



Department for  
Communities and  
Local Government

# Local Government Finance Settlement

2015-16

Consultation



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# Chapter 1

## Introduction

### 1.1 Overview of the proposals

- 1.1.1 This consultation seeks views on proposals for the local government finance settlement for 2015-16, in particular from representatives of local government, before determining the final amount of Revenue Support Grant, and allocation to receiving authorities and the specified body<sup>1</sup>. The consultation notifies representatives of local government of the general nature of the basis of distribution of Revenue Support Grant and of the general nature of the basis of calculation of “tariff” and “top-up” payments through this consultation, and accompanying documents, in particular the draft Local Government Finance Report for 2015 -16<sup>2</sup>.
- 1.1.1 The consultation will be of particular interest to local authorities, and representative bodies for local authorities.
- 1.1.2 The proposed settlement sets out the distribution of Revenue Support Grant and retained business rates income. It includes a significant range of protections for local authorities, including:
- increased funding through the settlement for all local authorities as a result of the reduced holdback for the New Homes Bonus (chapter 3)
  - continued protection for authorities which froze council tax or received Efficiency Support Grant or Rural Services Delivery Grant in 2014-15 (chapter 4)
  - increased additional funding for the most rural authorities (chapter 4)
  - increased protection through Efficiency Support Grant for the small number of local authorities with revenue spending power reductions greater than 6.4% in 2015-16 (chapter 6)
  - compensation for the reduced income from business rates as a result of the 2% cap on the small business multiplier at Autumn Statement 2013 and 2014 (chapter 6)
- 1.1.3 The proposals in this consultation would help to deliver these protections and consolidate previous reforms. They are in line with previous commitments or follow established policy.
- 1.1.5 Following careful consideration of the responses to the summer 2014 technical consultation, and the consultation on local welfare provision, as well as the outcome of the Department of Work and Pensions review, the Government has

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<sup>1</sup> As required by sections 78(5) of the Local Government Finance Act 1988.

<sup>2</sup> As required by section 78A(3) of the Local Government Finance Act 1988 and paragraph 12 of Schedule 7B to the same Act.

made changes to the proposals for 2015-16 (listed in bold below). Chapters 2, 3, 4, 5 and 6 set out the following proposals for 2015-16:

#### *Chapter 2*

- Distribution of Revenue Support Grant to be reduced for each authority by reducing each element of Revenue Support Grant in proportion to the reduction in the 2015-16 national control total for that element
- **New Local Welfare Provision funding element of £129.6m to be created within Revenue Support Grant**
- **Funding for the Improvement and Development Agency for Local Government to be £23.4 million.**

#### *Chapter 3*

- **Holdback to fund the New Homes Bonus to be reduced from £1bn to £950m**

#### *Chapter 4*

- Council tax freeze grant for 2014-15 to be rolled in and combined with the 2013-14 grant in a single element (in line with previous commitments to authorities which freeze council tax)
- Efficiency Support Grant for 2014-15 to be rolled in following satisfactory performance, as announced at the 2014-15 settlement
- 2014-15 Rural Services Delivery Grant to be rolled into the settlement and combined with the existing rural funding element
- **Rural funding element to be increased from £11.5m to £15.5m**

#### *Chapter 5*

- Adjustment to funding for authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, to take account of the loss in tax revenue to the Treasury, as previously consulted on in summer 2013
- **Adjustment to funding for fire and rescue authorities to take account of the estimated reduction in the average employer contribution rate and increased central pension top-up grant**

#### *Chapter 6*

- protection against reduction in revenue spending power of more than 6.4% in 2015-16 through Efficiency Support Grant
- Compensation for the 2% cap on the small business rates multiplier announced at the 2013 Autumn Statement to continue in 2015-16, calculated on the basis of the reduction to estimated retained income, as in 2014-15
- 
- **Compensation for the 2% cap on the small business rates multiplier announced at the 2014 Autumn Statement, calculated on the basis of the reduction to estimated retained income, as in 2014-15**

The effect of these changes is set out for each authority in the exemplifications which are published with this consultation document.

1.1.7 Other aspects of the proposed 2015-16 settlement remain as set out in the illustrative 2014-15 settlement, published with the 2014-15 settlement, and supporting documents:

- the central and local shares of business rates revenue to be 50% each
- the baseline funding level and tariff and topup payments to be updated in line with the small business multiplier for 2015-16
- a £50m holdback for the business rates safety net (from upper and lower tier and fire and rescue elements only, with a lower contribution from fire)
- protection for grants rolled into the start up funding assessment in April 2013 by extending the trajectories set in the 2010 spending review
- protection for the overall funding allocation to the Isles of Scilly

1.1.8 We will consult on proposals for the 2016-17 settlement in the light of the expected Budgets and Spending Reviews.

**1.1.9 We will carefully consider responses on any aspect of the proposals set out in this consultation, the draft Local Government Finance Report and the supporting information, .....including those which relate to provision for local welfare over and above existing budgets and will take these into account when announcing the final settlement in February.**

1.1.10 We also welcome views on the draft equality statement for the 2015-16 settlement (Annex A). A summary of consultation questions is at Annex B.

