



Ministry of Housing,  
Communities &  
Local Government

# Consultation on provisional local government finance settlement 2018-19

Summary of responses



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# Contents

<b>Scope of the consultation</b>	<b>4</b>
<b>Overview</b>	<b>5</b>
<b>Consultation responses</b>	<b>6</b>
<b>Equality statement</b>	<b>9</b>

# The scope of the consultation

1. The Ministry of Housing, Communities and Local Government published the 2018-19 provisional local government finance settlement for English local authorities on 19 December 2017. The consultation closed on 16 January 2018.
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 (RSG) and retained business rates income.
3. The provisional settlement for 2018-19 included:
  - Confirmation of the methodology for the allocation of Revenue Support Grant;
  - Our approach to the New Homes Bonus to be funded from top slicing Revenue Support Grant;
  - Confirmation of additional funding for Rural Service Delivery Grant in 2018-19;
  - Confirmation of top sliced Revenue Support Grant to be held back to fund the business rates safety net;
  - Our approach to additional flexibilities on core council tax referendum principles;
  - Improvements to the methodology for calculating business rates revaluation adjustment.
4. Respondents were able to make representations to the provisional settlement consultation via email, online survey or in writing to the department.
5. During the consultation period, Ministers also met with individual authorities, representative bodies, and Members of Parliament.

# Overview

6. There were 157 responses. All responses have been analysed and given full consideration in preparation for the final local government finance settlement 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 provides a breakdown of consultation responses by type of respondent.

<b>Type of Respondent</b>	<b>Number</b>
London Boroughs	11
Metropolitan Districts	23
Unitary Authorities	20
Shire Counties	18
Shire Districts	37
GLA	1
MCA	1
Fire Authorities	10
Parishes	12
Local Authority Association	9
Member of the public	7
Other representative group	4
Voluntary organisation	4
	<b>Total 157</b>

8. This document provides a factual report of responses and does not attempt to capture every point made.

# Consultation responses

9. This section provides a summary of responses received to the consultation on the provisional local government finance settlement for 2018-19. The detail of each proposal is set out in the consultation document at: <https://www.gov.uk/government/consultations/local-government-finance-settlement-2018-to-2019-provisional-consultation>. Percentages are calculated from the number of respondents providing a direct answer to each question.

## Distribution of central resources

### **Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2018-19?**

Number of responses: 132

Number of respondents supporting the proposal: 59 (45%)

Number of respondents opposing the proposal: 50 (38%)

Neither agreed nor disagreed: 23 (17%)

10. There were 132 responses to this question of which 59 agreed with the proposed methodology and 50 disagreed. Those who disagreed with the proposed methodology cited the level of reduction in Revenue Support Grant (RSG) and the inclusion of council tax in the allocation methodology.

11. Additional responses to this question included:

- preference for an earlier date for the provisional settlement to support authorities' budget planning process;
- pressure being faced in the delivery of specific services (especially children's and adult social care); and
- support for the Government's commitment to consult on fair and affordable options for addressing the issue of negative RSG.

## New Homes Bonus (NHB) funding

### **Question 2: Do you agree with the Government's proposal to fund NHB with £900 million from RSG and any additional funding being secured from Departmental budgets?**

Number of responses: 117

Number of respondents supporting the proposal: 36 (31%)

Number of respondents opposing the proposal: 60 (51%)

Neither agreed nor disagreed: 21 (18%)

12. A majority of respondents opposed top slicing Revenue Support Grant to fund New Homes Bonus. Opponents raised the following concerns:

- funding for the scheme should be met from another source as the continued use of RSG to fund New Homes Bonus erodes the link between funding and need;
- some local authorities viewed the current distribution of New Homes Bonus funding between upper and lower tier authorities as unfair;

- the current 0.4% threshold is unfair to rural communities because the level of house building tends to be less than that of more urban areas.

### Rural Services Delivery Grant

**Question 3: Do you agree with the Government's proposed approach of paying £65 million in 2018-19 to the upper quartile of local authorities based on the super-sparsity indicator?**

Number of responses: 107

Number of respondents supporting the proposal: 45 (42%)

Number of respondents opposing the proposal: 58 (54%)

Neither agreed nor disagreed: 4 (4%)

13. The majority of respondents opposed this approach. A number of respondents (19) were against top-slicing Revenue Support Grant to fund Rural Services Delivery Grant with some local authorities arguing that the relative needs formula already took account of regional sparsity in the way it distributes funding.
14. Some respondents stated that the increase did not sufficiently compensate rural areas for the impact of previous dampening in 2016-17.

### Business rates safety net

**Question 4: Do you agree with the Government's proposal to hold back £35 million to fund the business rates safety net in 2018-19 on the basis of methodology described in paragraph 2.6.2?**

Number of responses: 107

Number of respondents supporting the proposal: 41 (38%)

Number of respondents opposing the proposal: 62 (58%)

Neither agreed nor disagreed: 4 (4%)

15. A majority of respondents did not agree with the Department's approach to holding back Revenue Support Grant as additional funding for the business rates safety net. There were 56 respondents who proposed that the safety net costs should be met instead from central funding or that there should be an alternative funding mechanism.
16. Some local authorities argued the figure of £35m was too large given the increased number of pooling authorities, and the assumed subsequent reduction in overall system risk.

### Council tax referendum principles

**Question 5: What are your views on the council tax referendum principles proposed by the Government for 2018-19?**

Number of responses: 142 (90%)

17. There were 73 respondents who supported the 1% increase in the core council tax referendum principle, of which 63 were from local authorities. A large number of respondents (98) wanted the removal of council tax principles altogether to

allow councils to determine the amount of council tax they can raise based on local circumstances.

18. There were also 51 respondents who objected to increasing council tax flexibilities as a way of addressing funding pressures, with some authorities arguing that it was not linked to an authority's ability to generate income from council tax.
19. In addition, particular points made by those that responded to this question include:
- concern that the overall increase on core council tax principles would not be enough to meet perceived funding needs;
  - 22 respondents welcomed the intention to defer the setting of council tax referendum principles for town and parish councils for the next three years;
  - 18 responses (15 local authorities) expressed concern that 86 (of 201) shire districts with the lowest council tax levels do not receive any additional funding as a result of the additional 1% (3% overall) council tax flexibility due to their existing £5 flexibility.

### **Business Rates Revaluation**

**Question 6: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments?**

Number of responses: 105

Number of respondents supporting the proposal: 81 (77%)

Number of respondents opposing the proposal: 16 (15%)

Neither agreed nor disagreed: 8 (8%)

20. There were 105 responses (88 from local authorities) to this question of which 81 (69 local authorities) agreed with the proposal and 16 (13 local authorities) disagreed.
21. Although this methodology has been widely accepted, in 23 responses (20 local authorities) argued that the adjustment factor fails to fully account for the impact of hereditaments with charitable relief and that it could have a distorting affect.

# Equalities statement

## Equalities statement

**Do you have any comments on the impact of the 2018-19 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 responses: 38

22. 38 respondents (33 local authorities) commented on the potential impact on people with protected characteristics, including 11 that considered that residents would be negatively affected on the basis of age (children and the elderly), 8 that considered people with disabilities would be affected, and 5 that considered deprived residents would be affected. These included representations from 3 charities, which all focused on the settlement's impact on individuals with a disability.

## Government response

23. The responses were analysed and considered as part of decisions on the local government finance settlement 2018-19, to be published on 07 February 2017.