



Ministry of Housing,  
Communities &  
Local Government

# Provisional 2019-20 local government finance settlement

Summary of responses



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# The scope of the consultation

1. The Ministry of Housing, Communities and Local Government published the provisional 2019-20 local government finance settlement for English authorities for consultation on 13 December 2018. The consultation closed on 10 January 2019.
2. The Local Government Finance Report is published annually ahead of the following financial year and sets out the methodology for calculating 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 2019-20 included:
  - confirmation of the methodology for the allocation of Revenue Support Grant
  - our approach to the distribution of un-ringfenced Social Care Support Grant according to the existing Adult Social Care Relative Needs Formula
  - our proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets
  - confirmation of an additional £16 million in Rural Services Delivery Grant in 2019-20
  - our approach to the distribution of £180 million of levy account surplus on the basis of each authority's 2013-14 Settlement Funding Assessment
  - our proposed council tax referendum principles for 2019-20
  - our approach to tariffs and top-ups in 2019-20, and the proposal to eliminate £152.9 million of negative RSG through forgone business rates receipts in 2019-20.
4. Those who wished to respond to the provisional settlement consultation were asked to email or write to the Ministry of Housing, Communities and Local Government, or complete an online survey by 10 January.
5. The provisional local government settlement relates to local authorities in England only.

# Overview

6. There were a total of 172 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 a final 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.
7. The table below gives a breakdown of consultation responses included in this analysis by the type of respondent.
8. The document provides a factual report and does not attempt to capture every point made.

## **TOTAL RESPONSE PROFILE**

<b>Organisation Type</b>	<b>Count of Organisation Type</b>	<b>% of total responses</b>
Shire Districts	51	29.7%
Unitary Authorities	25	14.5%
Metropolitan District	28	16.3%
London Borough	14	8.1%
Fire and Rescue Authority	14	8.1%
Shire Counties	16	9.3%
Combined Authority	1	0.6%
Greater London Authority	1	0.6%
<i>Total Local Authority</i>	<i>150</i>	<i>87.2%</i>
LA Association / Special Interest Group	10	5.8%
Member of the public	3	1.7%
Parish or Town Council	2	1.2%
Voluntary organisation	2	1.2%
Other representative group	5	2.9%
<b>Total</b>	<b>172</b>	<b>100%</b>

# Consultation responses

10. This section provides a summary of the responses we received to the consultation on the provisional local government finance settlement for 2019-20. 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 an answer to each question.

## Revenue Support Grant methodology

<b>Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?</b>
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Number of responses: 140
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Number of respondents supporting the proposal: 80 (57%)
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Number of respondents opposing the proposal: 60 (43%)
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11. 80 (57%) respondents to this question agreed with the proposed methodology for the distribution of Revenue Support Grant in 2019-20. 60 (43%) of respondents disagreed.
12. Of the 60 respondents that disagreed, many objected to the level of reductions in Revenue Support Grant (RSG) over the multi-year settlement period.
13. 54 (39%) respondents described the funding distribution formula as unfair, with 20 (14%) respondents expressing opposition to the inclusion of council tax in the 2016/17 RSG allocation methodology.
14. Respondents highlighted particular pressures on adult and children's social care services, public sector pay, special educational needs and homelessness.
15. There were also 54 (39%) respondents that raised concerns about the lack of certainty around local authority funding from 2020-21. Some respondents called for a longer-term approach to funding and several advocated future multi-year deals. There were calls for confirmation of the overall quantum of resources for local government from 2020-21, how this would be distributed, the future of business rates retention and the future of New Homes Bonus.

## Social Care Support Grant

**Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?**

Number of responses: 107

Number of respondents supporting the proposal: 81 (76%)

Number of respondents opposing the proposal: 26 (24%)

13. At Autumn Budget 2018, the Government announced £650 million in extra funding in 2019-20 for social care. This comprised:
- £240 million of additional funding in 2019-20 for councils to spend on adult social care services to help councils alleviate winter pressures on the NHS
  - £410 million of social care grant in 2019-20 for use for adult and children's services and where necessary, to ensure that adult social care pressures do not create additional demand on the NHS.
14. There were 107 responses to question 2 of which 81 (76%) respondents agreed with the proposal to distribute additional funding for social care through the Adult Social Care Relative Needs Formula. The majority of the 26 (24%) respondents who disagreed with the proposal suggested that the grant should be distributed on the basis of both the Children's Social Care Relative Needs Formula and Adult Social Care Relative Needs Formula – to reflect the fact that local authorities have flexibility to use the funding for children's social care and adult social care.
15. 28 (26%) respondents argued that this additional funding is insufficient to meet the service pressures in social care. Several replies also criticised the short-term nature of this funding and called for a more sustainable solution to social care pressures.

## New Homes Bonus

**Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?**

Number of responses to this question: 129

Number of respondents supporting the proposal: 78 (60%)

Number of respondents opposing the proposal: 51 (40%)

16. In 2018-19, the Government allocated an additional £8 million from departmental budgets to maintain the New Homes Bonus payments baseline at 0.4%. Due to a continued upwards trend for house building, in the 2019-20 local government finance settlement technical consultation, the Government indicated that decisions on the baseline for 2019-20 would need to be made following the publication of council tax base statistics in November.
17. After careful consideration of representations made during the technical consultation together with the additional housing stock numbers reported through the council tax base data, the Government proposed not to raise the baseline for 2019-20 and instead to maintain the baseline at 0.4%, by using an additional £18 million for New Homes Bonus from departmental budgets.
18. A majority of respondents 78 (60%) agreed with the Government's proposal.
19. There were 51 (40%) respondents that opposed the Government's proposal. 46 (36%) of respondents expressed general opposition to the way in which the New Homes Bonus is funded via a top-slice from Revenue Support Grant. Some respondents also argued that the Bonus directed funding towards areas which were better able to facilitate housing growth. Other local authorities disagreed with the existence of 'baseline thresholds' for New Homes Bonus payments.
20. There were 25 (19%) respondents calling for more certainty regarding post-2020 arrangements. 11 (8%) respondents argued that the New Homes Bonus should be discontinued, with funding instead directed to deal with pressures faced by upper-tier authorities. 6 (5%) respondents argued that the New Homes Bonus should be retained in its current form beyond 2019-20.