1.1.11 Section 1.2 sets out how to respond. You should note that we may wish to publish responses.

1.1.12 All figures throughout the document are given in cash terms, unless stated otherwise. A glossary of technical terms is at Annex C.

## 1.2 Consultation procedure

### The consultation process and how to respond

|   |  |
|---|--|
| <b>Topic of this consultation:</b>            | This consultation covers proposals for changes to the illustrative 2015-16 Local Government Finance Settlement, which was published with the 2014-15 settlement.   |
| <b>Scope of this consultation:</b>            | As above.<br>Following decisions on this consultation, the final local government finance settlement for 2015-16 will be laid before Parliament in early 2015.   |
| <b>Geographical scope:</b>                    | England.   |
| <b>Impact Assessment:</b>                     | A draft Equality Statement covering the possible impacts of the proposed 2015-16 local government finance settlement is at Annex A   |
| <b>Body responsible for the consultation:</b> | Local Government Finance Directorate within the Department for Communities and Local Government.   |
| <b>Duration:</b>                              | Four weeks from 17 December to 5pm on 15 January 2015.   |
| <b>Enquiries:</b>                             | For enquiries, please contact:<br>Shafi.Khan@communities.gsi.gov.uk<br>0303 444 3132   |
| <b>How to respond:</b>                        | By email to: <a href="mailto:settlement.consult@communities.gsi.gov.uk">settlement.consult@communities.gsi.gov.uk</a><br><br>Or by post to:<br>Shafi Khan<br>Department for Communities and Local Government<br>2 Marsham Street<br>London SW1 4DF |



|                               |   |
|-------------------------------|---|
| <b>Getting to this stage:</b> | The Department consulted on proposals for the 2015-16 local government finance settlement from 22 July to 25 September 2014.  |
| <b>Previous engagement:</b>   | <p>The Department published an illustrative 2015-16 local government finance settlement with the final 2014-15 local government finance settlement on 5 February 2014.</p> <p>The Government previously consulted on the 2015-16 settlement in the technical consultation on the 2014-15 and 2015-16 settlement from 25 July to 2 October 2013.</p> <p>The Department continues to engage with local authorities and representative organisations through regular meetings, and attendance at local authority events.</p> |

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 information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. 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 Department for Communities and Local Government will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

# Chapter 2

## Distribution of Revenue Support Grant

### 2.1 Distribution of Revenue Support Grant

2.1.1 The Government intends to pay Revenue Support Grant in 2015-16 to receiving authorities (any billing authority or major precepting authority<sup>3</sup>), except local policing bodies<sup>4</sup> under sections 78, 78A and 79 of the Local Government Finance Act 1988.

2.1.2 The Government intends to hold back £950m of funding for the New Homes Bonus from the upper tier and lower tier funding elements of Revenue Support Grant as set out in Chapter 3. It is also proposed to hold back £50m to provide additional funding for the business rates safety net, to meet any shortfall after funding from levy payments, as set out in consultations in summer 2013 and summer 2014. The holdback will come from upper and lower tier and fire and rescue elements only, with a lower contribution from fire.

2.1.3 The Government intends to reduce the individual elements of the 2014-15 Revenue Support Grant allocation for each authority in proportion to the reduction in the 2015-16 national control total for that element, with the exception of the allocation for the Isles of Scilly, which will be £1.9m. Elements based on grants included in the start up funding assessment in April 2013 will be reduced in line with trajectories set in the 2010 Spending Review, and upper tier, lower tier and fire and rescue funding elements will be reduced as required to meet the overall total, with a lower reduction for fire.

2.1.4 The Government intends to include three 2014-15 grants in Revenue Support Grant allocations for certain authorities (Council Tax Freeze Compensation, Efficiency Support Grant, and Rural Services Delivery Grant ) as set out in Chapter 4.

2.1.5 The Government intends to reduce funding allocations to certain authorities as a result of changes to the Carbon Reduction Credits energy efficiency scheme and to the valuation of firefighters' pension schemes, as set out in Chapter 5.

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<sup>3</sup> Each of the following is a major precepting authority:

- a county council which does not have the functions of a district council;
- police and crime commissioners in England whose police area is listed in Schedule 1 to the Police Act 1996 [The MOPAC is a functional body of the GLA (s.424(1) GLA Act 1999)] ;
- a metropolitan county fire and rescue authority;
- a fire and rescue authority constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies (a "combined fire and rescue authority"); and
- the Greater London Authority.

<sup>4</sup> ie the Mayor's Office for Policing and Crime, police and crime commissioners and the Common Council of the City of London.

## 2.2 Local Welfare Provision funding

- 2.2.1 In April 2013 two elements of the Social Fund – Crisis Loans and Community Care Grants – were discontinued. Funding was provided by the Department of Work and Pensions to upper tier local authorities in 2013-14 and 2014-15 for them to establish their own local welfare provision schemes to provide assistance for vulnerable people.
- 2.2.2 The Government has consulted on a range of options on how local welfare provision by upper tier local authorities should be funded in 2015-16. The Department of Work and Pensions has also carried out a review.
- 2.2.3 The Government has carefully considered the responses to the consultation and the outcome of the review. Local authorities will continue to be able to offer local welfare assistance from within existing budgets, alongside a range of other services in 2015-16 if they judge it a priority in their area. It would be helpful to many areas to see how much of their existing funding relates to this. An amount relating to local welfare provision has been separately identified in each upper-tier authority's general grant, totally £129.6 million nationally.
- 2.2.4 The Government has always been clear councils should choose how best to support local welfare needs. Therefore this allocation will not be ring-fenced and we will not be placing any new duties, expectations or monitoring requirements on its use.
- 2.2.5 The Govt will carefully consider all responses to this consultation, including those which relate to provision for local welfare over and above existing budgets, and will take these into consideration when announcing the final Local Government Finance Settlement.

