

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 25

meeting date: 25 SEPTEMBER 2018

title: LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20 - TECHNICAL  
CONSULTATION PAPER.

submitted by: DIRECTOR OF RESOURCES

principal author: JANE PEARSON

## 1 PURPOSE

- 1.1 To update members regarding the recent technical consultation paper on the Local Government Finance Settlement 2019/20, and receive the response agreed by the Budget Working Group.

## 2 BACKGROUND

- 2.1 The Local Government Finance Directorate within the Ministry of Housing, Communities and Local Government (MHCLG) recently published technical consultation on the 2019/20 local government finance settlement. This is attached at Annex 1.
- 2.2 The consultation ran for 8 weeks and closed on **Tuesday 18 September 2018**. As such it was not possible for a response to be agreed by this committee before the deadline. The Budget Working Group however considered the consultation questions and agreed a response as set out in this report.

## 3 CONSULTATION PAPER - SUMMARY OF PROPOSALS

- 3.1 The Consultation paper focused on the Government's proposed approach to the 2019/20 settlement. It:
- outlined the fourth 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 position on the New Homes Bonus threshold.
  - outlined the Government's proposals for council tax referendum principles for 2019-20.
  - outlined the Government's proposals for dealing with the issue known as 'Negative Revenue Support Grant'.

## 4 MULTI-YEAR SETTLEMENT

- 4.1 97% of councils accepted the Government's offer of a Multi Year Settlement from 2016/17. The final year of this will be next year ie 2019/20 Councils that choose not to accept the offer are subject to the existing annual process for determining the level of central funding that they will receive.

### Consultation Question

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

## **5 NEW HOMES BONUS**

5.1 The NHB scheme was changed in 2016 as follows:

- reduction of the number of years New Homes Bonus payments are made from 6 to 5 years in 2017-18 and to 4 years from 2018-19; and
- Introduction of a national baseline for housing growth of 0.4% of council tax base (weighted by band) from 2017-18, below which the Bonus will not be paid.

5.2 The baseline remained at 0.4% in 2018/19. The government stated in the consultation paper that they intend to increase the baseline in 2019/20 as a result of the continued upward trend in house building. The new baseline would be announced alongside the provisional grant settlement.

5.3 The Government also make known that they intend to explore how to incentivise housing growth most effectively and will consult on any changes prior to implementation.

## **6 COUNCIL TAX REFERENDUM PRINCIPLES**

6.1 The Government announced that they would maintain the same core principle and package of flexibilities in 2019/20 as those announced in 2018/19.

- The referendum threshold for council tax increases is proposed as up to 3 per cent for all local authorities. However, shire districts will be allowed increases of up to and including £5, or up to 2 per cent, whichever is higher.
- There will also continue to be an additional adult social care precept of 2 per cent for authorities with responsibility for social care services, subject to total increases for the adult social care precept not exceeding 6% between 2017/18 and 2019/20.
- Police and Crime Commissioners will be allowed increases of up to £12 in 2019/20.
- The Government intend to continue to defer the setting of referendum principles for town and parish councils given there has been a downward trend in parish precept increases, however will keep this area under review.

### **Consultation Question**

**Question 1: Do you agree with the council tax referendum principles proposed by the Government for 2019/20?**

## **7 NEGATIVE REVENUE SUPPORT GRANT**

7.1 The 2016/17 settlement assessed the core funding of individual authorities. Where this exceeded their Revenue Support Grant it was proposed that business rate tariffs and top-ups would be adjusted to reduce the amount of business rates they would keep. This adjustment is known as Negative RSG.

7.2 In the 2016/17 provisional settlement consultation, not surprisingly, there was strong opposition to Negative RSG with some authorities arguing that the Government would be failing to stand by the commitment made at the start of the business rate retention scheme in 2013/14 to fix business rate baselines (which are used to calculate tariffs and top-ups) until the system was reset. The Government decided to negate the negative RSG for

those affected authorities in 2017/18 and 2018/19, however no decision was made regarding 2019/20.

