



Ministry of Housing,
Communities &
Local Government

The 2019-20 Local Government Finance Settlement

Summary of responses to the Technical Consultation



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Introduction

1. A technical consultation on proposals for the 2019-20 local government finance settlement was undertaken this summer between 24 July and 18 September. This is available at: <https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation>.
2. The technical consultation set out the Government’s proposals ahead of the provisional settlement, which:
 - outlined the final year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not.
 - outlined the Government’s proposals for the council tax referendum principles for 2019-20
 - outlined proposals for dealing with the issue known as ‘Negative Revenue Support Grant’.
 - outlined the Government’s position on the New Homes Bonus baseline threshold.
3. There were a total of 189 formal responses. They have been read and categorised in relation to the question asked in the consultation. These have been given full consideration as part of the development of the local government finance settlement for 2019-20 alongside other representations made during the consultation period. We are grateful to everyone who took time to respond to the consultation.
4. The table below gives a breakdown of consultation responses included in this analysis by the type of respondent.

Type of Authorities	Number of responses	Total number consulted	% responding
Combined Authority	1	9	11%
London Borough	12	33	36%
Metropolitan Districts	21	36	58%
Unitary Authorities	27	56	48%
Shire Counties	14	27	52%
Shire Districts	74	201	37%
Fire Authorities	13	29	45%
GLA	1	1	100%
LA Councillor	1		
Local Authority Association	8		
Member of Parliament	1		
Parish Council	9		

Voluntary organisation	1
Other representative group	6
Grand Total	189

5. This document provides a factual report of the responses received and does not attempt to capture every point made in the responses.
6. Having considered responses to the technical consultation, the provisional local government finance settlement consultation document outlines our proposed approach to the 2019-20 local government finance settlement.

Consultation responses

1. This section provides a summary of the responses we received to the consultation on the local government finance settlement for 2019-20. The detail of each proposal is set out in the consultation document. Percentages are calculated from the number of respondents providing a direct answer to each question.

The multi-year settlement offer

Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?
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Number of responses: 175

Number of respondents supporting the proposal: 157 (90%)
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Number of respondents opposing the proposal: 13 (7%)
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Neither agreed nor disagreed: 5 (3%)

2. The technical consultation sought views on the approach to the fourth year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not.
3. There was broad support for the Government confirming the final year of the four-year settlement offer.
4. 52% of respondents requested more funding certainty beyond 2019-20.
5. In addition, many authorities took the opportunity to provide views on funding pressures they are facing, including:
 - 22% highlighted particular pressures on funding of children's services;
 - 18% highlighted particular pressures on funding adult social care services;
 - 9% highlighted increased funding pressures caused by the national living wage or public sector pay offer;
 - 5% highlighted pressure on local authority budgets caused by homelessness.

Council tax referendum principles for local authorities

Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

Number of responses: 172

Number of respondents supporting the proposal: 71 (41%)

Number of respondents opposing the proposal: 98 (57%)

Neither agreed nor disagreed: 3 (2%)

6. The technical consultation set out proposals for referendum principles under which local residents will be able to veto excessive increases via a referendum. It sought views on referendum principles for next year and proposed maintenance of the same core principle and package of flexibilities as 2018-19.
7. There were 98 (57%) respondents who either opposed the proposed referendum principles or would like to see increased flexibility for local authorities to decide the level of council tax.
8. Additional responses to this question included:
 - 70 responses from shire districts of which 32 (46%) called for increased flexibility for their local authorities.
 - 10 local authorities also suggested the cash element of the shire districts principle be increased to £12; equivalent to Police and Crime Commissioners
 - 22 (13%) 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.
 - 8 (10%) of upper-tier authority respondents to this question called for increased flexibility for the Adult Social Care precept.

Negative Revenue Support Grant

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

Number of responses: 156

Number of respondents supporting the proposal: 111 (71%)

Number of respondents opposing the proposal: 44 (28%)

Neither agreed nor disagreed: 1 (1%)

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express your preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored here please provide further detail?

