



Department for
Communities and
Local Government

Provisional local government finance settlement 2016-17 and an offer to councils for future years: consultation

Summary of responses



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The scope of the consultation

1. The Department for Communities and Local Government published the provisional local government finance settlement for English authorities for consultation on 17 December 2015. The consultation closed on 15 January 2016.
2. A provisional local government finance settlement is published annually for the following financial year beginning on 1 April. The provisional settlement sets out the model for estimating the amount of money each council and fire authority can expect to receive from central government through Revenue Support Grant and retained business rates income.
3. The provisional settlement for 2016-17 included:
 - detail on how the amounts of grant were calculated
 - the estimated core spending power of each authority
 - a consultation document setting out 17 questions
 - a draft equalities statement.
4. The consultation document also described the offer of a four-year funding settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period.
5. Alongside the consultation on the provisional settlement, the Department also published:
 - information about the framework and flexibilities for setting council tax in 2016-17
 - a draft direction and guidance on capital receipts flexibility
 - a consultation on reforms to the New Homes Bonus.
6. Those who wanted to respond to the provisional settlement consultation were asked to email or write to the Department for Communities and Local Government by the deadline.
7. During the consultation period Ministers and officials held meetings with individual authorities, representative bodies, Members of Parliament and campaign organisations. Marcus Jones MP, the Minister for Local Government, chaired a phone conference with over 70 authority representatives to discuss the settlement.
8. The provisional local government settlement relates to councils and fire authorities in England only.

Overview

9. The consultation received 278 formal responses. They have been read and categorised in relation to the questions asked in the consultation. These have been given full consideration as part of the final local government finance settlement for 2016-17, alongside other representations made during the consultation period. We are grateful to everyone who took the time to respond to the consultation.

10. The table below gives a breakdown of consultation responses included in this analysis, by the type of respondent:

Type of authority	Responses received
London boroughs	25
Metropolitan districts	28
Unitary authorities	36
Shire counties	26
Shire districts	89
Fire and rescue authorities	9
Greater London Authority	1
Combined authorities	1
Local authority associations / special interest groups	13
Other local authority groupings	8
Members of Parliament	12
Individual councillors	4
Other representative groups	13
Businesses and business organisations	3
Voluntary organisations	5
Members of the public	5
Total number of responses	278

Consultation responses

11. This section provides a summary of the responses we received to the consultation on the provisional local government finance settlement for 2016-17. The detail of each proposal is set out in the consultation document, as highlighted in the questions. Percentages are calculated from the number of respondents providing a direct answer to each question.

Settlement methodology and transitional arrangements

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

Number of respondents supporting the proposal: 52 (26.94%)
Number of respondents opposing the proposal: 141 (73.06%)

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

Number of respondents supporting the proposal: 88 (56.05%)
Number of respondents opposing the proposal: 69 (43.95%)

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

Number of respondents supporting the proposal: 66 (66.67%)
Number of respondents opposing the proposal: 33 (33.33%)

Question 4: Do you wish to propose any transitional measures to be used?

Number of respondents stating that they did: 122 (69.71%)
Number of respondents stating that they did not: 53 (30.29%)

Question 1

12. Many responses to this question welcomed the methodology for allocating central funding as a fair approach to allocating resources. Most responses which did not agree with the proposals cited the proposed level of reduction in Revenue Support Grant for a local authority in 2016-17 as their main reason. Some responses also included comments about the timing of the consultation, with some concerned that the announcement of the provisional settlement in December after the 2015 Spending Review left a relatively short period of time for local authorities to set their budgets on the basis of the proposed approach.

13. In addition, particular points made by those that responded to this question included:

- pressures being faced in delivery of specific services (especially adult social care) should be taken into account in the methodology for allocating central funding;
- population growth and demographic pressures since the introduction of the business rates retention scheme in 2013-14 should be taken into account in the methodology for allocating central funding;
- perceptions of historic disadvantage in the formula or baseline underpinning parts of the calculation;
- suggestions for other factors to be included in the methodology for allocating central funding to reflect authorities' different needs and resources, such as spending power per dwelling, council tax raised beyond the 2015-16 requirement used to calculate core funding, or income from other sources such as the New Homes Bonus.

Question 2

14. Many responses that disagreed with this question emphasised more general criticisms of wider council tax policy in their responses. Some responses to this question welcomed the use of the 2015-16 council tax requirement in the methodology for allocating central funding, as a strong incentive to increase housing supply and grow their council tax bases.

