

Provisional Local Government Finance Settlement 2017/18

Purpose of report

For information and direction.

Summary

This paper reports on LGA activity on the provisional 2017/18 Local Government Finance Settlement, announced on 15 December 2016, including the briefing sent to member councils on the day of the announcement and the LGA's response to the consultation.

Recommendation

That the LGA Leadership Board discuss the contents of this report and provide a steer on future direction.

Action

Officers to proceed as directed.

Contact officers:

Mike Heiser

Sally Burlington

Position:

Senior Adviser (Finance)

Head of Programme (People)

Phone no:

020 7664 3265

0207 664 3099

E-mail:

Mike.heiser@local.gov.uk

Sally.burlington@local.gov.uk

Provisional Local Government Finance Settlement 2017/18

Introduction

1. The 2017/18 provisional local government finance settlement was announced in the House of Commons by Communities Secretary Sajid Javid on 15 December 2016.
2. The settlement was announced just over three weeks after the Autumn Statement. It followed intense lobbying activity from the LGA over social care funding in particular.
3. At the Autumn Statement, the Government did not reopen the Spending Review including the Spending Review totals affecting Local Government.
4. The 2016/17 settlement included a multi-year offer which promised greater certainty of funding. This covered Revenue Support Grant and certain other funding streams. The 2017/18 provisional settlement is in line with this, although there has been reallocation within totals of funding streams not included in the four year offer, notably a reduction of £241 million in the New Homes Bonus and the use of this resource to pay a one year only Adult Social Care Support Grant.
5. The government also announced an increase in the social care precept from 2 per cent to 3 per cent in 2017/18 and 2018/19. However, the total increase in the social care precept in the period to the end of 2019/20 must not exceed 6 per cent.
6. The consultation on the provisional settlement closes on 12 January 2017. The final local government finance settlement is expected to be published in late January or early February 2017 and to be approved by Parliament in February 2017.

Key LGA lobbying

7. The LGA engaged in intense lobbying activity, including media work, leading up to the Autumn Statement and the local government finance settlement, on the pressing need for more resources for social care.
8. At the annual National Children and Adult Services Conference in November, the LGA launched its 'state of the nation' report on adult social care funding. The report set out the LGA's position on the crisis facing adult social care and included a series of 14 essays from senior figures across the care and health sector representing, amongst others, elected Members, the Association of Directors of Adult Social Services, the King's Fund, Carers UK, the Care Quality Commission, providers, the Care and Support Alliance, and the NHS Confederation. There have been nearly 1,300 unique downloads of the report making it the most downloaded report since its publication on 2 November.
9. A press release accompanying the launch of the report received considerable national media coverage. It included new LGA polling which showed that nearly two thirds of people believe adult social care should receive a greater proportion of total health and care funding.

10. In the run up to, and following, both the Autumn Statement and the Provisional Local Government Finance Settlement, Cllr Izzi Seccombe, Chairman of the LGA's Community Wellbeing Board, was interviewed for and quoted extensively in national media stories relating to adult social care funding.
11. Ahead of the provisional Local Government Finance Settlement, the LGA worked behind the scenes with senior partners from across the care and health sector to lobby Ministers on adult social care funding.
12. Since the Provisional Local Government Finance Settlement, the LGA has provided briefings on adult social care funding to Parliamentarians for relevant parliamentary debates.

On the day activity

13. The LGA issued a [press release](#) shortly after the settlement was announced focused on the urgent need for further social care funding. The Chairman and lead members were extensively quoted in media outlets.
14. The LGA's [On the Day briefing](#) was prepared on the day of the announcement and was circulated to Council Leaders, Finance Portfolio Holders, Chief Executives, senior local government officials and parliamentarians.

Key points in the settlement

15. As summarised above; the settlement is broadly in line with the indicative figures for 2017/18 announced in the four year settlement last year with the following changes:
 - 15.1. A cut of £241 million in the amount for New Homes Bonus broadly in line with the consultation on reform of the Bonus with the money being put into a new Adult Social Care Support Grant, distributed in line with the Relative Needs Formula for social care. This will be paid in 2017/18 only.
 - 15.2. An increase in the social care precept flexibility from 2 per cent to 3 per cent in 2017/18 and 2018/19 with up to 2 per cent in 2019/20, on condition that the total increase to 2019/20 does not exceed 6 per cent.
 - 15.3. Changes to the New Homes Bonus reducing the number of years that local authorities will receive payments on a property from 6 years to 5 years in 2017/18 and four years in 2018/19. This applies to existing as well as new properties. In addition, the Government has introduced a threshold of 0.4 per cent which means that growth below this level will not generate New Homes Bonus funding.
 - 15.4. Five local authority areas are piloting further business rates retention. In addition the Greater London Authority will receive Transport for London capital funding through business rates rather than grant. This will have no financial effect on other authorities. Full details are expected to be included in the final Local Government Finance Settlement.

