



## BRIEFING PAPER

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# Local government; Queen's Speech 2019

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## 1. Summary

This briefing provides information on local government developments during the current Prime Minister's term of office, including the Towns Fund, Future High Streets Fund, and the 2020-21 Local Government Finance Settlement.

### 1.1 2019 Government policy on devolution

The Prime Minister, Boris Johnson, made a speech in Manchester on 27 July in which he said:

I do not believe that, when the people of the United Kingdom voted to take back control, they did so in order for that control to be hoarded in Westminster.

So we are going to give greater powers to council leaders and to communities.

We are going to level up the powers offered to mayors so that more people can benefit from the kind of local government structures seen in London and here in Manchester.

We are going to give more communities a greater say over changes to transport, housing, public services and infrastructure that will benefit their areas and drive local growth.<sup>1</sup>

At the Conservative Party conference in September 2019, the Chancellor, Sajid Javid, announced a white paper on English devolution. This was returned to in the Queen's Speech of [14 October 2019](#), which said:

A white paper will be published to set out my Government's ambitions for unleashing regional potential in England, and to enable decisions that affect local people to be made at a local level.

The background paper accompanying the October 2019 Queen's Speech expanded on this commitment:

- We are committed to making further progress in boosting investment and growth across England to level up opportunities in every region. That is why we will be publishing a White Paper setting out our strategy for continued local economic growth and increased productivity across the country, including plans for institutions, spending priorities, local economic plans and local growth funding.

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<sup>1</sup> Prime Minister's Office, [PM speech at Manchester Science and Industry Museum](#), 27 July 2019

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- The White Paper will provide further information on our offer for enhanced devolution across England, levelling up the powers between Mayoral Combined Authorities and increasing the number of mayors and doing more devolution deals.
- With more powers and funds must come more local democratic responsibility and accountability. We will provide detail in the White Paper on structural and institutional reform in England to support devolution and growth, in step with further funding.
- Our White Paper will also set out the levelling up agenda that the Prime Minister started in Manchester on 27 July and expanded on for the North in Rotherham at the Northern Powerhouse Summit on 13 September - covering mayors, towns, and our commitment to the UK Shared Prosperity Fund.
- We remain committed to revitalised Northern Powerhouse and Midlands Engine strategies.

The 19 December 2019 Queen's Speech provided a more concise commitment:

- We will publish a White Paper setting out our strategy to unleash the potential of our regions, which will include plans for spending and local growth funding.
- It will provide further information on our plans for full devolution across England, levelling up powers between Mayoral Combined Authorities, increasing the number of mayors and doing more devolution deals.
- These increased powers and funding will mean more local democratic responsibility and accountability.
- We remain committed to the Northern Powerhouse, Midlands Engine, and Western Gateway strategies.

Further announcements hinted that the White Paper may be an expanded form of the 'devolution framework'. This was a document that was originally promised by Sajid Javid in late 2017, when he was Secretary of State for Communities and Local Government.

The commitment to 'level up' devolution deals (increasing the powers of metro-mayors to match those held by the Mayor of Greater Manchester) first emerged at a fringe meeting at the Conservative Party conference on 1 October 2019.<sup>2</sup> A letter to this effect was sent to all the metro-mayors in early November 2019.<sup>3</sup> The offer did not cover the health and social care devolution arrangements in Greater Manchester.

The likely contents of the White Paper are not clear. The *Municipal Journal* reported in 19 September that "the Government remains open to striking devolution deals without the requirement for a directly-elected mayor".<sup>4</sup> Few devolution deals without mayoralties have been agreed to date, and the powers devolved have been weaker than those available to areas with mayors. The report suggested that the Government was open to proposals, not necessarily seeking to determine a clear path for areas not wanting an elected mayor.

