



Department for
Communities and
Local Government

The 2017/18 Local Government Finance Settlement

Summary of responses to the Technical Consultation



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Department for Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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Introduction

1. A technical consultation on the Local Government Finance Settlement was undertaken this summer between 15 September 2016 and 28 October. This is available at: <https://www.gov.uk/government/consultations/local-government-finance-settlement-2017-to-2018-technical-consultation>
2. The technical consultation proposed details of the distribution of central resources. It:
 - confirmed the Government's commitment to the multi-year settlement offer and sought views on expanding this offer
 - proposed an approach to distributing funding through the improved Better Care Fund using a methodology that takes account of each council's capacity to raise resources through the adult social care precept.
3. The consultation also outlined the Government's proposals for the council tax referendum principles for 2017/18:
 - a core principle of up to 2%. As in 2016/17, this would continue to apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, fire authorities, and to Police and Crime Commissioners except those whose Band D precept is in the lower quartile of that category
 - a continuation of the Adult Social Care precept of an additional 2%, for county councils, unitary authorities and London boroughs (including the Common Council of the City of London and the Council of the Isles of Scilly), subject to consideration of the use made of the Adult Social Care precept in the previous year
 - that shire district councils will be allowed increases of up to 2% or up to and including £5, whichever is higher
 - that Police and Crime Commissioners whose Band D precept is in the lowest quartile of that category will be allowed increases of less than 2% or up to and including £5, whichever is higher
 - that referendum principles are introduced for town and parish councils whose Band D precept is higher than that of the lowest charging district council for 2016/17 (£75.46), and which have a total precept for 2016/17 of at least £500,000, while taking account of transfers of responsibilities, and that consideration is given to the extension of referendums to all local precepting authorities.
4. Finally, in line with the Government's work to devolve power and budgets to local authorities, the consultation also proposed new technical measures to cover:
 - **the 2017 business rates revaluation:** an approach for adjusting business rates tariff and top ups to cancel out, as far as is practicable, the impact of the revaluation on local authorities' income

- **100% business rates retention pilot authorities:** a methodology for calculating the agreed changes in the local share of retained business rates and the level of tariff and top ups for local authorities piloting 100% business rates retention, designed to ensure that no authorities anywhere in the country are adversely affected by these pilots, and
- **Mayoral Combined Authorities:** a mechanism which would allow places with a devolution deal to revisit the distribution of existing funding streams within their areas, if all affected councils agree.

Summary of Responses

5. There were 1750 responses to the consultation from a range of organisations including 1390 from Town and Parish Councils. A breakdown of responses is included below:

Type of Respondent	Number
London Boroughs	12
Metropolitan Districts	29
Unitary Authorities	35
Shire Counties	25
Shire Districts	58
Fire Authorities	11
Police Authorities	2
GLA	1
Parish or Town Councils	1390
Local Authority Councillors	26
Local Authority Officers	10
Local Authority Association or other Special Interest Group	21
Parish or Town Councillor	36
Members of the Public	76
Other responses	18
Total	1750

6. This document provides a factual report of responses received to the consultation. It should be noted that not all respondents provided answers to all the questions. For example, the vast majority of Town and Parish councils responded only to questions 4-7 on the proposed introduction of referendum principles for larger town and parish councils. The analysis provides a summary of the responses received and does not attempt to capture every point made in the responses.

The multi-year settlement offer

Question 1: What other, additional grants, beyond those set out in para 2.2.2, should the Government consider including in the multi-year offer?

7. On 10 March, the Secretary of State for Communities and Local Government wrote to every local authority in England setting out the conditions for the offer of a multi-year settlement. The offer included Revenue Support Grant, Transition Grant and Rural Services Delivery Grant, and a commitment that business rates top ups and tariffs will not be altered for reasons related to the relative needs of local authorities. As part of the technical consultation, the Government sought views on additional grants that could be included in the multi-year offer in the future.
8. There was broad support for providing more funding certainty through the multi-year offer with 83% of those that responded to this question supporting the inclusion of additional grants.
9. The grants most commonly named for inclusion in the multi-year offer were the Council Tax and Housing Benefit Administration Subsidies, Public Health Grant, the Improved Better Care Fund, Education Services Grant, Independent Living Fund and New Homes Bonus. Each of these was identified by over 10% of non-parish authorities which responded to the consultation.
10. A number of respondents (17%) stated that they did not want any more grants included in the multi-year offer. Some respondents raised concerns that including additional funding in the offer could make the profile of specific grants less visible.

Distribution of the improved Better Care Fund

Question 2: Do you agree with the proposed methodology for allocating funding for the improved Better Care Fund as outlined in paragraph 2.3.4?