- 15.5. Top-ups and tariffs for all councils have changed due to the 2017 business rates revaluation which comes into force in April 2017. This adjustment has been introduced to try to cancel out the effect of the revaluation on local authorities so that no authority should be any worse or better off as a result of the revaluation.
16. Overall, there is no additional money for local government and there are no changes to the proposed distribution of Revenue Support Grant (RSG) in 2017/18. The Government will continue to pay a Transition Grant to those authorities which were affected by the change in methodology for distributing RSG implemented in 2016/17.

Key points in the On the Day briefing and the response to the Settlement

17. The key points in the LGA's On the Day briefing are the following. Subject to member approval, these also form the core of the LGA's response to the Settlement. The final response to the Settlement, cleared by Lead Members of Resources Board, will be circulated to members of the Leadership Board on a supplemental agenda.
- 17.1. No new money from central government has been included in the settlement. The Government has created more flexibility in the social care precept. However, as the total allowable precept increase over the remaining years of the Spending Review remains the same, this flexibility does not address the £2.6 billion funding gap facing social care by the end of the decade.
- 17.2. By bringing forward council tax raising powers, the Government has recognised the LGA's call for the urgent need to help councils tackle some of the immediate social care pressures they face. However, this shifts the burden of tackling a national crisis onto councils and their residents.
- 17.3. The measures announced in the settlement will help in part but fall well short of what is needed to fully protect the care services for elderly and vulnerable people today and in the future. In addition, increasing the precept raises different amounts of money for social care in different parts of the country unrelated to need and will add an extra financial burden on already struggling households.
- 17.4. There is need for an urgent injection of genuinely new additional Government funding to protect care services for elderly and disabled people. Given this unified call for action, it is hugely disappointing the settlement has failed to find any new money to tackle the growing crisis in social care.
- 17.5. There needs to be an urgent and fundamental review of social care and health before next year's spring Budget. This is imperative to get a long-term, sustainable solution to the social care crisis that the most vulnerable people in our society deserve.
- 17.6. Savings of £241 million from the reform of the New Homes Bonus have been allocated to social care authorities through a new Adult Social Care Support Grant. This is not new money but a redistribution of funding already promised to councils. This is not a solution, given the scale of the funding crisis. This, as well as the

introduction of a 0.4 per cent threshold, will be a source of concern to many authorities, particularly shire districts and those with lower housing growth.

- 17.7. Councils still face challenging funding pressures of £5.8 billion by 2019/20. Further government funding cuts will result in local authorities up and down the country having to make significant reductions to the local services communities rely on.
- 17.8. We are concerned that confirmation of the decision to cut the public health budget by £84 million could undermine the objectives we share to prevent illness, improve the public's health and to keep the pressure off adult social care and the NHS.
- 17.9. Almost all councils signed up to the offer on the four year settlement. This provides more stability of funding and we welcome this. However, authorities have expressed concern about the 'negative Revenue Support Grant adjustment' in 2019/20. Some councils will also be concerned that core spending power figures for 2017/18 are lower than the figures included in the 2016/17 local government finance settlement due to changes in the New Homes Bonus. The late announcement of the settlement has not helped councils deal with this change.
- 17.10. Business rates pilots in five areas will enable aspects of the further business rates retention system to be tested. At the same time discussions will continue between Government officials, the LGA and councils including reforming the way appeals are dealt with. We will continue to engage as the enabling legislation, the Local Growth and Jobs Bill, progresses through Parliament in 2017.
- 17.11. We will continue to work with 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.

Next Steps

18. The final 2017/18 local government finance settlement is due to be published at the end of January / early February 2017. This will be followed by a debate on the settlement in the House of Commons where the settlement has to be approved. In advance of that debate, the LGA will take every option for briefing parliamentarians on the key issues for local government on the settlement.

Financial Implications

19. This is core work for the LGA and is budgeted for within the 2016-17 LGA budget.

Implications for Wales

20. This report concerns England only. Local Government Finance is a devolved matter and Wales has its own separate Local Government Settlement.