Simultaneously, reports emerged during late 2019 of progress towards a mayoral devolution deal for West Yorkshire, and possibly a further deal for North and East

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<sup>2</sup> Jon Bunn and Martin George, "[Jenrick confirms no health devo in 'levelled up' deals](#)", *Local Government Chronicle*, 2 October 2019

<sup>3</sup> Jessica Hill, "[Metro-mayors offered devo deal to 'level up' powers](#)", *Local Government Chronicle*, 1 November 2019. This letter was not sent to Dan Jarvis, mayor of Sheffield City Region, as he had not taken up the powers on offer through the Sheffield devolution deal by November 2019. It also is unclear whether it will include the responsibilities for policing and fire and rescue held by Greater Manchester, as these are administered on different boundaries in a number of metro-mayoral areas.

<sup>4</sup> Dan Peters, "The mayor necessity?", *Municipal Journal*, 19 September 2019

Yorkshire. The reports suggest that West Yorkshire actors see any deal achieved as a staging-post towards an eventual 'One Yorkshire' deal in the early 2020s.<sup>5</sup>

Two additional policy papers promised by the Government have also not yet appeared: a green paper on the future funding of social care, and a consultation on the shape of the Shared Prosperity Fund (the planned replacement for EU structural funds after the UK leaves the European Union).<sup>6</sup>

## 1.2 The 2020-21 local government finance settlement

The 2019 Johnson government had begun work on a one-year financial settlement for local government for the 2020-21 financial year. A technical consultation was published in October 2019. This proposed the following for 2020-21:

- An expanded social care grant totalling £1.41 billion. Allocations of this grant funding to local authorities can be found in Annex B of the technical consultation. The Government will continue to use the Adult Social Care Relative Needs formula to distribute it;
- Revenue Support Grant, and business rates revenue, will be uprated in line with the change to the business rate multiplier (in effect, the CPI measure of inflation). This is based on an anticipated small business rates multiplier of 49.9p in 2020-21.
- 'Negative RSG' will also not feature in the settlement, as in 2019-20;
- Most authorities will be permitted to raise council tax without a referendum by up to 2% (see the Library briefing paper [Council tax: local referendums](#) for additional details). Authorities with social care responsibilities will be permitted an additional headroom of up to 2% (the 'social care precept'). No threshold will be set for combined authorities or parish and town councils;
- £900 million of funding will be available for the New Homes Bonus. The technical consultation reserved the right to shift the New Homes Bonus 'baseline';<sup>7</sup>
- The Improved Better Care Fund will be maintained at the same levels as in 2019-20, at £1.837 billion. A further £240 million, previously forming the 'Winter Pressures Grant', will be rolled into the Better Care Fund;
- Pilots of 100% / 75% business rate retention are to end, with the exception of those in combined authority areas that began in 2017 (Cornwall, West of England, West Midlands, Greater Manchester, Liverpool City Region), and the 67% pilot in London;
- £81 million in Rural Services Delivery Grant.<sup>8</sup>

These proposals were repeated in the consultation on the [provisional local government finance settlement](#), published on 20 December 2019. The settlement for 2020-21 is thus largely a 'roll-over' settlement' for one year, in advance of the introduction of 75%

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<sup>5</sup> Jessica Hill, "[Yorkshire devo gathers pace following 'constructive' talks](#)", *Local Government Chronicle*, 18 October 2019

<sup>6</sup> See the Library briefing paper [The UK Shared Prosperity Fund](#).

<sup>7</sup> The New Homes Bonus matches council tax payments on newly-built homes in a local authority area. New builds below a certain percentage of existing housing stock do not attract payments: this percentage is the 'baseline', currently set at 0.4%. Suggestions of raising the baseline caused some controversy in the previous settlement round in late 2018.