- 7.3 In 2019/20 168 authorities will be affected by Negative RSG. The Government have explored a number of options to deal with this given the strength of discontent amongst affected authorities. Their preference is to eliminate the issue via forgone business rate receipts and the consultation paper sets out in detail a number of options to achieve this.

#### **Consultation Questions**

**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?**

**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**

### **8 EQUALITY**

#### **Consultation Question**

**Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

### **9 CONSULTATION RESPONSE OF RIBBLE VALLEY BOROUGH COUNCIL**

- 9.1 As always it is important that we respond to all consultation papers. The Budget Working Group at their meeting on 5 September 2018 agreed the response as set out at Annex 2

#### **DIRECTOR OF RESOURCES**

**PF52-18/JP/AC  
13 September 2018**



Ministry of Housing,  
Communities &  
Local Government

# **The 2019-20 Local Government Finance Settlement**

## **Technical Consultation**

24 July 2018

Ministry of Housing, Communities and Local Government



© Crown copyright, 2018

*Copyright in the typographical arrangement rests with the Crown.*

You may re/use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, <http://www.nationalarchives.gov.uk/doc/open-government/licence/version/3/>

This document/publication is also available on our website at [www.gov.uk/mhclg](http://www.gov.uk/mhclg)  
If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter:  
<https://twitter.com/MHCLG>

July 2018  
ISBN: 978-1-4098-5311-4

## Contents

About this consultation .....	3
1 Summary of proposals .....	4
2 The multi-year settlement offer.....	5
3 New Homes Bonus .....	8
4 Council tax referendum principles.....	10
5 Negative Revenue Support Grant.....	12
6 Equalities impacts of these proposals.....	18
Annex A: Summary of consultation questions.....	19
Annex B: Glossary of technical terms.....	20
Annex C: Privacy Notice.....	21
Annex D: Technical Consultation Pro-Forma .....	23

## Scope of the consultation

Topic of this consultation:	This consultation covers proposals for the local government finance settlement for 2019-20.
Scope of this consultation:	This consultation seeks views on proposals for the local government finance settlement for 2019-20, in particular from representatives of local government.
Geographical scope:	These proposals relate to England only.
Impact Assessment:	Since the Government does not envisage that the proposals within this consultation document will have an impact on business, no impact assessment has been produced.

## Basic Information

To:	The consultation will be of particular interest to local authorities, and representative bodies for local authorities.
Body/bodies responsible for the consultation:	Local Government Finance Directorate within the Ministry of Housing, Communities and Local Government.
Duration:	This consultation will last for 8 weeks from 24 July 2018 to 18 September 2018.
Enquiries:	For any enquiries about the consultation please contact James Whitehouse: <a href="mailto:James.Whitehouse@communities.gsi.gov.uk">James.Whitehouse@communities.gsi.gov.uk</a>
How to respond:	You can respond to the questions in this consultation via a pro-forma found at: <a href="https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation">https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation</a>  If the link is inoperable, the pro-forma can also be found as an Annex to this consultation document.  Email details and an address for written responses can be found in the pro-forma.

# About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the EU General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex C.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).



# 1 Summary of proposals

## 1.1 Background

- 1.1.1 Proposals for the 2019-20 Local Government Finance Settlement have been designed in the context of the overall Spending Review package, announced in 2015.
- 1.1.2 The Government's current intention is that the 2019-20 settlement will confirm the final year of the multi-year settlement that has provided certainty for 4 years. The 2019 Spending Review will confirm overall local government resourcing from 2020-21, and the Government is working towards significant reform in the local government finance system in 2020-21, including an updated, more robust and transparent distribution methodology to set baseline funding levels, and resetting business rates baselines.
- 1.1.3 Prior to these reforms in 2020-21, the Government is committed to testing aspects of the new system, and will be implementing a further round of Business Rates Retention pilots in 2019-20.
- 1.1.4 The 2016-17 multi-year settlement offered local authorities greater certainty over elements of their funding across the spending period and was accepted by 97% of local authorities. The Government proposes to allocate funding in 2019-20 in accordance with the agreed methodology announced by the Secretary of State in 2016-17, which ensures that local councils delivering similar services receive a similar percentage change in settlement core funding for those services<sup>1</sup>.