**Question 1: Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with local welfare provision funding in 2014-15?**

## 2.3 Funding for the Improvement and Development Agency for Local Government

- 2.3.1 Since 2010 the Government has provided funding to the Improvement and Development Agency for Local Government (IDeA) for a programme to help local authorities deliver more efficient and effective services, under sections 78 and 79 of the Local Government Finance Act 1988, which provide that Revenue Support Grant may be paid to any body which provides services for local authorities and is specified by the Secretary of State in regulations. IDeA is the only body currently specified under section 76(4) of the Local Government Finance Act 1988.
- 2.3.2 The Government's policy is to open up budgets to competition, wherever possible, and in stages where appropriate. This maximises efficiency, secures the best value for money for the public purse and stimulates more diverse supply markets. The Government intends to explore how the budget given to IDeA for improvement services can be opened up to competition with contracts in place for 2016-17.
- 2.3.3 The Government intends to provide £23.4 million funding to IDeA in 2015-16 from Revenue Support Grant, based on the amount provided in 2014-15 reduced by 10%, in line with the reduction in the Local Government Department Expenditure Limit for 2015-16.

**Question 2: Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16 ?**

# Chapter 3

## Change to holdback

### 3.1 Reducing the New Homes Bonus holdback

- 3.1.1 The New Homes Bonus rewards authorities which deliver additional housing with payments over six years and forms part of the Government's growth strategy. As in previous years, the Government will set aside £250 million in 2015-16 to part fund the New Homes Bonus. Again, as in previous years, the rest of the funding will be provided from Revenue Support Grant.
- 3.1.2 The technical consultation proposed a holdback of £1bn in 2015-16 on the basis of the 2013 council tax base returns, to ensure that sufficient funding would be available with a margin for uncertainty. On the basis of the more up-to-date data available from the council taxbase 2014 returns, the margin can prudently be reduced.
- 3.1.3 The Government therefore proposes to hold back £950m rather than £1bn from Revenue Support Grant in 2015-16. As a result the total available to authorities through the upper tier, lower tier and fire funding elements of Revenue Support Grant will be increased by £50m, compared to the proposals in the technical consultation.
- 3.1.4 The provisional allocations of the New Homes Bonus were published on 16 December 2014. Final allocations will be published alongside the final settlement. Any surplus will be returned to local authorities through section 31 grant, in proportion to their adjusted 2013-14 Settlement Funding Assessments, as soon as possible in the 2015-16 financial year.

**Question 3: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m ?**

# Chapter 4

## Transfers of funding into the settlement

### 4.1 2014-15 Council Tax Freeze Grant

4.1.1 In line with the commitment to authorities at the time of take up, the Government wishes to ensure that the 2014-15 Council Tax Freeze Grant is protected in cash terms and only benefits authorities that froze council tax in 2014-15.

4.1.2 The Government therefore intends to roll the 2014-15 council tax freeze grant into Revenue Support Grant, paid only to those authorities which qualified for the Council Tax Freeze Scheme in 2014-15, in the same way as the 2013-14 grant. This provides the maximum possible certainty for councils that the extra funding for freezing council tax will remain available.

4.1.3 The 2013-14 Council Tax Freeze Grant was paid to qualifying authorities as a separate element within Revenue Support Grant, but it was not possible to combine it with the 2011-12 grant, since that is an element funded from both Baseline Funding Level and Revenue Support Grant. However, as the 2013-14 and 2014-15 funding elements are both within Revenue Support Grant, the Government intends to combine the 2014-15 grant and the 2013-14 funding as a single funding element in order to minimise the number of elements.

### 4.2 2014-15 Efficiency Support Grant

4.2.1 In order to ensure that no authority had a reduction in 2014-15 revenue spending power of more than 6.9%, £9.6m in Efficiency Support Grant was paid to nine authorities in 2014-15. The Government announced at the 2014-15 Local Government Finance settlement that Efficiency Support Grant would be rolled into Revenue Support Grant, subject to satisfactory progress by the Efficiency Support Grant authorities.

4.2.2 The Government considers that satisfactory progress has been made based on the spring and autumn progress reports and intends to roll in the 2014-15 Efficiency Support Grant funding, in full, as a separate element paid to qualifying authorities.