11. The Spending Review 2015 announced the introduction of the improved Better Care Fund worth £105 million in 2017/18, £825 million in 2018/19 and £1.5 billion in 2019/20.
12. The Government set out its proposed approach to allocating the improved Better Care Fund allocations alongside the provisional Local Government Finance Settlement 2016/17 and committed to consult on the distribution of the fund in due course.
13. The proposed methodology for each financial year is set out in chapter 5 of the consultation on the provisional 2016/17 local government finance settlement published on 17 December 2015.¹ This approach recognises that authorities have varying capacity to raise council tax, and will allocate the funding through a separate grant to local government so that every every council gets its share of the total 3.5bn additional funding announced at the Spending Review according to the Relative Needs Formula for Adult Social Care.
14. There were 303 responses to this question including 142 responses from local authorities, 112 from Town and Parish councils and 55 others. Of those that responded, 102 agreed with the proposals and 159 disagreed.
15. Of the 142 responses received from local authorities, 41 agreed with the proposed iBCF methodology and 60 disagreed. 36% of local authorities that responded (20% of all responses) objected to the principle of taking into account the ability to raise council tax in making allocations. 17% of local authorities (10% of total responses) felt that the updated adult social care Relative Needs Formula being developed by the Department for Health should be used, as it would provide a more up to date measure of social care need in their area.

¹ Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494385/Provisional_settlement_consultation_document.pdf

Council tax referendum principles for local authorities

Question 3: Do you agree with the council tax referendum principles for 2017-18 proposed in paragraphs 3.2.1 to 3.2.2 for principal local authorities?

16. In order to balance the aim of keeping council tax low for local residents with the need for councils to raise sufficient funding to support local services, the technical consultation set out proposal for referendum principles to remain the same as those set in 2016/17, subject to the views of respondents to this consultation and consideration of the use made of the adult social care precept in 2016/17. This would mean:
- a core principle of up to 2%. This would continue to apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, fire authorities, and Police and Crime Commissioners except those whose Band D precept is in the lower quartile of that category (see below)
 - a continuation of the Adult Social Care precept of an additional 2%, for County Councils, unitary authorities and London boroughs (including the Common Council of the City of London and the Council of the Isles of Scilly), subject to consideration of the use made of the Adult Social Care precept in the previous year
 - shire district councils will be allowed increases of up to 2% or up to and including £5, whichever is higher
 - Police and Crime Commissioners in the lowest quartile will be allowed increases of up to 2% or up to and including £5, whichever is higher.
17. There were 500 responses to Question 3 of the consultation. Of these, 164 came from principal authorities and 235 from parishes. Over three-quarters of respondents disagreed with the principles.
18. A substantial number of counties, districts and unitary authorities argued that council tax levels should be a matter for elected councillors and requested that Government does not set any referendum principles.

Council tax referendum principles for parish and town councils

Question 4: Do you agree that referendum principles should be extended to larger, higher-spending town and parish councils in 2017/18 as set out in paragraphs 3.3.3 to 3.3.4?

Question 5: Do you agree with the proposed approach to take account of the transfer of responsibilities to town and parish councils as outlined in paragraph 3.3.5?

Question 6: Do you agree with the suggestion that referendum principles may be extended to all local precepting authorities as set out in paragraph 3.3.6? If so what level of principle should be set?

Question 7: Do you have views on the practical implications of a possible extension of referendum principles to all local precepting authorities as set out in paragraph 3.3.7?

19. Since the introduction of council tax referendums in 2012/13, no referendum principles have been set for local precepting authorities such as town and parish councils (“parishes”), although the Government has made it clear that we would keep this under review and take action if necessary.
20. The technical consultation stated that the Government is minded to apply referendum principles to larger, higher-spending town and parish councils in 2017/18 and proposed that referendum principles are introduced for local precepting authorities (town and parish councils) whose Band D precept is higher than that of the lowest charging district council for 2016/17 (£75.46), and which have a total precept for 2016/17 of at least £500,000, unless there has been a transfer of responsibilities from the principal council covering the area of the parish council.
21. Whilst recognising that a large proportion of parishes are modest in size – for example, around 4,000 parishes have precepts of £25 or less, the Government is aware that increases in these precepts continue to concern local tax payers and therefore was prepared to consider extending referendums to all parishes.
22. The 120 larger, higher-spending parishes would face the same referendum principles as shire districts: increases of up to 2% or up to and including £5 (whichever is higher) can be set without triggering a referendum, subject to transfers of services being taken into account.
23. There were 1480 responses to question 4, of which 1141 were from Town and Parish Councils. There were 917 responses to question 5, 1582 to question 6 and 1395 to question 7.
24. Of 1141 responding parishes, 92% objected to principles for larger town and parish councils. The arguments focused on proportionality, local knowledge and consent, and the protection of valued services.