## 1.2 Summary of proposals

- 1.2.1 The remaining sections of this document set out the Government's proposed approach to the 2019-20 settlement. It:
- outlines the fourth year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not.
  - outlines the Government's position on the New Homes Bonus threshold.
  - outlines the Government's proposals for council tax referendum principles for 2019-20.
  - outlines the Government's proposals for dealing with the issue known as 'Negative Revenue Support Grant'.

---

<sup>1</sup> Please note that the exact percentage change in 'Settlement Core Funding' will be influenced by the Government's decision on the issue of 'Negative RSG'. An explanation of, and consultation on, the issue of Negative RSG can be found at Section 5.

## 2 The multi-year settlement offer

### 2.1 Certainty of funding

2.1.1 The 2016-17 settlement offered councils a four-year settlement, giving greater certainty of funding until the end of the spending period. The offer included:

- Revenue Support Grant
- Business rates tariff and top-up payments<sup>2</sup>
- Rural Services Delivery Grant, and
- Transition Grant

2.1.2 97% of councils accepted the multi-year offer in return for publishing efficiency plans, allowing councils the confidence to plan ahead and implement reforms.

2.1.3 The Government will need to take account of any structural and functional changes, such as transfers of responsibility for functions between local authorities, mergers between authorities and any other relevant events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the Local Government Finance settlement<sup>3</sup>, the Government intends to present these figures to Parliament as part of the 2019-20 Provisional Local Government Finance Settlement following Autumn Budget.

2.1.4 Those councils that did not accept the original offer made in 2016-17 will be subject to the existing annual process for determining the level of central funding that they will receive.

2.1.5 The Government has previously published individual local authority allocations for the improved Better Care Fund which total £1.8 billion in 2019-20<sup>4</sup>.

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

---

<sup>2</sup> Business rates tariff and top-up payments will not change for reasons relating to the relative needs of local authorities.

<sup>3</sup> As described in sections 78 and 78A of the Local Government Finance Act 1988.

<sup>4</sup> <https://www.gov.uk/government/publications/the-allocations-of-the-additional-funding-for-adult-social-care>

## **2.2 Business Rates Retention Pilots**

- 2.2.1 The Government is committed to working with local government to consider how best to implement our manifesto commitment to give local government greater control over the money they raise and address concerns about the fairness of current funding distributions.
- 2.2.2 Giving local government greater control of the money that they raise is a commitment in the Government's Industrial Strategy, which sets out a long term plan to boost productivity throughout the UK.
- 2.2.3 We have recently launched a prospectus that invites local authorities to submit proposals to pilot 75% business rates retention in 2019-20. This can be found at: <https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus>.
- 2.2.4 These pilots will help us test increased business rates retention and aid our understanding of the retention system at this level.
- 2.2.5 The one-year 2018-19 pilots will end on 31 March 2019, with participants invited to reapply for the 2019-20 75% pilots. The Department will continue to negotiate separately with London about the potential continuation of a business rates retention pilot in 2019-20.
- 2.2.6 Existing pilots in devolution deal areas will continue in 2019-20. This includes Cornwall, Liverpool City Region, Greater Manchester Combined Authority, West Midlands Combined Authority and the West of England.
- 2.2.7 As in previous years, the 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 business rates retention will be confirmed at provisional settlement. This methodology will be designed to ensure that no authorities anywhere in the country are adversely affected by these pilots.

## **2.3 Business Rates Revaluation**

- 2.3.1 The most recent business rates revaluation took effect from 1 April 2017. This created change in business rates revenues outside the control of local authorities. When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top-up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before.

2.3.2 In the 2016-17 Local Government Finance Settlement technical consultation the Government detailed the method by which the impact of the 2017 business rates revaluation would be neutralised in the rates retention scheme. The Government committed to making the revaluation adjustment in three stages. The final stage of adjustment will occur in 2019-20 where we will cancel the one-off reconciliation adjustment for 2018-19 adjustments to tariffs and top-ups.

