



Ministry of Housing,
Communities &
Local Government

Local Government Finance Settlement 2020-21

Summary of responses to the Provisional Consultation



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If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF

Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/mhclg>

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Introduction

1. The Ministry of Housing, Communities and Local Government published the provisional local government finance settlement for 2020-21 on 20 December 2019. The consultation closed on 17 January 2020. A link to the consultation can be found here: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021>
2. The provisional settlement proposed:
 - updating the 2019-20 Settlement Funding Assessment in line with the change in the small business non-domestic rating multiplier;
 - eliminating negative RSG in 2020-21 through use of forgone business rates at a cost of £152.9 million;
 - a package of council tax referendum principles including a core principle of up to 2%, a bespoke council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils, and an adult social care precept flexibility, for local authorities with responsibility for adult social care, of up to 2% on top of the core principle;
 - a new Social Care Grant for 2020-21 of £1.41 billion for adult and children's services. Of this, £410 million is a direct continuation of the 2019-20 Social Care Support Grant, with an injection of £1 billion of new funding;
 - distributing these resources using the Adult Social Care Relative Needs Formula, including a sum of £150 million for equalisation of the impact of the council tax adult social care precept;
 - maintaining the existing improved Better Care Fund funding at 2019-20 levels (£1.837 billion), as well as incorporating £240 million which was allocated as Winter Pressures Grant in 2019-20, with the same distribution as this year;
 - retaining the £900 million top-slice of Revenue Support Grant to fund a new round of New Homes Bonus allocations in 2020-21, with the addition of an estimated £7 million from departmental budgets; and
 - continuing with the Rural Services Delivery Grant at £81m, with all recipients receiving the same amount as in the previous year.

Responses to the consultation

- The 158 responses received to this consultation have been given full consideration as part of the development of the final local government finance settlement for 2020-21, alongside other representations made during the consultation period. The Government is very grateful to everyone who took time to respond to the consultation.
- The table below gives a breakdown of consultation responses included in this analysis by the type of respondent.

Organisation Type	Count	% of total responses
Shire District	51	32.3%
Unitary Authority	22	13.9%
Metropolitan District	24	15.2%
London Borough	13	8.2%
Fire Authority	15	9.5%
Shire County	16	10.1%
Combined Authority	1	0.6%
Greater London Authority	1	0.6%
Local Authority Association	10	6.3%
Member of Parliament	1	0.6%
Parish or Town Council	4	2.5%
Grand Total	158	100%

- This document provides an overview of the responses received but does not attempt to capture every point made in the responses.
- Percentages are calculated from the number of respondents providing a direct answer to each question. Percentages do not include 'no comment' answers.

Distribution of Revenue Support Grant

Question 1 - Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2020-21?

Number of responses: 138

Respondents supporting the proposal: 117 (85%)

Respondents opposing the proposal: 18 (13%)

Neither agreed nor disagreed: 3 (2%)

7. The provisional consultation sought views on the rolling forward of the 2019-20 local government finance settlement. It proposed uprating Settlement Funding Assessment in line with the change in the small business non-domestic rating multiplier.
8. There was strong support for the Government's proposals to uprate Revenue Support Grant, with 117 (85%) in favour. There were 18 (13%) of respondents who disagreed with the proposals. Of the 18 that disagreed, 6 cited the need for increased overall quantum of funding and 12 disagreed with the proposed distribution methodology of Revenue Support Grant in that it is based on 2013-14 calculations.
9. The level of funding proposed in the provisional consultation was set within the context of the 2019 Spending Round. We are currently in the process of updating the assessment of authorities' relative needs and resources. Until we finish this update, and in the interests of short-term stability, the Government takes the view that this is the most appropriate way to distribute SFA. The Government has therefore decided to include this proposal as part of the final local government finance settlement for 2020-21.

Negative RSG

Question 2: Do you agree with the Government's proposal to eliminate negative RSG?