Number of responses: 32:

14. Negative Revenue Support Grant is the colloquial name given to a downward adjustment of a local authority's business rates top-up or tariff. This occurs as a consequence of changes to the distribution methodology adopted at the 2016-17 settlement, which formed the basis of the multi-year settlement.
15. Under this methodology, for many authorities, the required reduction of Core Funding exceeded their available Revenue Support Grant. To deal with this, it was proposed that business rates tariffs and top-ups would be adjusted so that an increased amount of business rates was redistributed away from the authority and towards other authorities. This adjustment has since become colloquially known as 'Negative RSG'.
16. The technical consultation sought views on the proposed approach to 'Negative' Resource Support Grant (RSG). The Secretary of State committed to exploring all fair and affordable options for dealing with Negative RSG.
17. There was broad support for the Government's preferred approach for eliminating Negative RSG via forgone business rates receipts, with 111 (71%) positive responses.
18. 28% of respondents opposed the Government's preferred approach for eliminating Negative RSG, with some local authorities commenting that available resources should be distributed on the basis of need.
19. In addition, particular points made by those that responded to these questions included:

- 16 (9%) supported the option of injecting additional resource into Revenue Support Grant;
- 7 (4%) supported the option of changing the approach taken in accounting for council tax in the Core Funding formula;
- 5 (3%) wanted a new approach not covered in the consultation document;
- 3 (2%) supported the option of consolidating existing grants, outside of Core Spending Power, such as Business Rates Reimbursement Grant and Indexation Grant into Revenue Support Grant to alleviate Negative RSG;
- 1 (1%) supported the option of changing the existing funding baselines by altering formulas to distribute funding as determined by authorities' net current expenditure on relevant services in 2015-16

New Homes Bonus

The Technical Consultation did not include a specific question on New Homes Bonus, but the Government signalled that it expected to increase the baseline, below which new allocations of the Bonus are not made, to reflect significant additional housing growth and in order to remain within spending limits.

Number of responses on New Homes Bonus: 78

Opposed to raising threshold for 2019/20: 68 (39%)

20. Since its introduction in 2011, the New Homes Bonus has been successful in encouraging local authorities to promote housing growth, allocating £7bn from 2011/12 to 2018/19 to reward additional housing supply. However, it did not reward those authorities most open to growth and, as part of reforms introduced in 2017/18, the Government introduced a national baseline for housing growth of 0.4%, below which new allocations of the Bonus would not be paid. The Government has retained the option of making adjustments to the baseline in future years to reflect significant additional housing growth in order to remain within spending limits set at Spending Review 2015.
21. The technical consultation did not include a specific question on the New Homes Bonus, but did signal that if the sustained housing growth continues, the baseline payment threshold may increase for 2019-20. 68 (39%) respondents included in their consultation response their opposition to with raising the New Homes Bonus threshold for 2019/20.
22. There were 20 (11%) local authorities of which 15 were shire districts who expressed concern about increasing the threshold as their council finances were dependent on New Homes Bonus payments.
23. There were 45 (26%) local authorities who wanted more clarity on the future of New Homes Bonus after 2019-20.

Equality statement

Equality Statement

Question 5. Impact on people with protected characteristics as set out in the Equality Act 2010.

Number of responses: 68

24. We sought comments on the impacts of the proposals for the 2019-20 settlement outlined in the consultation document on persons who share a protected characteristic.
23. There were 68 responses to Question 5 of which 45 respondents commented on the potential impact on people with protected characteristics, including 11 (6%) that considered residents would be negatively affected on the basis of age (children and the elderly), 7 (4%) that considered people with disabilities would be affected, and 12 (7%) that considered residents in deprived areas would be affected. Respondents identified concerns regarding pressures on adult social care and children's services, and the distributional impact on deprived communities.
24. Responses to Question 5 have been considered carefully and taken into account in developing the provisional settlement. A draft equality statement is published alongside the provisional settlement.