# 3 New Homes Bonus

## 3.1 Background

3.1.1 The New Homes Bonus (the 'Bonus') was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Over £7 billion has been allocated to local authorities through the scheme to reward additional housing supply.

3.1.2 Although the Bonus was successful in encouraging authorities to welcome housing growth, it did not reward those authorities who are the most open to growth. In December 2016, following consultation, the government announced reforms to the Bonus as follows:

- reduction of the number of years New Homes Bonus payments are made from 6 to 5 years in 2017-18 and to 4 years from 2018-19; and
- introduction of a national baseline for housing growth of 0.4% of council tax base (weighted by band) from 2017-18, below which the Bonus will not be paid.

## 3.2 New Homes Bonus baseline 2019-20

3.2.1 The Government has retained the option of making adjustments to the baseline in future years to reflect significant additional housing growth and to remain within spending limits set at Spending Review 2015.

3.2.2 In 2018-19 the baseline remained at 0.4%. Due to the continued upward trend for house building, the Government expects to increase the baseline in 2019-20.

3.2.3 New Homes Bonus calculations are based on additional housing stock reported through the council tax base and decisions on the baseline for 2019-20 will be made following a review of the data when it is published in November. Any changes intended for the baseline in 2019-20 will be detailed at the time of the provisional settlement. Any funding intended for New Homes Bonus payments that is not used for this purpose will be returned to local government.

### **3.3 New Homes Bonus 2020 Onward**

3.3.1 2019-20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation.

# 4 Council tax referendum principles

## 4.1 Council tax referendum principles for local authorities

4.1.1 The 2018-19 Settlement struck a balance on council tax, giving local authorities the flexibility to address pressures on services while also recognising that many households face their own pressures. It also set out the Government's intention to maintain the same core principle and package of flexibilities in 2019-20.

4.1.2 The Government remains minded to do this. This would mean:

- a core principle of up to 3%. This would apply to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities.
- a continuation of the Adult Social Care precept, with an additional 2% flexibility available for shire county councils, unitary authorities, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly. This is subject to total increases for the Adult Social Care precept not exceeding 6% between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years.
- shire district councils in two-tier areas will be allowed increases of up to 3%, or up to and including £5, whichever is higher.
- police and crime commissioners (PCCs) will be allowed increases of up to £12 in 2019-20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept) subject to the delivery of clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement.

4.2 Following consideration of responses, the Government intends to provide an update on its proposals for council tax referendum principles including the Adult Social Care precept, alongside the provisional Local Government Finance Settlement later in the year.

## Council tax referendum principles for Mayoral Combined Authorities

4.2.1 Devolution Deals have led to the creation of 6 Mayoral Combined Authorities (MCAs) with powers such as transport and planning.

- 4.2.2 From 2018-19 five Combined Authority mayors had powers to raise additional resources to meet the costs of their functions through a precept (or additional charge) on local council tax bills. The precept may only be set with the agreement of the Combined Authority.
- 4.2.3 In May 2018, a mayor was elected to the Sheffield City Region and will also have powers to raise additional resources through a precept (or additional charge) on local council tax bills in 2019-20.
- 4.2.4 In 2018-19 the Government concluded that it should be for each mayor to balance their ambitions and other resources and to decide the level of the first precept they set, with the expectation that mayors would exercise restraint and set a precept proportionate to their needs and not burdensome to their residents. Only the Greater Manchester Combined Authority charged council tax for mayoral functions, a large proportion of which was to fund the fire service previously operated by the Greater Manchester Fire and Rescue Authority.
- 4.2.5 Given the restraint shown by Mayors in the setting of their precepts, the Government is minded not to set referendum principles for Mayoral Combined Authorities in 2019-20.

### 4.3 Council tax referendum principles for town and parish councils

- 4.3.1 In 2018-19 the Government decided to defer the setting of referendum principles for town and parish councils for three years. However, this was conditional upon:
- the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for “invest to save” projects which will lower on-going costs; and
  - the Government seeing clear evidence of restraint in the increases set by the sector.
- 4.3.2 In 2018-19, the average band D parish precept increased by 4.9% (£3.02). This compares to a 6.3% increase (£3.63) in 2017-18, and is the lowest year-on-year increase in parish precepts since 2015-16.
- 4.3.3 In view of this, the Government intends to continue the deferral of setting referendum principles for town and parish councils, but encourages parish councils to continue this downward trend, and will keep this area under active review.