## 4.3 Additional funding for rural authorities

- 4.3.1 The Government has long recognised that there may be additional costs associated with service delivery in rural areas through weighted sparsity adjustments in the relative needs formulae.
- 4.3.2 Additional funding was provided in 2014-15 through increasing the rural funding element within Revenue Support Grant to £9.5m and providing an additional £2m Rural Services Delivery Grant.
- 4.3.3 Both the rural funding element and the grant were allocated to the top quartile of authorities on the basis of the super sparsity indicator, a proxy for rurality which ranks authorities by the proportion of the population which is scattered widely, using 2011 census data and weighted towards the authorities with the most sparse populations.
- 4.3.4 In order to establish a fuller evidence base for decisions on rural funding the Government commissioned independent external research in 2014 on whether rural authorities face additional unavoidable costs in service delivery compared to urban rural authorities. The research involved the Local Government Association and the Rural Services Network as well as a range of rural and urban authorities. It looked at the evidence on costs at the level of individual services and is based on interviews with a sample of authorities and national expenditure data.
- 4.3.5 Several drivers for additional rural costs were identified in the research including the small size of rural authorities, scattered and remote populations, lack of private sector providers and poor broadband and mobile coverage in rural areas. However the research did not quantify the difference in the costs of service delivery between urban and rural areas, or provide a basis for developing a new distribution methodology at national level, as an alternative to super sparsity. The final report was published alongside the provisional settlement for 2015-16.
- 4.3.6 The Government has considered the overall position on rural funding including the research findings, and intends to roll the 2014-15 Rural Services Delivery Grant into Revenue Support Grant and combine it with the existing rural funding element, as previously proposed, and to increase the total rural funding element from £11.5m to £15.5m, distributed on the same basis.

**Question 4: Do you agree with the Government's proposal that the rural funding element should be increased from £11.5m as previously proposed, to £15.5m ?**

# Chapter 5

## Transfers of funding out of the settlement

### 5.1 Carbon Reduction Credits energy efficiency scheme adjustment

- 5.1.1 As set out in the 2013 technical consultation, the Government has decided to withdraw all state funded English schools from participation in phase 2 of the Carbon Reduction Commitment Energy Efficiency Scheme, which taxes carbon emissions. The qualification period for Phase 2 was 1 April 2012 to 31 March 2013. English local authorities are not required to include emissions from schools under their control or academies in their area in their assessment of qualification for Phase 2.
- 5.1.2 When local authorities fall below the threshold for participation in the scheme, there is a loss of tax revenue to the Treasury, for which compensation is required. Department for Communities and Local Government and Department for Education Department Expenditure Limits will be adjusted to compensate for this loss in relation to non-schools and schools emissions respectively.
- 5.1.3 On the basis of data collected by the Department for Energy and Climate Change from authorities within the scheme during the 2012-13 qualification period, 57 authorities had total emissions excluding schools below the threshold, resulting in lost tax of £6.4m.
- 5.1.4 The Government therefore intends to make a reduction to the funding to each authority falling out of the scheme, equal to the tax which would have been due on the total emissions (excluding schools) for that authority under the Carbon Reduction Credits energy efficiency scheme, if the authority had remained in the scheme. This will be done through a negative funding element as previously proposed.
- 5.1.5 There will be no resulting reduction in the 2014-15 settlement figures used to calculate the year on year change in revenue spending power in 2015-16, in order to ensure that the change in local authority responsibilities is fairly reflected in spending power for 2015-16.

### 5.2 Firefighters' Pension Schemes adjustment

- 5.2.1 The Department has received the initial results of the 2012 valuation of the Firefighters' Pension Schemes. This indicates that the estimated average employer contribution rate paid by fire and rescue authorities in 2015-16 will be 18.9%, 0.24% lower than the previous projection of 19.1%.



- 5.2.2 The reduction in the average employer contribution rate will increase the cost of the central government pension top-up grant, which meets the difference between scheme income and expenditure.
- 5.2.3 To ensure that the changes in costs are fiscally neutral for the sector and for central Government, the Government intends to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority. The total for all authorities would be £2.1m. This will take account of the size and composition of each authority's workforce and reflect the average reduction in the employer contribution rate.
- 5.2.4 There will be a resulting reduction in the 2014-15 settlement figures used to calculate the year on year change in spending power in 2015-16, in order to ensure that the continuing local authority responsibility is fairly reflected in spending power for 2015-16.

**Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority ?**

# Chapter 6

## Funding additional to the settlement

### 6.1 2015-16 Efficiency Support Grant

- 6.1.1 In order to ensure that no authority has a reduction in revenue spending power of more than 6.4% in 2015-16, the Government intends to pay Efficiency Support Grant to 19 authorities. This is the highest level of protection provided through Efficiency Support Grant in this Parliament.
- 6.1.2 It is not proposed to pay Efficiency Support Grant to the Greater London Authority as its reduction in spending power is influenced by its unique position, in particular its transport responsibilities.

### 6.2 Compensation for the 2% cap on the small business multiplier in 2014-15

- 6.1.1 At the 2013 Autumn Statement, the Government announced that the small business multiplier would be capped at 2%, rather than increased at the same level as the September 2013 Retail Price Index (3.2%). As a result the multiplier for 2014-15 calculated on the statutory basis including rounding was 0.471, instead of 0.476.
- 6.1.2 Under the business rates retention scheme, tariffs, top-ups and baseline funding levels are indexed each year by the change in the small business multiplier. The lower multiplier therefore reduced the baseline funding level and led to a reduction in the Settlement Funding Assessment which comprises Revenue Support Grant and the baseline funding level.
- 6.1.3 The multiplier for 2013-14 was 0.462. As a result, an authority's tariff or top-up and its baseline funding levels for 2014-15 were approximately 1.95% (ie  $0.471/0.462$ ) higher than they were in 2013-14, which is lower than they would otherwise have been .
- 6.1.4 The Government compensated local authorities for the loss of business rates income through a section 31 grant on the basis of the estimated reduction to retained business rates income adjusted to account for lower tariffs and top-ups, based on NNDR1 data submitted in February 2013. Adjustments may be made to the grant based on actual retained income from NNDR3 data supplied in May 2015, with certification in September 2015.

