

## Business Consultancy Services RSG Review Recommendations

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Theme	Conclusions	Recommendations	Responses
<b>Relevance of RSG objective in a NI context</b>	<p>The factors included in the RSG formula has continued to evidence, over a period of time, that the relative needs of some district councils exceed their wealth (in comparison with other councils).</p> <p>In addition, consultations from multiple stakeholders identified an additional financial support is required to better meet the needs of some district councils.</p> <p>Therefore, although RSG is bound in legislation, the review team considers that RSG is still required in an NI context.</p>	1. Continue the use of RSG to supplement district council funding.	Accepted. The Department intends to continue to provide the Rates Support Grant. The level of funding will be dependent on budget availability.
<b>Use of RSG by councils</b>	Review team have identified that there are no legislative conditions stated within regulation to instruct how the RSG grant is to be used/ spent by each district council. Therefore, it has been left open to interpretation with regards the approach to using RSG. The approach to date, as outlined in	2. Work with councils to develop an assessment of work delivered that would not have been delivered without RSG (while maintaining a non-supplemented rate for each ratepayer).	Accepted. The Department will engage with councils to agree the best approach to articulating the impact of the Rates Support Grant.

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	<p>consultations, has been to utilise the RSG as an overall support to each district council funding on an annual basis to help reduce the rates burden on all ratepayers. This approach requires limited evidence produced on how the RSG is being spent. Some consultees alluded to taking a more evidence-based approach similar to other grants made available by DfC as this will provide justification for RSG.</p> <p>Findings have demonstrated without this evidence of the specific use of RSG, it is difficult to demonstrate and quantify direct impact on service provision and council district residents. This leaves RSG vulnerable to budget reductions in comparison to the wider portfolio of NICS ring-fenced funding, coupled with the fact it is also a discretionary grant.</p> <p>Review team considers that in order for district councils to protect the level of RSG that they receive, they need to demonstrate the overall impact of RSG on provision of services, providing high level evidence of the impact on services</p>		

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	<p>that would not be delivered in the absence of RSG and without increasing rates for individuals.</p> <p>District councils use RSG to reduce rates bill for individual ratepayers whilst maintaining the same level of income to provide statutory and desired services. Without the RSG fund, either services in the council district will be reduced or the rates bills for individuals will increase.</p>		
<b>Evidencing need, wealth and accessibility</b>	<p>Findings have demonstrated that the RSG formula used to calculate percentage allocation is bound and defined by legislation. This has led to the use of some outdated statistics to inform need. For example, the NIMDM statistics currently used within the formula dates back to 2010 and consequently there is a potential risk that evidence may not accurately reflect current needs of district councils.</p> <p>Due to the fact 'NIMDM 2010' is written specifically into the regulations there is an assumption that it must remain in place, and it has done so up until the</p>	<p>3. If required, take necessary action to update primary legislation to remove specific years attributed to data sources.</p>	<p>Accepted. The Department will action this at the earliest opportunity.</p>

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	<p>time of this report. However, the Review Team has recognised that within legislation it clearly outlines that “The Department shall use data... based on the latest information available to the Department regarding the financial year ending on 31st March 2011 and on 31st March in each successive year.” Therefore, it can be interpreted that the NIMDM can be updated in line with ‘latest information available’.</p>		
	<p>Findings outlined, that expenditure information submitted by district councils, via standard pro forma, vary in quality and consistency. Consequently, increased time and effort is required from both the district council and LFG team to ensure accuracy and standardisation. In addition, due to the fact district councils report expenditure differently (due to CIPFA guidance on ‘Telling the Story’), there is a risk that expenditure information for particular categories required for RSG formula may not be exactly like for like.</p>	<p>4. In collaboration with councils, develop and issue a proforma to include standardised category drop down list for expenditure items against which each council must report.</p>	<p>Accepted. The Department will liaise with Councils to implement this.</p>