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



# 5 Negative Revenue Support Grant

## 5.1 Background

5.1.1 Negative Revenue Support Grant is the 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.

5.1.2 The 2016-17 methodology allocated central resources in a way that ensures local authorities delivering similar services receive a similar percentage change in 'Settlement Core Funding' for those services. Core Funding takes account of the main resources available to councils comprising:

- council tax income in 2015-16 (including any Council Tax Freeze Grant)
- estimated business rates income (baseline funding level under the business rates retention scheme)
- Revenue Support Grant

5.1.3 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 were redistributed away from the authority and towards other authorities. This adjustment has since become colloquially known as 'Negative RSG'.

5.1.4 This adjustment was consulted on as part of the 2016-17 provisional settlement. In addition, reductions in Revenue Support Grant in 2019-20 were displayed in figures published at the 2016-17 settlement<sup>5</sup>.

---

<sup>5</sup> Negative RSG figures for the years 2016-17 to 2019-20 can be seen in Tariff/Top-up adjustment column in tables contained within the Publication "[Key information for local authorities: final local government finance settlement 2016 to 2017](#)". Please note that the same documents published at Settlement 2017-18 and 2018-19 only refers to the Tariff/ Top-up adjustment in relation to 2019-20 as the Government allocated additional resources to negate the occurrence of Negative RSG in both 2017-18 and 2018-19.

- 5.1.5 During the 2016-17 provisional settlement consultation there was strong opposition to Negative RSG. In addition, a number of authorities commented that the Negative RSG adjustment failed to recognise a commitment made during the implementation of the business rate retention scheme in 2013-14, that authorities' retained business rates baselines, which are used to determine their tariff and top-ups, would be fixed in real terms until the system was reset. This commitment was made so that local authorities would benefit directly from supporting local business growth as they would be able to keep half of any increases in business rates revenue until the reset<sup>6</sup>.
- 5.1.6 Following this consultation, the Government allocated additional resources to negate the occurrence of Negative RSG in both 2017-18 and 2018-19. No decision was taken over whether to remove Negative RSG in 2019-20.
- 5.1.7 At provisional settlement 2018-19, the Secretary of State committed to explore all fair and affordable options for dealing with Negative RSG in 2019-20 and consult on options ahead of the 2019-20 settlement. A number of authorities who responded to the 2018-19 settlement consultation referred to Negative RSG, and welcomed the decision to consult, whilst a minority of authorities made representations opposing this step.

## **5.2 Negative RSG in 2019-20**

- 5.2.1 In 2019-20 Negative RSG totals £152.9m and affects 168 authorities.
- 5.2.2 The Secretary of State's commitment to explore all fair and affordable options for dealing with Negative RSG recognises both the Government's commitment not to adjust top-ups and tariffs until the system is reset in 2020-21, but also the significant strength of feeling in the sector around this issue.
- 5.2.3 MHCLG has explored a number of possible options for addressing the issue of Negative RSG, and has formed an initial preference to eliminate the issue via forgone business rate receipts as the alternative options are either unaffordable or fail to resolve the issue.

---

<sup>6</sup><http://webarchive.nationalarchives.gov.uk/20140505105839/http://www.local.communities.gov.uk/finance/1314/practitionersguides.pdf>

## 5.3 Options

### 5.3.1 *Directly “eliminating” Negative RSG via forgone business<sup>7</sup> rates receipts*

- In 2017-18 and 2018-19, Negative RSG was negated via forgone business rates, by not reflecting the downward Negative RSG adjustment of an authority’s business rates tariffs and top-ups. This targeted approach could be continued in 2019-20.
- This recognises the Government’s commitment not to adjust top-ups and tariffs until the system is reset in 2020-21. This Government believes that remaining consistent with its prior commitments is the fairest approach for the sector. This option would remove Negative RSG for all the authorities affected at a cost to the Government of £152.9m in forgone business rates receipts. In addition to being the only option which is both affordable and fair, dealing with Negative RSG in its entirety, this approach represents the most direct and simple solution to the problem.
- This funding would be met from the Government’s share of business rates.