Number of responses: 131

Respondents supporting the proposal: 81 (62%)

Respondents opposing the proposal: 50 (38%)

10. The provisional consultation sought views on the proposal to eliminate so-called negative Revenue Support Grant (RSG) via forgone business rates receipts.
11. This approach is consistent with the Government's previous commitment, made during the implementation of the business rates retention system in 2013-14, that authorities' retained business rates baselines would be fixed in real terms until the business rates retention system was reset.
12. There was support for the Government's approach to eliminating negative RSG with 81 (62%) agreeing with the proposals.
13. Some respondents opposed the Government's approach to eliminating negative RSG, with 36 respondents commenting that available resources should be distributed on the basis of need.
14. In the interest of upholding the commitment to maintaining business rates baselines, and providing stability to the affected authorities by maintaining the same level of negative RSG funding they obtained last year, Government has decided to include this proposal as part of the final local government finance settlement for 2020-21.

Council Tax

Question 3: Do you agree with the proposed package of council tax referendum principles for 2020-21?

Number of responses: 151

Respondents supporting the proposal: 46 (30%)

Respondents opposing the proposal: 105 (70%)

15. The provisional consultation sought views on the proposed package of referendum principles for 2020-21. Rather than explicitly citing a view on the package itself, many responses cited their opposition to council tax referendum principles in general, commenting that they would prefer to see additional flexibility for local authorities to decide the level of council tax without a referendum.
16. The Government received a total of 151 responses of which 105 (69%) explicitly opposed council tax referendum principles and argued they should be abolished.
17. There were 46 respondents who commented that the 2% core referendum limit should be increased to 3% which applied in 2019-20, or higher.
18. Additional responses to this question included 46 responses from shire districts of which 15 called for a "Prevention Precept" to account for the role district councils play in reducing demand for other public sector services.
19. There were 24 respondents who objected to increasing council tax flexibilities as a way of addressing funding pressures, with some authorities arguing that need is not linked to an authority's ability to generate income from council tax.
20. The Government notes the arguments put forward by a majority of respondents against the proposals. However, the Government believes that the package of principles proposed in the provisional consultation strikes a balance between ensuring local authorities have access to sufficient resources, and limiting the impact on local taxpayers by ensuring that they can have the final say on excessive increases.
21. Furthermore, in relation to those responses which put forward arguments against council tax referendum principles in general, the Government notes that the Conservative manifesto committed that local residents would continue to have the final say on excessive increases in council tax.
22. As such, the Government has decided to continue with this package as part of the final settlement for 2020-21.

Social care funding

Question 4 - Do you agree with the Government's proposals for social care funding in 2020-21?

Number of responses: 115

Respondents supporting the proposal: 96 (83%)

Respondents opposing the proposal: 16 (14%)

Neither agreed nor disagreed: 3 (3%)

23. The provisional consultation asked for views on the Government's plans to increase funding across adult and children's social care.
24. The proposals, which included an additional £1 billion of social care grant funding, including an element of grant equalisation, were supported by 96 (83%) respondents to the provisional consultation.
25. There were 16 (14%) respondents who opposed the proposals. In addition, there were 35 respondents who disagreed with the overall quantum level proposed for 2020-21, stating that it was not enough to meet demand.
26. Of the 96 respondents who expressed support for the Government's proposals for social care funding for 2020-21, 24 respondents opposed the proposed methodology to distribute the funds. Some respondents expressed concern on the use of the Adult Social Care Relative Needs Formula to distribute funding across both adult and children's social care.
27. 11 respondents objected to increasing council tax flexibilities as a way of addressing adult social care funding pressures, arguing that this transfers the burden to local tax payers. Other respondents argued that the additional adult social care council tax flexibility can have uneven distributional effects, benefitting those areas with a larger tax base, unless equalisation is applied.
28. Lastly, 33 respondents to the provisional consultation highlighted particular pressures on the funding of children's services, and 28 respondents stated that the Government should publish proposals on the future of adult social care.
29. After considering the responses to the provisional consultation, the Government has decided to include these proposals in the final local government finance settlement for 2020-21, as they represent the best available approach to allocating resources made available through the Spending Round 2019.