## 6.2 Compensation for the 2% cap on the small business multiplier in 2015-16

- 6.2.1 At the 2014 Autumn Statement, the Government announced that the small business multiplier would again be capped at 2%, rather than increased at the same level as the September 2014 Retail Price Index (2.3%). The multiplier for 2015-16 calculated on the statutory basis including rounding will be 0.480, instead of 0.482.
- 6.2.2 The multiplier for 2014-15 was 0.471. As a result, an authority's tariff, or top-up and its baseline funding levels for 2015-16 will be 1.91% (ie  $0.480/0.471$ ) higher than they were in 2014-15, which is lower than they would otherwise have been .
- 6.2.3 The Government intends to compensate local authorities for the loss of business rates income through a section 31 grant on the same basis as in 2014-15 (on the basis of the estimated reduction to retained business rates income adjusted to account for lower tariffs and top-ups, based on NNDR1 data submitted in February 2014). Adjustments may be made to the grant based on actual retained income from NNDR3 data supplied in May 2016, with certification in September 2016.
- 6.2.4 Local authorities will receive a single payment to compensate them for both the continued impact of the cap on the small business multiplier in 2014-15 that is felt in 2015-16, and the cap on the multiplier in 2015-16.

**Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15?**

# Annex A

## Draft Equality Statement

| Name of Directorate   |
|---|
| Local Government Finance  |
| Please list all the policy streams in your business area.   |
| <p>This equality statement covers the Government's proposals for the 2015-16 financial year for:</p> <ul style="list-style-type: none"><li>- the amount and distribution of Revenue Support Grant to receiving authorities in England</li><li>- the amount of the Baseline Funding Level (locally retained business rates income) for receiving authorities, the percentage of the central and local shares for billing authorities, and the tariffs and top-ups payable</li><li>- the amount and distribution of other linked grants</li></ul> <p>These proposals are made as part of the exercise of the Secretary of State's functions under section 78 of, and Schedule 7B to, the Local Government Finance Act 1988, and are set out in the consultation document on the provisional 2015-16 settlement, and in the draft 2015-16 Local Government Finance Report.</p> <p>In summary, the proposals are:</p> <ul style="list-style-type: none"><li>- a £950m holdback from Revenue Support Grant to fund the New Homes Bonus</li><li>- a £50m holdback from Revenue Support Grant to fund the business rates safety net (from upper and lower tier and fire and rescue elements only, with a lower contribution from fire)</li><li>- protection for grants rolled into the start up funding assessment in April 2013 from the impact of the 10% reduction in LG DEL for 2015-16 agreed in the 2013 spending review by extending the trajectories set in the 2010 spending review</li><li>- distribution to upper and lower tier authorities and fire and rescue authorities, by scaling back the 2014-15 control total for each authority in proportion to the</li></ul> |

reduction in the national control totals

- Three 2014-15 grants (council tax freeze grant, Efficiency Support Grant, and Rural Services Delivery Grant) to be included in the 2015-16 settlement
- An increase in funding for the most rural authorities (the top 25% by sparsity which measures scattered populations)
- A reduction in funding for two specific groups of authorities (for authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, and for fire and rescue authorities to reflect reduced pension contributions)
- the baseline funding level and tariff and topup payments to be updated in line with the small business multiplier for 2015-16
- the central and local shares of business rates revenue to be 50% each
- protection against reduction in revenue spending power of more than 6.4% in 2015-16 through Efficiency Support Grant
- compensation for the 2% cap on the small business rates multiplier announced at the 2013 and 2014 Autumn Statements

**Identify any policy streams aimed at or impacting upon persons who share a protected characteristic.**

The consultation and draft Local Government Finance Report set out the Government's proposals for funding allocations to individual councils for the 2015-16 financial year. The Government also proposes to set a referendum principle as set out below.

The funding is not specifically aimed at persons who share a protected characteristic - it is one element making up authorities' total revenues. However, the changes to funding could, without mitigating action and depending on the spending decisions made by local authorities, have an adverse impact on persons who share a protected characteristic, including through impacts on discrimination and other conduct prohibited under the Equality Act 2010, equality of opportunity and good relations between persons who share a relevant protected characteristic and those who do not..

Authorities receiving funding are "receiving authorities" as defined in section 76(2) of the 1988 Act (i.e. billing authorities and major precepting authorities<sup>5</sup>).