### 5.3.2 *Altering the Core Funding methodology*

- The Government considered altering the funding allocation methodology to reduce Negative RSG - changing the approach taken in accounting for council tax in the Core Funding formula, and adjusting each local authority’s needs baseline assessment.
- The 2016-17 funding methodology considered full and actual amounts of council tax each authority raised in 2015-16, when it set the multi-year settlement allocations.
- Some local authorities have commented that taking actual council tax into account unfairly disadvantages certain councils due to historic differences in council tax levels.
- There could be an argument for changing the weighting of council tax in 2019-20 temporarily, until wider system reform in 2020-21. This approach would redistribute RSG across England and reduce overall Negative RSG.

---

<sup>7</sup> Under the current business rates retention scheme, non-business rate retention pilot local authorities retain 50% of the business rates they collect. The remaining 50% is passed to central government as the central share. By forgoing business rates receipts, central government chooses to receive a smaller central share and the revenue is instead retained locally.

- However, the impact of this approach is limited. No approach to council tax weighting would completely eliminate Negative RSG. This Government believes that meeting its prior commitments, as discussed in paragraph 5.1.5, is the fairest approach for the sector, and this option fails to achieve this. Even removing council tax entirely from Core Spending Power calculations would cost in excess of £170 million and leave significant residual Negative RSG, failing to resolve the issue fairly and thus representing a poor use of resources. The cost of this approach results from meeting commitments guaranteeing all authorities at least as much RSG as agreed in the multi-year settlement.
- A second funding allocation approach considered was the adjustment of local authorities' needs baseline assessment.
- This method would alter the existing formulas to distribute funding as determined by authorities' net current expenditure on relevant services in 2015-16. The allocations would be a new, separate step in the RSG calculations, with a guarantee to authorities of at least as much RSG as agreed in the multi-year settlement.
- The Government has discounted this approach. Firstly, it goes against the Government's commitment to a multi-year settlement, providing funding certainty over the four year period. Furthermore, this would pre-empt on-going work on the review of local authorities' relative needs and resources, which will provide a new and far more robust distribution methodology to set baseline funding levels.
- In addition, this option is of limited effect, leaving significant residual Negative RSG. Finally, the cost imposed by this option as a result of guaranteeing all authorities at least as much RSG as agreed in the multi-year settlement is very substantial, in excess of £500 million, representing poor value for money and is not affordable.
- Both these options fail to fully deal with Negative RSG, and impose significant costs on the Government. In addition, authorities with residual Negative RSG would still be subject to a downward adjustment of business rates tariffs and top-up, leaving the Government in a position of being unable to meet its prior commitment to not adjust tariffs and top-ups until the system is reset in 2020-21.

### *5.3.3 Moving existing funding, or injecting additional funds into Core Funding*

- The third policy avenue for resolving Negative RSG is by injecting resource into Revenue Support Grant. The Government considered multiple ways in which this could be achieved.

- This first option is that of allocating new funding on the basis of existing relative needs formulas, via population based metrics or through the existing RSG allocation methodology.
- However, even when modelling for significant additional funding (£500 million), these options similarly prove themselves of limited effectiveness in addressing Negative RSG. The quantum of funding needed to completely eliminate Negative RSG through this methodology is excessive totalling over £2 billion. This level of funding is not affordable.
- The second option considered is the consolidation of existing grants, outside of Core Spending power, such as Business Rates Reimbursement Grant and Indexation Grant into Revenue Support Grant.
- However, the distribution of these grants has limited correlation with Negative RSG distribution, and would still leave significant residual Negative RSG. In addition, this is primarily a technical movement of funding – that merely serves to disguise the movement in tariffs and top-ups.
- In addition, there are significant technical challenges present to the rolling in of the major grants identified. This would require the use of estimated figures for the 2019-20 settlement, and potentially lead to revised allocations in the future.