Question 3

15. Some responses to this question took the opportunity in responding to make wider suggestions about council tax policy. Some respondents commented that the £5 cash council tax principle should be extended to all districts in two tier areas or to fire and rescue authorities.
16. Some responses to this question suggested that county councils should also be able to levy the 2% increase for adult social care on the tax base of district councils in their area. Others expressed disappointment that the proposed funding approach did not recognise the preventive role that district councils play in social care. Others asked for flexibility in spending the additional funds raised through the 2% council tax precept for adult social care.

Question 4

17. A majority of responses to this question stated that they thought transitional measures should be used to mitigate the most significant changes in 2016-17. Some responses argued that the Government should take this step in recognition of the fact that income from the use of council tax flexibilities compounds over time and the additional resources through the Improved Better Care Fund (iBCF) become available from 17-18 onwards. Many of those who elaborated their disagreement expressed a concern that transitional measures would be topsliced from the funding available to all authorities.

New Homes Bonus

Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

Number of respondents supporting the proposal: 59 (34.91%)

Number of respondents opposing the proposal: 110 (65.09%)

18. The consultation on reforms to the New Homes Bonus is open until 10 March 2016; responses relevant to the questions in that consultation which have been submitted through this process will also be provided for that analysis.

19. While some responses to this question continued to welcome the provision of New Homes Bonus as an incentive and resource, some considered that, in order to strengthen the incentive, it should not be funded from the settlement. Some commented that New Homes Bonus should not be reduced to support adult social care, although others stated that it should be reduced further to support adult social care. Several responses expressed the view that the New Homes Bonus should be funded from new money additional to the settlement.

Business rates safety net

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

Number of respondents supporting the proposal: 45 (27.44%)

Number of respondents opposing the proposal: 119 (72.56%)

20. Some of those that disagreed with Question 6 stated that they considered the safety net should be funded entirely by levy arrangements, rather than as a topslice from Revenue Support Grant. Some respondents commented that any safety net funding which was not used should be redistributed quickly to local authorities, as proposed for the New Homes Bonus funding. Some agreed with the principle of the safety net but considered that it should be funded from outside the system.

Additional funding to support rural areas

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

Number of respondents supporting the proposal: 80 (55.94%)

Number of respondents opposing the proposal: 63 (44.06%)

21. Some local authorities and bodies representing them responded to Question 7 by welcoming the increase to the Rural Services Delivery Grant, but expressing disappointed that the majority of additional funding is back-loaded. Some responses considered an additional £4.5 million in 2016-17 to be insufficient progress in closing the urban-rural funding gap or meeting additional costs of service delivery in rural areas. Some Members of Parliament expressed similar concerns about the level of funding for rural areas, including during a backbench debate on 11 January.
22. Some responses to Question 7 considered any increase in funding to rural areas to be unjustified, and some of these highlighted instead the challenges of delivering services in urban areas.
23. Other points raised included:
- the criteria for allocating rural funding should change;
 - the methodology for allocating funding between upper tier and lower tier authorities in two tier rural areas should change;
 - council tax is higher in rural areas as a result of historic decisions, and should not be included in the settlement core funding methodology for allocating Revenue Support Grant.

Funding allocations for the Parliament

Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

Number of respondents supporting the proposal: 42 (31.58%)

Number of respondents opposing the proposal: 91 (68.42%)

24. A number of respondents made clear in comments that they had different views on the general and the specific element of this question. Issues raised in comments included:
- concern that insufficient funding for local welfare provision will lead to increased costs to the public purse as vulnerable people, particularly the homeless, may need more public services if no emergency help is available;
 - local welfare provision funding should be ringfenced;

- in addition to the sum of £129.6 million identified for funding local welfare provision; an additional sum of £74 million should again be provided to upper tier authorities from outside the settlement;
- a view that there is insufficient funding within the settlement for the notional amounts identified for specific funding elements;
- identifying these funding lines separately implies a ringfencing of funding which local authorities have not separately received;
- the split of funding elements within the Settlement Funding Assessment should be separately identified and not be presented as part of core spending power;
- all visible lines should be removed.

Transfers of funding into the settlement

25. Some of the responses received to these questions included additional, often quite wide-ranging, comments on issues related to the relevant policy question. These have been considered in relation to the specific issues and the overall approach to allocating funding, and the main points are summarised in the relevant sections below.