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	Statistical analysis outlined that statistics used asides from the NIMDM have a clearly identified source and have the most updated information available as outlined in legislation. The review team would draw attention to the fact that ‘tourist bed nights’ have been set to zero for the past few years and this may not accurately reflect current need in this area.	5. Continue to obtain the most up to date data from Analytics Division.	Accepted.
	Desktop comparator analysis outlined that Scottish and Welsh governments utilise a similar approach to allocation of funding based on relative need. Even though it is at a much larger scale, it provides the review team with confidence that similar data sources and weightings are used to calculate needs in relation to key areas such as deprivation and sparsity in other UK jurisdictions.	6. Work with Analytics Division to review data sources that may be applicable to inform need across DfC and possibly NICS.	Accepted.
	Consultations alluded to the potential of Analytics Division becoming more involved within the calculation process. Their expertise and ability to scan horizon of ongoing statistical changes across NICS and externally could help	7. Work with Analytics Division on the scope of roles in calculating the RSG.	Accepted.

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	add value to the RSG calculation process. In addition, AD engaging with LPS, who provide wealth data, will help provide more collaborative approach for all stakeholders involved in the RSG calculation process. Furthermore, the AD team could support the LGF team in producing summary reports to demonstrate rationale for change and ongoing impact analysis of both need and wealth indicators with the RSG calculation.		
	Impact analysis conducted by the review team has clearly outlined additional needs measures used to adjust population does sufficiently impact the percentage allocation and therefore review team deems it as appropriate to be included. Impact analysis also demonstrates that the wealth measure also has an influence on the percentage allocation and therefore deemed appropriate. Although there were limited suggestions from consultations on how the wealth measurement could be made more robust, the review team recognises that	8. Consideration to be given to include all Council revenue as a measure of wealth.	Accepted. The Department will engage with Councils when considering this recommendation.

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	a potential additional factor to be considered is in relation to the remaining revenue amount each district council receives from central government, or the use of total income from Council's audited accounts.		
<b>Other funding Steams</b>	<p>Although some consultation outlined that there are no other funding streams that relate to RSG, it is clear from desktop review and other consultations that there is evidence of a range of funding streams available to district councils directly from local government to support the needs of ratepayers. The review team recognises that there are examples of funding streams that tackle similar issues to RSG with regards, deprivation, influx of additional population and sparsity.</p> <p>Therefore, these funding streams must be taken into consideration and clearly mapped out at a district level and regional level to understand the true level of funding provided by central government to support additional needs of various district councils. Once the full picture is developed, there is potential to factor this into information that informs the wealth and/ or need</p>	9. Identify and work with other teams within DfC that provide funding to councils. From this, map the funding and rationale to determine any overlap with RSG.	Accepted. The Department will review all funding it provides to Councils to determine if any overlap with RSG exists.

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	elements of the RSG calculation. This may enable RSG to act as a more accurate levelling up fund across Northern Ireland taking into consideration all revenue and funding.		
<b>RSG Budgeting</b>	<p>As evidenced by findings, the RSG fund has decreased over the past number of years, and this is enabled by the discretionary nature of the grant and is dictated by the overall budgetary considerations of the department. Consultations outlined that the continuous reduction in RSG grant may soon be outweighed by the cost burden of administration, monitoring and calculating.</p> <p>Although, part of Department of Communities, the LGF team have no control in the setting of the annual RSG budget. Their remit is to collect inputs, calculate percentage allocation based on the formula outlined in legislation and provide confirmation to district council via correspondence of percentage allocation. The annual RSG budget is set by the department taking</p>	10. Consideration to be given to developing and agreeing a minimum RSG allocation set over a multiple year period.	Not accepted. The amount of grant provided is dependent on budget availability. However, it is noted that a move to multiple year budgets is underway.



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	<p>into consideration the full budgetary context of the Department.</p> <p>NI budget setting process is currently operating within a single year framework. This limits the ability to set a budget over multiple years which causes uncertainty in relation to longer term financial planning.</p> <p>The current NI budget setting process timeline currently does not align with the local government budget setting process. As outlined in consultations, the RSG budget is presently not known until after each district council has struck their rates. This exposes district councils to potential shortfall as they may overestimate their RSG budget for the year, therefore rates set do not accurately reflect the actual RSG funding. Although, the RSG budget is not aligned to the rates setting timeline, the percentage allocation provided through the RSG calculation, undertaken by the LGF team, is ready in advance of district councils' rates being struck.</p>		