The 2015-16 local government finance settlement, as proposed in this consultation and the draft Local Government Finance Report, would reduce the amount upper and lower tier authorities receive as Revenue Support Grant in 2015-16 compared to 2014-15. It would also increase the baseline funding level and tariff or topup for each authority in

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<sup>5</sup> Police authorities are funded by a grant from the Home Office, not from business rates.

line with the small business multiplier. Any resulting reduction in an authority's income could have an effect on the ability of the authority to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it (by way of example only - services offered to the very young, the elderly and/or disabled persons).

This equality statement also covers the Government's proposals for the 2015-16 financial year for the council tax referendum principles.

These proposals are made as part of the exercise of the Secretary of State's functions under section 52ZC of the Local Government Finance Act 1992, and are set out in the draft Referendums Relating to Council Tax Increases (Principles) (England) Report for 2015/16.

In summary, the proposals are:

- If councils choose not to accept council tax freeze grant (which is equivalent to a 1% increase in their Band D council tax levels) and instead choose to increase council tax, any increase of 2% or more to require a referendum, so that local electorates can approve or veto the increase.
- The 2% threshold to apply to all local authorities, fire authorities and Police and Crime Commissioners.

See further the passage on impacts in section 7 of this document.

#### **4. Who has responsibility for developing these policies?**

Matthew Style, Director, Local Government Finance, DCLG.

#### **5. Are there any EU or other statutory regulations that need to be adhered to regarding equalities?**

In exercising his functions in connection with the local government finance settlement the Secretary of State is subject to the public sector equality duty in section 149 of the Equality Act 2010.

The duty on the Secretary of State pursuant to section 149 of the Equality Act 2010 when exercising the functions referred to above and other functions relating to the settlement is to have due regard to the need to—

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Paragraph (b) involves the Secretary of State having due regard, in particular, to the need to—

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Paragraph (c) involves the Secretary of State having due regard, in particular, to the need to—

(a) tackle prejudice, and

(b) promote understanding.

The protected characteristics for the purposes of limb (a) of the duty are age; disability, gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex; sexual orientation.

The relevant protected characteristics for the purposes of limbs (b) and (c) of the duty are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

**6. The following summary will be analysed and used as evidence which you considered in demonstrating due regard to the Public Sector Equality Duty. Have you used information from any of the following sources when developing policies?**

Sources of evidence include but are not limited to:

- Responses to the technical consultation on proposals for the Local Government Finance Settlement for 2014-15 and 2015-16 (July 2013 to October 2013)
- Responses to the consultation on the provisional Local Government Finance Settlement for 2014-15 which included illustrative figures for the 2015-15 settlement (December 2013 to January 2014)
- Responses to the technical consultation on proposals for the Local Government Finance Settlement for 2015-16 (July 2014 to September 2014)
- Responses to the consultation on the provisional Local Government Finance Settlement for 2015-16 (December 2014 to January 2015)
- Survey evidence including the surveys by BBC News, LGA and PWC in 2013 and 2014
- Meetings with and correspondence from local authorities, representative bodies, Members of Parliament and other external partners.

**7. Have you discovered any of the following and as a consequence taken actions**

## on identified equality issues?

### **Impacts of the proposed local government finance settlement for 2015-16**

Responses from local authorities to the consultations listed above have stated that:

- the scale and distribution of the funding reductions set out for 2014-15 and 2015-16 would put at risk their ability to deliver services to persons who share a protected characteristics and would have an adverse impact on persons who share a protected characteristics.
- persons who share a protected characteristics would be adversely affected by reductions in services generally, without identifying services targeted on any persons who share a protected characteristics which would be affected.
- the impact of the scale and distribution of reductions depends on the size or nature of persons who share a protected characteristics in an authority not its degree of grant dependency
- the proposed mitigations (set out below) are limited and quickly lose effectiveness due to the continuing reductions in Revenue Support Grant.
- Government should do a full analysis and assessment of the impact of the proposed funding reductions

The impact of the proposals will depend on the choices made by authorities (and in making those choices authorities are of course required to comply with the public sector equality duty). In at least some authorities a reduction in a particular service will have a greater impact on persons who share a protected characteristic, than on other such groups.

If reductions in funding through the settlement cannot be met through authorities making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that local authorities provide a wide range of services targeting or impacting upon persons who share a protected characteristic there could be an impact upon such persons as a result.

It is therefore not possible to predict how the proposed changes for 2015-16 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services.

There is some evidence relevant to the impact of significant reductions in funding through the settlement in previous years from surveys, set out below, although respondents to survey questions on services for persons who share a protected characteristic may or may not be such persons or have direct experience of the services. Potential impacts on services of reductions in funding through the settlement in 2015-16 may differ from any impact in previous years.

### **Polling on residents' satisfaction with councils, October 2014 - LGA**

- Over half (51 per cent) are very or fairly satisfied with services for children and young people. This level has remained fairly consistent since September 2012 (ranging from 53 per cent to 48 per cent across the period)
- For services and support for older people, satisfaction levels since Sept 2012 have been recorded as follows:



|                             | Sept 12 | Jan 13 | April 13 | July 13 | Oct 13 | Jan 14 | April 14 | July 14 | Oct 14 |
|-----------------------------|---------|--------|----------|---------|--------|--------|----------|---------|--------|
| Very or fairly Satisfied    | 49%     | 48%    | 49%      | 52%     | 45%    | 49%    | 50%      | 44%     | 49%    |
| Fairly or very dissatisfied | 13%     | 13%    | 13%      | 13%     | 16%    | 17%    | 14%      | 17%     | 15%    |

### **BBC news: Bailout Anniversary Poll, September 2013**

- Care for the elderly: 22 per cent of service users said that services had got better in the last five years, 34 per cent said they had stayed the same, 32 per cent said they had got worse. Of the services included in the survey, this was the highest proportion indicating that services had got worse (equal to hospitals) and the lowest proportion indicating that services had stayed the same or were better.

