**‘Challenging’ settlement delivers 2.4% boost**

**Councils’ spending power will rise to £46.4bn next year, a real-terms increase, local government secretary James Brokenshire revealed as he published the provisional settlement today. 13.12.18**

**The statement –** [**postponed by a week to accommodate parliamentary Brexit debates**](https://www.publicfinance.co.uk/news/2018/12/challenging-settlement-delivers-24-boost-local-government) **­– set out a 2.8% cash increase for local government. “It has been challenging,” Brokenshire told MPs. “I am in no doubt about how challenging it has been for councils to drive efficiencies as they contributed to helping rebuild our economy and tackling the deficit.”**

**Of the additional** [**£650m announced for social care in the autumn Budget**](https://www.publicfinance.co.uk/news/2018/10/hammond-hands-out-billions-saying-austerity-ending1)**, Brokenshire said £240m would be focused on winter pressures with the remainder to be used flexibly, on either adult or children’s services. Core council tax will be able rise by up to 3% again and council will be able to draw on the adult social care precept. However, any “excessive rises” would have to be approved in a local referendum, he said.**

**The local government secretary also announced a £16m increase to the rural services grant to maintain funding at last year’s level and recognise the additional costs of providing services in rural communities. And, £20m was committed to maintain the new homes bonus baseline at 0.4% “to ensure we reward councils for delivering the homes we need”.**

**Brokenshire announced his decision on how to treat ‘negative revenue support grant’ following consultations. “I am pleased to announce that we intend to directly eliminate the £152.9m negative RSG in 2019-20 using forgone business rates. This will prevent any local authority being subject to downward adjustment to their business rates tariffs and top ups that could act as a disincentive to growth.”**

**A further 15 councils, mainly counties, will take part in the 75% business rates retention pilots. These included troubled** [**Northamptonshire County Council**](https://www.publicfinance.co.uk/news/2018/12/northants-budgets-sets-out-savings-plans-and-council-tax-rise1)**. Increased growth in business rates income has generated a surplus business rates levy account in 2018-19 and Brokenshire said: “We are proposing to distribute £180m of levy surplus to all councils based on need.”**

**The secretary of state also highlighted the** [**issues around councils’ commercial activities**](https://www.publicfinance.co.uk/feature/2018/11/eyes-money-councils-turning-commercialism)**. “I share the concerns of CIPFA and others about the risks that these local authorities are exposing themselves and taxpayers to. We are considering with [the] Treasury what further intervention may be required.” In October, CIPFA said it would publish** [**fresh guidance on borrowing to invest in commercial property.**](https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns)

**Two further MHCLG consultations were also announced: one on reforms to the business rate retention system and another on** [**distributing funding through the Review of Relative Needs and Resource.**](https://www.publicfinance.co.uk/feature/2018/10/cutting-edge-views-considering-fair-funding-review) **“There is little doubt that the current funding formula needs fixing – and replacing with a robust straightforward approach where the link between local circumstances and resources allocated is clear. 2019 was shaping up to be a ‘big moment’ for local government”**

**Responding to the settlement, Lord Porter, chair of the Local Government Association, said: “Next year will continue to be hugely challenging for all councils, who still face an overall funding gap of £3.2bn 2019-20. It is therefore disappointing that the government has not used the settlement to provide further desperately-needed resources for councils next year.” He called for next month’s final settlement to include ‘further resources’ to protect local services.**

**Dominic Brady**

***PF* reporter**