## Rural Services Delivery Grant

**Question 4: Do you agree with the Government's proposed approach to paying £81 million in Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?**

Number of responses: 119

Number of respondents supporting the proposal: 52 (44%)

Number of respondents opposing the proposal: 67 (56%)

21. As part of the 2016-17 local government finance settlement, the Government announced that the Rural Services Delivery Grant would be increased for the next four years with payments of £80.5 million in 2016-17, £65 million in 2017-18, £50 million in 2018-19, and £65 million in 2019-20.
22. In 2018-19, Government increased the grant to £81 million, and, in 2019-20, the Government proposed maintaining the 2018-19 level, increasing it from £65 million to £81 million, with additional funding being secured from departmental budgets.
23. This grant of £81 million in 2019-20 will be allocated to the top quartile of local authorities on the basis of the super-sparsity indicator. 52 (44%) of respondents agreed with the Government's proposal, with 67 (56%) opposed.
24. There were 34 (29%) respondents that argued that there was no evidence to support a Rural Services Delivery Grant. Conversely, 14 (12%) respondents argued that the level of funding provided to support rural areas was insufficient, and that additional resources should be injected into Rural Services Delivery Grant.
25. There were a number of responses which questioned the basis on which Rural Services Delivery Grant was allocated. 22 (18%) respondents disagreed with the use of the super-sparsity measure to determine funding distribution.

## Business rates retention levy account surplus

**Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013-14 Settlement Funding Assessment?**

Number of responses: 144

Number of respondents supporting the proposal: 134 (93%)

Number of respondents opposing the proposal: 10 (7%)

25. A substantial majority of the 144 responses to this question (134 responses) welcomed the proposal to distribute £180 million on the basis of 2013-14 Settlement Fund Assessments. There were 10 replies that opposed the proposals.
26. A number of respondents to this question noted that some authorities had contributed significantly to levy payments, but there was no consensus on a different distributional mechanism for the surplus.

## Council tax referendum principles

**Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?**

Number of responses: 145

Number of respondents supporting the proposal: 25 (17%)

Number of respondents opposing the proposal: 120 (83%)

27. We received a total of 145 responses of which 120 (83%) respondents opposed the Government's package of proposed council tax referendum principles. 100 (69%) respondents wanted the removal of referendum limits altogether, arguing that as democratically elected bodies, local authorities are accountable to their voters should be free to set the appropriate level of council tax.
28. 19 (13%) respondents objected to increasing council tax flexibilities as a way of addressing funding pressures, arguing that this transfers the burden to local tax payers. Other respondents argued that additional council tax flexibilities have uneven distributional effects, benefitting those areas with a larger tax base.
29. There were 39 replies to the consultation from shire districts of which 8 called for increased flexibility for shire district authorities, with some specifically suggesting an increase in the cash element of the referendum limit to £10. There were also calls from 5 shire district councils for a "Prevention Precept" of 3%, to account for the role shire districts play in reducing demand for other public sector services.
30. The majority of Fire and Rescue authorities which responded to the consultation (12 out of 14 respondents) argued that that the 3 per cent core referendum limit proposed for Fire authorities in 2019-20 is inadequate to meet service pressures.

## Tariffs and top-ups

**Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019-20?**

Number of responses: 91

Number of respondents supporting the proposal: 74 (81%)

Number of respondents opposing the proposal: 17 (19%)

31. A large majority of the 91 respondents to this question agreed with the Government's proposed approach to tariffs and top-ups. Many of those who disagreed with the Government's proposed approach cited the issue of negative Revenue Support Grant (negative RSG).
32. Negative RSG is the name given to a downward adjustment of a local authority's business rates retention 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. In 2019-20, negative RSG totals £152.9 million.
33. The 2019-20 local government finance technical consultation explored fair and affordable options for addressing this issue. Having considered the representations received, the Government has decided to continue with its preferred approach that negative RSG is eliminated in full via foregone business rates receipts in 2019-20. This honours the commitment made at the outset of the multi-year settlement to prevent any local authority from being subject to a downward adjustment to their business rates tariffs and top-ups that could act as a disincentive to growth.
34. There were 31 (34%) respondents opposed to the proposals to eliminate negative RSG on the grounds of perceived unfairness, arguing that the authorities who stand to benefit have also been the beneficiaries of other Government policy, with some respondents arguing that any additional resources should be allocated based on need.
35. Additional responses to this question included 10 (7%) respondents arguing that the tariff and top-ups system is too complex.

## Equality Statement

**Question 8: Do you have any comments on the impact of the 2019-20 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.**

Number of respondents:42

Age: 5 (12%)

Disability: 6 (14%)

Deprivation: 7 (17%)

Sexual Orientation: 1 (2%)

36. There were 42 responses commenting on the potential impact on people with protected characteristics, including 5 that considered residents would be negatively affected on the basis of age (both children and the elderly), 6 that considered people with disabilities would be affected and 1 related to sexual orientation.

### **Government response to the provisional settlement**

37. These responses were analysed and considered as part of decisions on the local government finance settlement 2019-20, published on 05 February 2019.