25. Larger parishes queried whether council tax referendum limits were consistent with other government policies, in particular devolution and highlighted the importance of precept revenues in supporting the delivery of local services.
26. A small number of respondents welcomed the possibility of some parish precepts being subject to limits. This was on the basis of treating the sector the same way as other types of authorities, and protecting council tax payers.=
27. A number of unitary and shire district councils argued that the extension of referendums could make large parishes reluctant to take on services. A number expressed concern about possible delays to the precept-setting and billing processes. They also highlighted the possible administrative burden of organising referendums for parishes.
28. Although the majority of respondents objected to the prospect of referendum principles for parishes, the suggestion that transfers of service would be taken into account was welcomed by many as a potentially helpful step. However, a number of authorities stressed the need to comprehensively define the term 'transfer of service', which they felt could be difficult given the different circumstances in each locality.

The business rates revaluation adjustment

Question 8: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.4.1 to 3.4.8?

29. The consultation sought views on the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments.
30. The 2017 revaluation will redistribute rates bills across England reflecting updated rateable values. Overall rates income will remain the same but some local authorities will see income grow whereas others will see it fall. The consultation document set out the principles and methodology for cancelling out, as far as practicable, the impact of the revaluation on rates retention income for local authorities. We will do this by adjusting top-ups and tariffs - provisionally at the 2017/18 settlement based on autumn 2016 data and then finally at the 2018/19 settlement based on data for 31 March 2017 and 1 April 2017, with a further technical adjustment in 2019/20. This is the first time we have carried out this exercise and early consultation has been helpful in refining the methodology.
31. We had 291 responses to this question, of which 39% supported the methodology and 35% disagreed. The key areas identified where improvements were suggested relate to:
- i. The inclusion of section 31 grants for reliefs: a number of respondents felt that section 31 grants paid to local authorities as compensation for introduction of business rates relief should be included as income for the purposes of revaluation.
 - ii. The treatment of rate reliefs in the adjustment: several authorities are concerned that the adjustment does not accurately capture instances where authorities may see a significantly different revaluation effect in classes dominated by charities (e.g. schools and universities). Such authorities are concerned that the methodology will overstate the change in income at revaluation in these classes.
 - iii. The treatment of appeals: a number of respondents raised general concerns about the way appeals are treated in the rates retention system, as well as their treatment in the revaluation adjustment.
 - iv. Balancing the revaluation adjustment to zero overall: the Local Government Association proposed that the revaluation adjustment should be set so that tariffs and top-ups balanced to zero.
 - v. Minor technical changes to the way in which including inflation is dealt with in the calculation: a number of respondents proposed refinements to the methodology to ensure it accurately captures inflation.

Adjustments to business rates in areas piloting 100% business rates retention

Question 9: Do you agree that the methodology, as outlined in paragraphs 3.5.5 to 3.5.13, for calculating changes to the local share of business rates and tariff and top up payments is correct and does not adversely affect non-pilot areas?

32. The technical consultation proposes a methodology for calculating the agreed changes in the local share of retained business rates and the level of tariff and top ups for local authorities piloting 100% business rates retention, designed to ensure that no authorities anywhere in the country are adversely affected by these pilots.
33. There were 260 responses to this question, with 125 agreeing with the proposed methodology for calculating the additional local share in pilot areas and tariff and top up payments and 79 disagreeing. Of the local authorities that responded, 89 agreed with the methodology and 8 disagreed.
34. A number of respondents suggested that additional areas should be included in the 100% business rate pilots, and this in particular should include two tier areas.

Voluntary transfers of funding to Mayoral Combined Authorities

Question 10: Are you considering a voluntary transfer of funding between the Combined Authority and constituent authorities?

35. The consultation asked authorities to identify whether they wanted to voluntarily transfer funding to the Combined Authority from other constituent authorities as part of the 2017-18 settlement. 11 councils and two council associations expressed interest in voluntary transfers of funding, but none were proposing transfers as part of the 2017-18 provisional settlement.

Equalities

Question 11: Do you have any comments on the impact of the proposals for the 2017-18 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

36. We sought comments on the impacts of the proposals for the 2017-18 settlement outlined in the consultation document on persons who share a protected characteristic. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation

37. There were 111 responses to this question including 16 (14%) that considered vulnerable people and 12 (11%) that considered elderly residents would be negatively affected. Others comments included disability (4 responses), rural areas (3 responses) and children (2 responses).

38. A number of respondents felt that they did not have enough information to be able to comment on the impact on protected groups.