Question 5: Do you agree with the Government's proposals for iBCF in 2020- 21?

Number of responses: 111

Respondents supporting the proposal: 102 (92%)

Respondents opposing the proposal: 7 (6%)

Neither agreed nor disagreed: 2 (2%)

30. The provisional consultation sought views on the Government's proposals to continue existing iBCF funding at 2019-20 levels (£1.837 billion). There was strong support for the Government's plans, with 102 (92%) expressing overall support.
31. Of the 102 who supported the proposal, there were 43 who expressed specific support for rolling the grant forward another year.
32. The same number of respondents, 43, also expressed support for the not ringfencing the Winter Pressures Grant.
33. There were 15 respondents that argued the iBCF should be increased in line with inflation.
34. After considering these responses, and recognising the need for short-term stability expressed by many respondents, the Government has decided to include these proposals as part of the final local government finance settlement for 2020-21.

New Homes Bonus

Question 6: Do you agree with the Government's proposal to fund the New Homes Bonus in 2020-21 with the planned £900 million from Revenue Support Grant, with additional funding being secured from departmental resources, and to allocate the funds in line with previous years but with no legacy payments?

Number of responses: 134

Respondents supporting the proposal: 71 (53%)

Respondents opposing the proposal: 60 (45%)

Don't know: 3 (2%)

35. The provisional settlement outlined the Government's plans for New Homes Bonus in 2020-21.

36. 71 local authorities, 53% of the total respondents to this question, supported the Government's proposals to fund the New Homes Bonus in 2020-21.

37. Of the 71 authorities who supported the proposals, there were 54 respondents who expressed concern over the absence of a commitment to legacy payments for allocations in 2020-21.

38. Overall, there were 60 (45%) respondents who disagreed with the Government's proposals. 18 of these respondents argued that the money used to fund New Homes Bonus should instead be used for other funding pressures.

39. There were 17 respondents who argued that the money used to fund New Homes Bonus should instead be distributed according to need across all authorities.

40. After considering these responses, and particularly given the emphasis placed on year-on-year stability, the Government has decided to include this proposal as part of the final local government finance settlement for 2020-21.

Rural Services Delivery Grant

Question 7: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?

Number of responses: 117

Respondents supporting the proposal: 56 (48%)

Respondents opposing the proposal: 56 (48%)

Neither agreed nor disagreed: 5 (4%)

41. At the provisional consultation the Government proposed to roll-forward 2019-20 allocations of Rural Services Delivery Grant, totalling £81 million, in recognition of the extra costs of delivering services in rural areas.
42. Allocations in 2019-20 were distributed to the top quartile of local authorities on the basis of the 'super-sparsity' indicator, which ranks authorities by the proportion of the population which is scattered widely, using Census data and weighted towards the authorities with the sparsest populations.
43. At the provisional consultation, 56 (48%) of respondents agreed with the Government's proposal whereas 56 (48%) were opposed. This is roughly in line with the responses to the earlier technical consultation, with 76 (49%) for and 78 (51%) against.
44. Taking into account the continued even split of responses to this question, and in the interests of stability of funding in a year in which the Government is proposing to roll forward the previous settlement, the Government has decided to include this as part of the final local government finance settlement for 2020-21.

Equalities Statement

Question 8 – Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Number of responses: 53

45. The Government invited views through the provisional consultation on the impact of the proposals in the 2020-21 settlement on persons who share a protected characteristic.
46. There were 53 responses to Question 8. Some responses drew attention to the impact on persons with specific protected characteristics, including age (children and the elderly) (17%) and race (4%). In addition, 19 respondents (37%) raised concerns about the impact of the proposals on vulnerable people and people in deprived areas.
47. Responses to this question have been considered and taken into account as the Government takes decisions on the final settlement. An equalities statement is published alongside the final settlement.