#### *5.3.4 Remaining with the status quo of the current settlement methodology, such that authorities will have tariffs and top-ups adjusted*

- In addition to exploring options for the resolution of Negative RSG, the Government has considered whether it is feasible to leave Negative RSG in place and adjust tariffs and top-ups in 2019-20 as detailed in the 2016-17 multi-year settlement.
- However, the Government does not favour the status quo option due to the following reasons:
  - In 2013 the Government made a commitment during the implementation of the business rates retention scheme, that tariff and top-ups would be fixed until the system is reset<sup>8</sup>. In advance of the system reset in 2020-21 and the implementation of 75% retention, the Government believes that the fairest deal for the sector is to honour this commitment.

---

<sup>8</sup>A guide to the Local Government Finance Settlement 2013, Annex A - Business Rates Retention Scheme, Paragraph 26.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/266886/LGFS\\_Guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/266886/LGFS_Guide.pdf)

- There has been strong sector opposition to the issue of Negative RSG as demonstrated in responses to the 2016-17 provisional settlement consultation and subsequent consultations.

## **5.4 Preferred Option**

5.4.1 The Government considers direct elimination of Negative RSG via forgone business rates receipts the preferred approach to resolve Negative RSG, meeting the key criteria of being both fair and affordable. This option also benefits from being both simple and direct. Alternative options add additional layers of complexity to the Local Government Finance system, and are either excessively expensive or fail to fully resolve the issue. Not resolving Negative RSG in its entirety would mean the Government would fail to meet its commitment not to adjust tariffs and top-ups and undermine the incentive for local government to invest in local growth.

5.4.2 Despite having made significant progress in improving the health of the public finances, we still face a challenging fiscal position in the UK and the scale of additional funding required to resolve Negative RSG via alternative routes, is not practicable.

**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?**

**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.**

## **6 Equalities impacts of these proposals**

- 6.1 Equality statements have been published for every year of the multi-year settlement this far, including 2018-19. Any representations made in response to this consultation will be used to inform the equalities statement to be published at the time of the 2019-20 provisional settlement.

**Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

## **Annex A: Summary of consultation questions**

- Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?
- Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?
- 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?
- 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 in the consultation document please provide further detail.
- Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.



## **Annex B: Glossary of technical terms**

### **Revenue Support Grant**

Billing and most major precepting authorities receive Revenue Support Grant from central government in addition to their local share of Business Rates Aggregate. An authority's Revenue Support Grant amount plus the local share of the Estimated Business Rates Aggregate will together comprise its Settlement Funding Assessment.

### **Tariffs and top-ups**

These are calculated by comparing at the outset of the business rates retention scheme an individual authority's business rates baseline against its baseline funding level. Tariffs and top-ups are self-funding, fixed at the start of the scheme and index linked to RPI in future years.

### **Local share**

The percentage share of locally collected business rates that is retained by local government. This is set at 50% in non-pilot areas.

### **Baseline funding level**

The amount of an individual local authority's Start-Up Funding Assessment for 2013-14 provided through the *local share* of the Estimated Business Rates Aggregate updated each year by the change to the small business multiplier (in line with RPI).

# **Annex C: Privacy Notice**

## **Personal data**

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

### **1. The identity of the data controller and contact details of our Data Protection Officer**

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gsi.gov.uk](mailto:dataprotection@communities.gsi.gov.uk)

### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

### **3. Our legal basis for processing your personal data**

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

### **4. With whom we will be sharing your personal data**

- Other Government Departments including:
  - Attorney General's Office
  - Cabinet Office
  - Department for Business, Energy and Industrial Strategy
  - Department for Digital, Culture, Media and Sport
  - Department for Education Department for Environment
  - Food and Rural Affairs
  - Department for Exiting the European Union
  - Department for International Development
  - Department for International Trade
  - Department for Transport
  - Department for Work and Pensions
  - Department of Health and Social Care
  - Foreign and Commonwealth Office
  - Her Majesty's Treasury

- Home Office
- Ministry of Defence
- Ministry of Justice
- Northern Ireland Office
- Office of the Advocate General for Scotland
- Office of the Leader of the House of Commons
- Office of the Leader of the House of Lords
- Scotland Office UK
- Export Finance
- Wales Office

**5. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for two years from the closure of the consultation.

**6. Your rights, e.g. access, rectification, erasure**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas.**

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.**

## **Annex D: Local Government Finance Settlement 2019-20:** **Technical Consultation**

If you are responding to this consultation by email or in writing, please reply using this questionnaire pro-forma, which should be read alongside the consultation document.