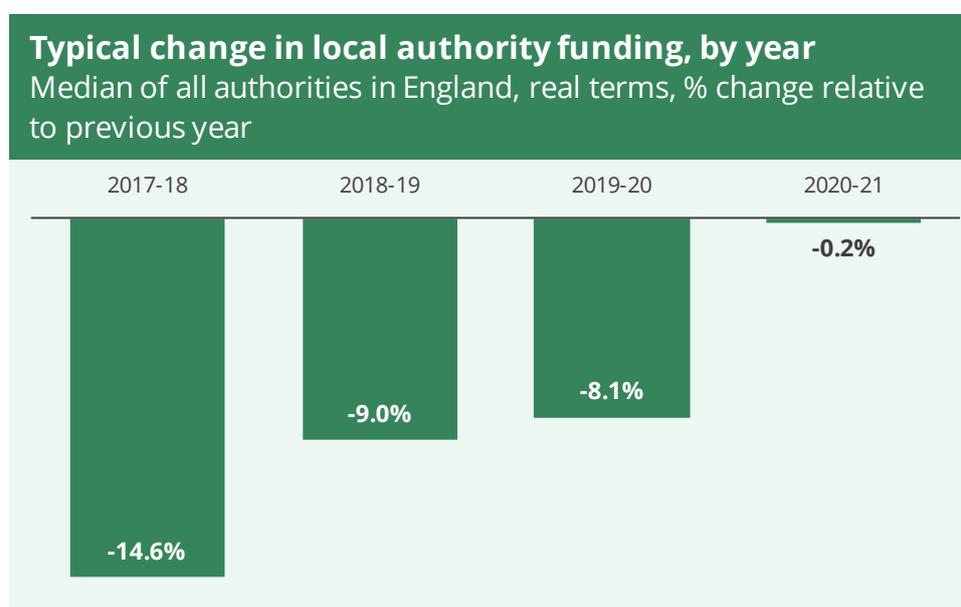
<sup>8</sup> MHCLG, [Local government finance settlement 2020-21: technical consultation](#), October 2019. These points would benefit from being read alongside the Library briefing paper [Reviewing and reforming local government finance](#).

business rate retention and the implementation of the Fair Funding Review from April 2021.

Normally, the provisional settlement is debated in the House in late December and the final settlement is debated in mid-February. Because of the December 2019 general election, no debate has taken place so far on the provisional settlement. The House of Commons must approve the final settlement for it to take effect.

92% of local authorities will receive an increase in core settlement funding in 2020-21 in cash terms, compared to the previous year. This compares to only 18% in 2019-20.

The 2020-21 increase is extremely consistent across local authorities – 85% of authorities will receive exactly the same percentage increase (1.63%). This increase is close to the current rate of inflation, meaning that in real terms it is actually a slight decrease on the previous year. However, this decrease is much smaller than in previous years.



Source: Library calculations, based on MHCLG, [Provisional local government finance settlement: England, 2020 to 2021](#), 20 December 2019

### 1.3 Fair Funding Review

The Conservative governments of the 2010s had a long-standing policy to increase the share of business rates revenue retained by local government from 50% (since 2013) to 75%. This change was originally due to take place from the 2020-21 financial year. However, the Government announced in early September 2019 that this will now be postponed to the 2021-22 financial year.<sup>9</sup>

Implementation of the Fair Funding Review is also to be postponed to 2021-22, to take effect alongside the move to 75% business rate retention. The current state of play with regard to both these policies is summarised in the Library briefing paper [Reviewing and reforming local government finance](#).

In January 2020 the Local Government Chronicle reported that the Government intends to publish indicative allocations for local authorities under the Review during spring 2020. It quoted Stuart Hoggan, a senior official in MHCLG, as saying that:

<sup>9</sup> Dominic Brady, ["Shake-up of local government funding delayed by a year"](#), *Public Finance*, 5 September 2019

...there were a number of decisions still to be taken on the formulas being developed under the review, which aims to simplify and improve how central government funding is distributed between councils. These decisions include whether a deprivation measure should be included in the foundation formula which will cover the majority of council services and whether there should be a separate formula for the cost to councils of funding concessionary bus travel for pensioners.