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	<p>Within the budget setting process conducted by the NI Executive, equality impacts are considered and there is further opportunity for equality screening conducted by central departmental teams to inform in year monitoring rounds. Equality screening has been undertaken with regards the reduction in RSG and an assessment has been made based on relevant evidence available.</p>		
<b>Governance</b>	<p>Based on findings from consultations and information provided, the review team, consider the current governance to be reasonably robust to effectively control and monitor administration and governance of the current RSG model. It is recognised that the level of administration and monitoring is reduced in comparison to other more evidence-based grants and this due primarily to the flexible legislative conditions applied and the approach to how district councils use RSG. The Councils have a comparatively small administrative burden and that there is an initial larger burden for the LGF</p>	<p>11. Work with Councils to identify additional reporting, building on the information already provided by the LGF team, that would give Councils greater understanding of the impact of changes to the wealth and need on the RSG allocation. Any action taken would need to be proportionate to the impact of additional information and the resources available to provide it.</p>	<p>Accepted. The Department will engage further with Councils to ensure that the methodology for calculating RSG allocations is understood fully.</p>

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	<p>team, although there is no in year monitoring of performance / outputs from use of the grant.</p> <p>There was a desire from Councils to be provided with summary information on changes to their RSG allocation based on any changes to wealth and need. The LGF team have tried to assist with information on wealth movements in recent years and have also responded to queries from Councils when raised.</p> <p>Consultations outlined that there is a gap in knowledge/ understanding of the evidence that feeds into the RSG calculation and how they relate to percentage allocation. This lack of understanding may lead to lack of engagement in the RSG process or an inaccurate perception of how it works, but this is laid out in the Regulations for the RSG. It is accepted that the LGF team have provided councils with guidance on the RSG calculation, but this may need revisited with councils to ensure understanding. <i>(This paragraph was included in Evidencing need, wealth and accessibility but with no</i></p>		

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	<i>connected Recommendation apart from this one in Governance).</i>		
<b>Provision of RSG to meet the needs of people in eligible councils</b>	<p>Consultations outlined that the current RSG funding level does not adequately meet the needs of ratepayers in eligible district councils. Although as outlined above, no specific evidence is captured in relation to RSG spend, some consultations provided high level examples of impacts such as potential reduction to community grants, reduction in services such as revised recycling working hours and turning down of capital funding as district councils will not have the resource to maintain. In addition, it was mentioned that reduction in RSG funding leads to increased cost of services and consequently can limit accessibility and use of facilities which brings with it a host of issues relating to health and wellbeing.</p> <p>Consultations alluded to purpose of RSG is to help reduce inequalities regionally in service provision in key areas such as deprivation and sparsity. The fact that not all RSG percentage allocations are equal demonstrates that inequality may exist and there is</p>	None	-

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	<p>varying levels of additional need that is required to be addressed. Therefore, reducing or losing the RSG will lead to these needs not being met.</p> <p>However, due to the fact that specific evidence is not collected on how RSG is spent, and it is a support for all ratepayers, it is difficult to attribute impact to specific groups, particularly within section 75.</p>		
<b>Legislative</b>	<p>Findings indicated that one of the legislative conditions for RSG is that funding cannot be reduced in year once the amount has been set for each district council, however there is an exception where if a district council is deemed not to be delivering its functions in a value for money way the amount can be reduced in year. This has not happened to date and the fact that the amount cannot be reduced provides some certainty to district councils in year.</p> <p>Legislation does state that additional funding can be provided in-year if funds become available to Department. This in-year additional funding did occur in 2018-19, 2020-21 and 2021-22. In 2021-22 the additional in-year funding</p>	None	-

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	<p>of £10m was significant. This may have informed district councils budget setting process for the next year and therefore upon RSG being reduced and no in-year funding for 2022-23 it may have been perceived as a more significant reduction and impact for district councils.</p> <p>The legislation provides a number of conditions with regards inputs, formula and outputs for the RSG allocation, however, it provides limited conditions with regards the level of RSG fund, how it is to be used/ evidenced and the timings in terms of notification of amount. Although these conditions provide flexibility to Department in terms of the discretionary nature of the grant and benefits to district councils in terms of how they utilise the grant and the reduced administrative burden, the compromise is that it provides less certainty around RSG funding year on year, impacting financial planning and provides less evidence to assess the impact of RSG.</p>		