### **The Local State We're In, PWC's annual local government survey 2014**

- Around 11 per cent of people were aware of reductions in adult social services (which is around 3 percentage points higher than 2013, but in line with levels for 2011 and 2012).
- Around 6 per cent aware of reductions to children's social services (around 1 percentage point higher than 2013, but one percentage point lower than 2011 and 2012).
- Report says: 'While residents are most likely to have noticed reductions to universal environmental services, the two service areas that have seen the largest increase in reporting of reductions or closure in the last year are adult social services and special needs education. This suggests a growing concern around service reductions for the more vulnerable members of the community.' (Pg. 7)

While a reduction in funding through the settlement is likely to have most impact on the funding available to the most grant dependent authorities, and there is some correlation between these authorities and the prevalence of persons who share a protected characteristic, the impact upon persons who share a protected characteristic will also depend upon:

- changes in local authorities' other sources of income. Revenue Support Grant retained business rates are just two of many income streams, and increases in other sources of income such as retained business rates and New Homes Bonus may mitigate reductions in Revenue Support Grant.
- Changes in other central government funding. For instance Government is providing £3.8bn for the Better Care Fund in 2015-16, some of which will help authorities

manage pressures. Authorities may also benefit from additional funding for transformation and growth funding such as the £1.4 billion Regional Growth Fund and the Rural Development Programme.

- how local authorities choose to manage reductions in funding. Revenue Support Grant and retained business rates are unhypothecated and councils are responsible for decisions on how they are used. These decisions are subject to the public sector equality duty.

### **Impacts of the proposed referendum principles for 2015-16**

The proposed referendum principles, which will require authorities to hold a referendum if they wish to increase council tax by 2% or more may result in authorities deciding to keep council tax below this level, with the effect that their overall resources are lower than would otherwise have been the case. However local authorities are entitled to raise council tax by any amount provided they obtain the approval of their local electorate.

The impact upon persons who share a protected characteristic from this proposal is difficult to predict. If an authority considers that it needs an increase in council tax of 2 % or more to allocate more resources to persons who share a protected characteristic, they are entitled to hold a referendum. Any impacts will depend, as set out above, on changes in local authorities's sources of income, changes in other central government funding and how local authorities choose to manage reductions in funding.

### **Mitigations**

The cumulative effect of the funding proposals in this consultation and the protections within the business rates retention scheme provide some mitigations of the potential impacts on persons who share a protected characteristics, as set out below.

***Support for funding relating to persons who share a protected characteristics*** – the grants rolled into the start up funding assessment in April 2013 which relate to persons who share a protected characteristics were relatively protected from the impact of the 10% reduction in LG DEL for 2015-16 announced at the 2013 Spending Review

For example, the Learning Disability and Health Reform Funding (relating to disabled people) and the Early Intervention funding (relating to children) elements are relatively protected, receiving a lower percentage reduction than either the upper-tier or lower-tier elements.

In addition most of the extra funding announced at the 2013 Spending Round for 2015-16 (including in particular £3.8bn for the Better Care Fund, as well as funding to support the cost of transformation in other services, and to extend the Troubled Families programme) is directed toward services either solely for persons who share a protected characteristic or that benefit them relatively more than others. The persons who share a protected characteristic which may benefit include older people, disabled people, children and young people.

***Funding protections for all authorities*** – The Government is providing substantial overall protections for all authorities against changes in income . These are likely to be more significant for the more grant dependent authorities, and there is some correlation between these authorities and the prevalence of persons who share a protected

characteristics.

- a safety net guaranteeing that no authority will see its business rates income drop more than 7.5% below its baseline funding level. This protects the spending power of local authorities from significant unexpected shocks to their business rates income.
- Efficiency Support Grant which ensures that no council in 2015-16 will see a fall of more than 6.4% in its overall spending power.

The additional funding for the most rural authorities should also help to mitigate the impact of reductions in funding on those authorities.

***Protections for the most grant dependent authorities embedded in the 2013-14***

***baseline*** – The 2013-14 start-up funding assessment that formed the baseline for the funding reductions in 2014-15 and 2015-16 contained significant protections for the more grant dependent authorities, which correlate to some extent with the prevalence of persons who share a protected characteristics. These include:

- Relative protection for the formula funding element of their settlement funding assessments, through higher floors for floor damping, resulting in higher assessments than would otherwise have been the case.
- Some rebalancing of business rates resources through tariffs and top-ups
- Help for authorities with low council tax bases through restoration of the relative resource amount to 2010-11 levels,

The protection from tariffs and topups is preserved through annual uprating, and while the impact of the other protections lessens as the 2013-14 baselines recedes, the total spending power of the more grant dependent local authorities is still significantly higher than for others.

