Local Government on 11 May 2015. Prior to this, he had held a number of ministerial positions: he was appointed as a Minister of State at Communities and Local Government, with responsibilities for decentralisation and planning policy in May 2010; as the Minister for Cities in July 2011; as Financial Secretary to the Treasury in September 2012; as the Minister for Cities and Constitution in the Cabinet Office in October 2013 and as the Minister for Universities and Science in July 2014.

Greg was first elected as the Conservative MP for Royal Tunbridge Wells in 2005. He was quickly appointed as the Shadow Minister for Charities, Social Enterprises and Volunteering, before moving to the role of Shadow Secretary of State for Energy and Climate Change in October 2008.

Before becoming an MP, Greg was the BBC's Controller of Commercial Policy and then the Director of Policy for the Conservative Party from March 2001 for three successive leaders - William Hague, Iain Duncan Smith and Michael Howard. He also served as a councillor and Cabinet Member on Westminster City Council from 2002 until his election to Parliament.

Greg was born in Middlesbrough in 1967, and attended the local St Peter's Comprehensive, South Bank. He went on to study Economics at Cambridge University and was awarded his PhD at the London School of Economics. Thereafter, Greg worked for the Boston Consulting Group and was posted to the USA, Mexico, South America and Iceland, as well as working for clients in the UK.

Speaking recently at the LGA's 2015 Annual Conference, Greg urged councils to be the masters of their own destiny, saying:

"I want every place in the country to consider how they can assert their strengths and make their mark.

"We must be a nation of muscular communities – north and south, town and country."