Previous reforms to the distribution of council funding have come with transition arrangements to dampen the impact on the losers. Mr Hoggan said while there would be transitional arrangements, the ambition was to ensure all councils moved to their new position over a "fixed period of time".<sup>10</sup>

## 1.4 Business rates

The [19 December 2019 Queen's Speech](#) briefing paper said:

- The Government is committed to conducting a fundamental review of business rates.
- The Government recognises the role of business rates as a source of local authority income and will consider input from the sector as part of the review of business rates. Further details on the review will be announced.
- We are committed to increasing the retail discount from one-third to 50 per cent, extending that discount to cinemas and music venues, extending the duration of the local newspapers discount, and introducing an additional discount for pubs.
- We will also progress legislation to bring forward the next business rates revaluation by one year from 2022 to 2021 and move business rates revaluations from a five-yearly cycle to a three-yearly cycle. This will allow the Government to press ahead with delivering an important reform that has been strongly welcomed by business.

Details of the existing retail discount, the local newspapers discount, and a pubs discount that operated from 2017-19, can be found in the Library briefing paper [Business rates](#).

The final point was the subject of the [Non-Domestic Rating \(Lists\) Bill](#) in the 2017-19 Parliamentary session. This Bill fell as a result of prorogation in September 2019.

The Queen's Speech did not mention the [Non-Domestic Rating \(Public Lavatories\) Bill](#). This Bill also fell at prorogation in September 2019. It would have exempted all public toilets from business rates. The Government had committed to introducing this change by April 2020.

## 1.5 Local funding commitments

The Johnson government made a number of commitments, between July 2019 and November 2019, to additional funding for local areas, which will impact on local government and metro-mayors.

### Towns Fund

The May Government launched the 'Stronger Towns Fund' in March 2019, with £1.6 billion of funding. It was renamed the 'Towns Fund' in July 2019 under the Johnson administration, and the total funding available increased to £2.6 billion. £241 million of this sum will be available in 2020-21.<sup>11</sup>

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<sup>10</sup> Jessica Hill, ["Hoggan: Fair funding exemplifications to be published 'by spring'"](#), *Local Government Chronicle*, 8 Jan 2020

<sup>11</sup> MHCLG, ["100 places to benefit from new Towns Fund"](#), 6 September 2019

The Government has selected [100 town centres](#) that will benefit from the Towns Fund. 45 of these are in the area covered by the Northern Powerhouse, and 30 in the area covered by the Midlands Engine. These developments follow on from the announcement of the [Greater Grimsby Town Deal](#) in July 2018, so far the only 'town deal' in existence.

A separate list of 100 areas will benefit from the Future High Street Funds (see below). Some places have applied to both funds, and if they are successful in both, the Government expects plans to be aligned.<sup>12</sup> Additionally, some local authorities have multiple locations that are benefiting from one or more of the funds.<sup>13</sup> It is not clear whether an original stipulation of the Stronger Towns Fund, that £600 million of the £1.6 billion funding will be bid-based, is still in operation.

The 100 areas must establish a board, including a range of local actors (parish and town councils, MPs, anchor institutions, LEPs, and local NDPBs, amongst others). They must produce an investment plan by the end of January 2020 and develop a plan by 'summer 2020'. Each board will be awarded £140-170,000 to develop their plans, which will be managed by the lead local authority in the relevant area.<sup>14</sup> In November 2019 the Government published a 'prospectus' outlining the process:

2.3 The Town Deal Board and Investment Plan will together inform the second stage of agreeing a Town Deal: which will include completing a business case based on the selected content of Town Investment Plans with government. We will publish further detail on how we will agree Town Deals in due course, including the amount of capital and revenue funding available, and the interventions that can be supported through the fund.

2.4 We know that in some towns, there are strong partnerships and proposals already in place. We expect to work with these places to agree a Town Deal more quickly. This, in turn, will allow others to take advantage of the support being offered by government to develop good proposals. Lead Councils will return a readiness checklist to government to gauge how quickly towns in their area will be able to prepare for a Town Deal.