Care Act 2014

Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

Number of respondents supporting the proposal: 39 (30.95%)
 Number of respondents opposing the proposal: 87 (69.05%)

26. Some responses that disagreed with Question 9 were concerned that including this funding in the settlement would mean it will not be protected in later years as Revenue Support Grant reduces. A small number argued that it should be ringfenced.

2015-16 Council Tax Freeze Grant

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

Number of respondents supporting the proposal: 102 (67.11%)
 Number of respondents opposing the proposal: 50 (32.89%)

27. The majority of responses to this question agreed with the proposal. Some responses commented either that Council Tax Freeze Grant should be separately identified within the settlement, or that it should be paid outside it as a protected amount.

2015-16 Efficiency Support Grant

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

Number of respondents supporting the proposal: 77 (76.24%)

Number of respondents opposing the proposal: 24 (23.76%)

28. There were few specific comments relating to Question 11. Some of those that disagreed with the question argued that a separate amount should continue to be paid to mitigate funding reductions for councils.

Funding for lead local flood authorities

Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?

Number of respondents supporting the proposal: 92 (78.63%)

Number of respondents opposing the proposal: 25 (21.37%)

Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities, to ensure funding for these activities increases in real terms in each year of the Parliament?

Number of respondents supporting the proposal: 129 (94.16%)

Number of respondents opposing the proposal: 8 (5.84%)

Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ringfenced for the Spending Review period?

Number of respondents supporting the proposal: 33 (24.26%)

Number of respondents opposing the proposal: 103 (75.74%)

29. Most direct responses to the questions on funding for lead local flood authorities and additional comments made on these proposals revealed strong support for providing funding for these activities and particularly for a grant paid outside the settlement, with the intention of increasing funding year-on-year. Some other responses to this question commented that fire and rescue authorities should be compensated for the help they provided during flooding incidents.

30. The majority of responses to Question 14 expressed strong opposition to the suggestion that funding for any purpose should be ringfenced.

Future local government finance settlements

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

Number of respondents supporting the proposal: 41 (27.52%)

Number of respondents opposing the proposal: 108 (72.48%)

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?
170 (61%)

31. Points made by responses that disagreed with Question 15 included :

- tariffs and top ups should not change before the full reset of the business rates retention system;
- adjusting tariffs and top ups would have a negative impact on the growth incentive in the business rates retention system;
- on the other hand, some felt the system should not have a focus on growth to the detriment of appropriate baseline funding;
- the Government should make no further funding reductions for authorities once their Revenue Support Grant reaches zero through the settlement core funding methodology.

32. Many responses addressed the invitation in Question 16 to suggest alternative ways to secure the required level of spending reductions, although a number proposed not making reductions to the extent set out over the four-year period. Many responses to this question made suggestions for additional flexibilities for local authorities to raise or manage resources, including:

- flexibility on fees including for planning and licensing;
- extending the £5 cash council tax principle to all districts in two tier areas and to fire and rescue authorities;
- allowing councils to use historic capital receipts to the fund revenue costs of service reform;
- bringing county councils in line with single tier councils by allowing them to levy the additional 2% council tax flexibility for social care on their districts' element of the area council tax bill;
- more local revenue-raising flexibility;
- relaxation of Minimum Revenue Provision;
- abolition of stamp duty for transfers between public bodies;
- abolition of the council tax referendum threshold;
- for Local Council Tax Support to be funded through a separate grant by central government, with some suggestions also that this funding should be protected for parish councils;
- discretion over (or abolition of) the single person council tax discount;
- changes to council tax bands.

The improved Better Care Fund

33. The consultation on the provisional settlement did not include a specific question on the improved Better Care Fund – for which additional funding is proposed to be available from 2017-18 – and made clear that the Government will publish a separate, formal consultation on its proposed distribution methodology. The provisional settlement consultation document indicated that the Government welcomed views on the approach set out. The Government is grateful for representations received on this subject and will consider these carefully when consulting on the distribution of these resources.

Equality impact assessment

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation? 127 (45.68%)

34. Responses to Question 17 have been considered carefully and taken into account in final decisions. A revised equalities statement is published alongside the final settlement.

Government response

35. The responses were analysed and considered as part of decisions on the local government finance settlement 2016-17, published on 8 February 2016.