You should save the pro-forma on your own device, from which you can complete the survey at your own pace, and submit when you are ready.

There are 5 questions in this survey. You do not have to answer every question should you not wish to.

Should you wish to attach further evidence or supporting information, you may attach and send this with the pro-forma.

Please **email responses to:**

[LGFsettlement@communities.gsi.gov.uk](mailto:LGFsettlement@communities.gsi.gov.uk)

Alternatively, **written responses should be sent to:**

Local Government Finance Settlement Team  
Ministry of Housing, Communities and Local Government  
2nd floor, Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Your opinions are valuable to us. Thank you for taking the time to read the consultation document and respond.

### **Your Details (Required details are marked with an asterisk (\*))**

Full Name*	<input type="text"/>
Organisation*	<input type="text"/>
Address*	<input type="text"/>
Address 2	<input type="text"/>
Town/City*	<input type="text"/>
Postcode*	<input type="text"/>
Country	<input type="text"/>
Email address*	<input type="text"/>
Phone Number	<input type="text"/>

**Are the views Expressed on this form an official response from a:**

- London Borough
- Metropolitan District
- Unitary Authority
- Shire County
- Shire District
- Fire and Rescue Authority
- Greater London Authority
- Combined Authority
- Parish or Town Council
- Local Authority Association or Special Interest Group
- Other Local Authority Grouping
- Local Authority Officer
- Local Authority Councillor
- Member of Parliament
- Other Representative Group
- Business
- Business Organisation
- Valuation Organisation
- Voluntary Organisation
- Member of the Public

### Question 1

Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?

- Yes
- No
- No comment

Additional comments

**Question 2**

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

- Yes
- No
- No comment

Additional comments

**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?

- Yes
- No
- No comment

Additional comments



#### 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 in the consultation document please provide further detail.

No Comment

Please Specify

**Question 5**

Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

- Yes
- No
- No comment

Additional comments

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

Yes we agree the Government should confirm the final year of the 4-year offer as set out in 2016/17, given this was included within the multi year settlement.

We would also echo the call for certainty to be extended beyond 2019-20 as soon as possible, to ensure there is efficient and effective financial planning across the local government sector. We appreciate that it is the government's intention to release indicative funding estimates for 2020/21 in "mid-2019". We would welcome further clarity on what is meant by "mid-2019." It would be extremely helpful for these to be published before the summer parliamentary recess and for the estimates to cover the whole CSR period.

We also note the Government's intention to review the New Homes Bonus scheme to 'incentivise housing growth most effectively'. As a district council our New Homes Bonus allocation and Business Rates income are our key funding streams upon which we rely heavily. Given the funding uncertainty for all Councils from 2020/21 we would urge that this separate consultation is carried out as soon as possible, and does not ignore the significant housing growth already enabled by councils.

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

We support the proposed referendum principles for shire districts in particular the continuation of the £5 increase if it is higher than 3%.

Whilst we support the proposal to defer the setting of referendum principles for town and parish councils, we agree the Government should keep this under review, given the increases seen in recent years.

**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?**

As a council affected by negative RSG we strongly welcome the Government's commitment to address this issue

We believe the government's preferred approach (to eliminate negative RSG via forgone business rate receipts) honours its previous commitments to local government as a sector re not adjusting tariffs and top-ups until the system is reset, and is the right approach.

**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.**

The government's preferred approach is the fairest and cheapest route to resolving the issue of negative RSG. In order to provide certainty to the sector, it is important that the government does not pursue alternative options at such a late stage in the financial planning cycle.

**Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments**

No comment.