2.5 Agreeing a Town Deal with investment from the Towns Fund of up to £25m per place will be dependent on government receiving high-quality proposals that meet the objective of the fund and follow the further guidance to be published. If government is not content with the quality of proposals, including their alignment with the objective of the Towns Fund by the end of Summer 2020, then it is unlikely a Town Deal would be agreed.<sup>15</sup>

Each area will be eligible for investment of up to £25 million.<sup>16</sup> The prospectus also stated that further rounds of the fund could be anticipated:

2.6 In due course we will announce details of a competition for further towns to develop a Town Deal Board, a Town Investment Plan and have the opportunity to agree a Town Deal. While we will be looking at aligning this with other funds, including the Future High Street Fund, the purpose of these funding streams is different with the Towns Fund focusing on a wider geography than just one high street. In many places Town Deal funding will not necessarily be directed toward the high street.<sup>17</sup>

Questions have been raised about the selection of the towns eligible for the Towns Fund. The Local Government Chronicle found that 62 of the 100 towns were located in

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<sup>12</sup> MHCLG, [Towns Fund Prospectus](#), November 2019, p17-18

<sup>13</sup> Sarah Calkin, "[Revealed: Biggest winners from towns and high streets funds](#)", *Local Government Chronicle*, 3 October 2019

<sup>14</sup> MHCLG, [Towns Fund Prospectus](#), November 2019, p18

<sup>15</sup> MHCLG, [Towns Fund Prospectus](#), November 2019, p18

<sup>16</sup> MHCLG, "[100 places to benefit from new Towns Fund](#)", 6 September 2019

<sup>17</sup> MHCLG, [Towns Fund Prospectus](#), November 2019, p18

constituencies where one party held a majority of 10% or less.<sup>18</sup> The MHCLG said “All 100 towns were chosen according to the same selection methodology. This included analysis of deprivation, exposure to Brexit, productivity, economic resilience and investment opportunities”.<sup>19</sup>

## Future High Streets Fund

In the October 2018 Budget, the UK government announced a £675 million Future High Streets Fund, which “will be set up to help local areas to respond to and adapt to changes”. MHCLG also published [a background policy paper](#) in October 2018. Local authorities were invited to submit proposals to the Fund in December 2018 [via a prospectus](#).

100 areas have been shortlisted to progress to the second phase of the Fund. These areas were announced via two separate lists in [July 2019](#) and [August 2019](#). Each area will receive £150,000 of funding to allow them to produce detailed proposals. August also saw the announcement of £325 million additional funding for the Future High Streets Fund, making a total of £1 billion. This fund is separate from the Towns Fund (see above).

£52 million of the £1 billion funding is also ring-fenced for allocation through [a call for proposals for High Street Heritage Action Zones](#). That scheme has seen a total of £95 million awarded to 69 successful locations, announced in September 2019.

Separate from both the Future High Streets Fund and the Heritage Action Zones, there exists a High Streets Task Force. This will provide expert support to 20 pilot areas to rejuvenate their own town centre. The first [14 of these areas were announced](#) in December 2019. None of these are the same as the 100 areas shortlisted for the Future High Streets Fund – but there is nothing to prevent overlap between the two programmes in the future.

## Bus funding

A £220 million funding package for buses was announced on 30 September 2019.<sup>20</sup> This will include:

- Seeking expressions of interest from “local authorities and bus operators in developing an all-electric bus town or city”. Up to £50 million will be available. This initiative also aims to support the UK’s bus manufacturing sector;
- Development of a bus open data portal;
- Development of multi-operator tickets, daily fares caps, and contactless payments;
- Piloting of a four-year ‘Superbus network’ in Cornwall. This aims to reduce fares and build on Cornwall’s existing work joining up the bus and rail networks;
- Raising the sum of funding for bus services paid direct to local authorities from £43 million to £73 million;
- Seeking expressions of interest for trials of on-demand bus services;
- £20 million will be spent on “new bus priority measures” identified by the Mayor of the West Midlands. This will include 5km of bus-only roads, 5km of bus lanes and 8 junction upgrades. The Government also stated that “all new road investments in England which receive central UK government funding will be required to either

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<sup>18</sup> Sarah Calkin, [“How marginal seats dominate towns fund list”](#), *Local Government Chronicle*, 10 September 2019

<sup>19</sup> Jennifer Williams, [“Why Boris Johnson’s choice of ‘left-behind towns’ may have also laid bare his election masterplan”](#), *Manchester Evening News*, 10 September 2019

<sup>20</sup> DfT, [A better deal for bus users](#), 30 September 2019

support bus priority measures or explain why doing so would not be necessary or appropriate in that instance".<sup>21</sup>

Further details of transport initiatives can be found in [the Government's response to a Transport Select Committee inquiry](#), published in October 2019.

