



Department for
Communities and
Local Government

Provisional 2017-18 local government finance settlement: confirming the offer to councils

Summary of responses



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Contents	Page
The scope of the consultation	4
Overview	5
Consultation responses	
Revenue Support Grant methodology	6
New Homes Bonus reform and transitional arrangements	7
Allocation of New Adult Social Care Grant from New Homes Bonus savings	7
Business rates safety net	8
Transition Grant payments	8
Additional funding to support rural areas	9
Impact on protected groups	9

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 15 December 2016. The consultation closed on 13 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 2017-18 included:
 - The reforms to the New Homes Bonus, following consultation earlier this year
 - Introduction of an Adult Social Care Support Grant to be funded from additional savings from the New Homes Bonus in 2017-18
 - Approach to distributing funding through the improved Better Care Fund
 - Confirmation of the methodology, for the final settlement, for calculating the agreed changes in the local share of retained business rates
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. 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.
6. During the consultation period Ministers and officials held meetings with individual authorities, representative bodies, Members of Parliament and campaign organisations.
7. The provisional local government settlement relates to councils and fire authorities in England only.

Overview

8. There were a total of 197 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 a final local government finance settlement for 2017-18 alongside other representations made during the consultation period. We are grateful to everyone who took time to respond to the consultation.
9. The table below gives a breakdown of consultation responses included in this analysis by the type of respondent.

Type of Authorities	Responses Received
London Boroughs	13
Metropolitan Districts	25
Unitary Authorities	26
Shire Counties	20
Shire Districts	83
Fire Authorities	2
Police Authorities	1
GLA	1
LA Councillor	4
LA Officer	1
Local Authority Association	12
Member of Parliament	1
Member of the public	1
Other representative group	3
Voluntary organisation	4
Total number of organisations responding	197

Consultation responses

11. This section provides a summary of the responses we received to the consultation on the provisional local government finance settlement for 2017-18. 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.

Revenue Support Grant Methodology

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

Number of responses: 171

Number of respondents supporting the proposal: 66 (39%)

Number of respondents opposing the proposal: 84 (49%)

Neither agreed nor disagreed: 21 (12%)

10. Almost half of those that responded to this question did not agree with the proposed methodology. In the majority of all cases respondents argued that local authorities needed additional funding to meet increasing service pressures. Others that disagreed with the proposed methodology cited the level of reduction in Revenue Support Grant for a local authority in 2017-18 as their main reason.

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

- support for the multi-year settlement to provide greater funding certainty;
- preference for an earlier timetable for the settlement to support authorities' budget planning process;
- pressure being faced in delivery of specific services (especially adult social care); and
- proposals to increase local income as an alternative means to meeting service pressures.

New Homes Bonus reform and transitional arrangements

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

Number of responses to this questions: 182

Number of respondents supporting the proposal: 127(70%)

Number of respondents opposing the proposal: 29 (16%)

Nor agreed or disagreed: 26 (14%)

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

Number of responses to this questions: 155

Number of respondents supporting the proposal: 44 (28%)
Number of respondents opposing the proposal: 99 (64%)
Nor agreed or disagreed: 12 (8%)

Question 2

12. Many respondents were disappointed with the timing of the announcement of the reforms to New Homes Bonus, often stating that this did not enable effective budget planning. A number of responses also raised concerns about future changes to the threshold for the same reason, and felt this would have a potential negative impact for the New Homes Bonus scheme as a housing incentive.
13. There were 106 responses which raised concerns that the baseline was to be set at 0.4%, which was higher than the 0.25% that had been provisionally illustrated in the New Homes Bonus consultation a year ago based on housing forecasts at the time. There were 50 responses, that raised concerns that the reduction of payments from 6 years to 5 years in 17-18 would be applied to houses built in 2011.
14. However there were 29 responses that did not think that transitional measures should be introduced for New Homes Bonus payments. Some respondents argued that New Homes Bonus should not be looked at in isolation, but as part of the overall package of funding provided as part of the local government finance settlement. Others made the case that pressures in Adult Social Care mean that there is good reason to move more quickly e.g. reducing legacy payments to 4 years without the transitional year, provided the additional savings are used to support adult social care services.

Question 3

15. While some responses to this question continued to welcome the provision of New Homes Bonus as an incentive and resource, the majority 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.

Allocation of New Adult Social Care Grant from New Homes Bonus savings

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

Number of responses to this question: 172
Number of respondents supporting the proposal: 34 (20%)
Number of respondents opposing the proposal: 119 (69%)
Nor agreed or disagreed: 19 (11%)

16. There were 34 responses that agreed with the proposals to allocate funding saved from New Homes Bonus savings to adult social care. Whilst respondents recognised the value of allocating funding for social care, many argued that

reductions to New Homes Bonus were already severe and the levels of funding proposed for reallocation to adult social care would not address the pressures that face local government.

17. Some respondents raised concerns about the use of the relative needs formula, suggesting that it did not reflect the latest demographic pressures in their area. Some responses argued that the funding should have been allocated in the same way as the improved Better Care Fund, which reflects local authorities' relative ability to raise income from the Adult Social Care precept.

Business rates safety net

Question 5: Do you agree with the Government's proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

Number of responses: 148

Number of respondents supporting the proposal: 53 (36%)

Number of respondents opposing the proposal: 91(61%)

Nor agreed or disagreed: 4 (3%)

18. Many of those that disagreed with question 5 stated that they considered the safety net should not be funded from holding money back from Revenue Support Grant but rather should be funded from other sources including funding from direct taxation or increased levy payment.

Transition Grant Payments

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

Number of responses: 153

Number of respondents supporting the proposal: 80 (52%)

Number of respondents opposing the proposal: 61 (40%)

Nor agreed or disagreed: 4 (8%)

19. The majority of those responding to this question agreed with the proposal to pay £150 million transition grant in 17-18.
20. Those that disagreed often argued that Transition Grant should be paid to those with greatest reductions in Core Spending Power overall rather than those with the greatest reduction of central funding as a result of the change to the settlement core funding methodology for allocating revenue support grant introduced in the 2016-17 settlement.

Additional funding to support rural areas

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

Number of responses: 146

Number of respondents supporting the proposal: 58 (40%)

Number of respondents opposing the proposal: 76 (52%)

Not agreed or disagreed: 12 (8%)

21. There were 146 responses, of which 58 agreed and 76 disagreed. Those that agreed argued that rural residents, on average earn less than urban counterparts, pay more council tax but get less in government grant. Some disagreed because they felt there should be an alternative funding mechanism that did not only reward the highest quartile for sparsity but also recognised areas where there are pockets of sparsity within a wider Local Authority area. Others that disagreed argued that there should be no top slicing of revenue support grant and that there was not strong evidence supporting allocation of additional funding to rural areas. Some commented that sparsity is already included within the relative needs assessment and should not be considered separately.

Impact on protected groups

Question 8: Do you have any comments on the impact of the 2017-18 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 77 (100%)

Elderly residents: 42 (55%)

Disability: 23 (30%)

22. Responses to Question 8 have been considered carefully and taken into account in final decisions. A revised equalities statement is published alongside the final settlement.

Government response

23. The responses were analysed and considered as part of decisions on the local government finance settlement 2017-18, published on 22 February 2017.