## 1.6 Fiscal autonomy

There has been some growth in interest in alternative sources of finance for local authorities and/or mayoral combined authorities. The highest-profile suggestion has been to introduce a 'tourist tax' – a flat-rate levy per night on stays in hotels and guesthouses. Local authorities in areas with substantial tourism industries, such as Bath, Edinburgh and Cornwall, have investigated the possibility.

There is currently no legal power in the UK to impose a levy of this kind (either for local authorities or the Government). MHCLG permanent secretary Melanie Dawes suggested in October 2018 that the Government might respond positively to the idea.<sup>22</sup> The Local Government Association was reported as having commissioned research in January 2019.<sup>23</sup> The Scottish Government published [a consultation in September 2019 on introducing a 'transient visitor levy'](#).

The Institute for Fiscal Studies reviewed a number of options for local taxation in its 2019 report [Taking Control](#). They concluded that a local income tax offered the best route for most authorities to obtain substantial extra revenue, though more income tax would be raised in authorities with buoyant economies. The report regarded a tourism tax as feasible, though it estimated that a £1 per night levy on bed occupancy would raise only £420 million per year across England, skewed towards large cities and other areas such as Cumbria, Devon, Cornwall and North Yorkshire.

The IFS report did not support the devolution of stamp duty, on the grounds that stamp duty is economically distortionary and produces volatile revenues, and that revenues are strongly regionally skewed. Devolution of stamp duty originally appeared as one of the proposals from the London Finance Commission's 2013 report [Raising the capital](#).

The *Municipal Journal* conducted a survey in autumn 2019, asking chief executives what additional sources of revenue they would like to be available to local authorities. The survey found considerable support for a tourism tax, and for a vacant land tax ([currently being investigated](#) by the Welsh Government). Few supported the localisation of income tax, VAT or corporation tax, but there was considerable support for devolution of stamp duty. There was strong support for full control of all elements of council tax.<sup>24</sup>

## 1.7 Local audit

A review of the local audit regime introduced by the *Local Audit and Accountability Act 2014* was announced in July 2019.<sup>25</sup> This has taken the form of [the Redmond Review](#). It is expected to conclude in March 2020. The Review's terms of reference are broad: it will look at questions of governance and transparency, and at the treatment of councils'

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<sup>21</sup> Ibid., p2

<sup>22</sup> Dan Peters, ["Dawes invites tourism tax call"](#), *Municipal Journal*, 23 October 2018

<sup>23</sup> Dan Peters, ["LGA to build case for tourism tax"](#), *Municipal Journal*, 18 January 2019

<sup>24</sup> Heather Jameson, "What does our sector want?", *Municipal Journal*, 17 October 2019

<sup>25</sup> See DCLG, [Audit quality of councils will face examination in new independent review](#), 10 July 2019. It is possible that the review is intended to serve also as a post-legislative scrutiny of the 2014 Act, though this has not been made clear.

recent increased commercial activity (see [Local government; commercial property investments](#)).

This review coincides with some debate in the local government sector about audit, benchmarking and accountability. Paul Dossett, head of local government at the accountants Grant Thornton, wrote in the *Municipal Journal* in October 2019 that a new public body could be created “to provide a framework to ensure the sustainability of the [audit] regime, covering fees, appointments and audit quality... to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime”.<sup>26</sup>

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<sup>26</sup> Paul Dossett, [“What is the future for audit?”](#), *Municipal Journal*, 1 October 2019

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