***Relationship between exercise of Secretary of State's functions and impact on individuals***

The role of the Secretary of State for Communities and Local Government is to set the overall framework for local government funding from central government. But this funding is not the only source of income for authorities. They are also supported through council tax and locally raised and retained fees and charges, as well as through a range of grants for specific purposes.

It is for authorities to make decisions on allocation of their total resources. In exercising their functions, including when making policy and spending decisions, authorities are required to comply with the public sector equality duty. So in deciding whether or not to fund, or continue to fund, a service that (for example) offers opportunities to persons who share the protected characteristic of disability, the authority will need to have due regard to the need to advance equality of opportunity between those who are disabled and those who are not.

It is therefore not possible to predict how the proposed changes for 2015-16 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services. But as mentioned above, the cumulative effect of reductions in Revenue Support Grant, changes in distribution, business rates retention and other changes in funding of individual authorities, including on Local Welfare Provision funding, and the council tax referendum principles, may result in services being stopped, scaled back or re-shaped. There will be cases in which the changes to those services will have a greater impact on members of one or more persons who share a protected characteristic, such as children

|  |               |                     |               |
|--|---------------|---------------------|---------------|
| and young people, older people, or disabled people than on other groups.   |               |                     |               |
| <b>8. When your policies are finally implemented which groups are most likely to benefit?</b>  |               |                     |               |
| It has not been possible to identify specific groups that benefit from the proposed settlements being consulted on. The overall benefit is the continued contribution to deficit reduction leading to a reduced burden on future generations.  |               |                     |               |
| <b>9. In considering the above information have any gaps in data or equalities information been identified?</b>  |               |                     |               |
| We have identified a lack of specific data and information on the impact of the proposals on specific persons who share a protected characteristic and requested this data and information through previous consultations. We have not received any specific information but are again requesting evidence of impact on specific persons who share a protected characteristic through this consultation.   |               |                     |               |
| <b>10. Overall, can you make an assessment of the potential of this policy to have a substantial equalities impact on discrimination, fostering good relations or advancing equality of opportunity? Please try to limit your answer here to less than an A4 page.</b>   |               |                     |               |
| The changes in funding could, without mitigating action and depending on the spending decisions made by authorities, have an adverse impact on persons who share a protected characteristic. It is not possible at this stage to make an assessment of whether any such impacts will be “substantial” – the policy decisions are high-level ones about distribution between authorities and the equalities impacts will depend on the decisions made by authorities. |               |                     |               |
| <b>This analysis was undertaken by (name of Equality Champion and any other colleagues involved).</b>  |               |                     |               |
| <b>Name/Title</b>  | Teresa Clay   |                     |               |
| <b>Directorate/Unit</b>  | LGF           | <b>Lead contact</b> | Teresa Clay   |
| <b>Date</b>  | December 2014 | <b>Date</b>         | December 2014 |
| <b>SCS Sign off</b>  |               |                     |               |
| I have read the available evidence and I am satisfied that this demonstrates compliance, where relevant, with Section 149 of the Equality Act and that <u>due regard</u> has been given to the need to: eliminate unlawful discrimination; advance equality of opportunity; and foster good relations.   |               |                     |               |

**Question 7: Do you have any comments on the impact of the 2015-16 settlement on persons who share a protected characteristic, and on the draft Equality Statement?**

# Annex B

## Summary of consultation questions

Question 1: Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with local welfare provision funding in 2014-15 ?

Question 2: Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16 ?

Question 3: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m ?

Question 4 Do you agree with the Government's proposal to increase the rural funding element from £11.5m, as previously proposed, to £15.5m ?

Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority ?

Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15 ?

Question 7: Do you have any comments on the impact of the 2015-16 settlement on persons who share a protected characteristic, and on the draft Equality Statement?

# Annex C

## Glossary of technical terms

### *Amending Report*

The means of making changes in the distribution of a settlement after the settlement has been approved.

### *Autumn Statement*

The Autumn Statement provides an update on the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility.

### *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, uprated in line with the small business rates multiplier ( set at the September forecast of RPI, unless otherwise decided).

### *Billing authorities*

A unitary local authority, or a lower tier local authority in a two-tier area, which collects the council tax for its own activities, and for those of the precepting authorities in its area. The billing authority passes on the precept receipts to each precepting authority in its area. These are the 326 billing authorities that collect council tax and business rates – district councils, London boroughs, and unitary authorities. Before 1 April 2009 there were 354.

### *Budget*

The Government's annual financial statement and review of levels of taxation. It also includes the Government's future financial strategy and economic forecast.

### *Business rates*

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services.

### *Business rates baseline*

Determined for individual authorities at the outset of the business rates retention scheme by dividing the local share of the Estimated Business Rates Aggregate (England) between billing authorities on the basis of their proportionate shares, before the payment of any major precepting authority share.

### *Business rates retention scheme*

The name given to the current system of funding local authorities through the local government finance settlement, set out in the Local Government Finance Act 2013. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services.

### *Central share*

The percentage share of locally collected business rates that is paid to central government by billing authorities. This is set at 50%. The *central share* is re-distributed to local government through grants including the *Revenue Support Grant*.

### *Control Totals*

These are the national totals for each of the individual elements within the local authority spending control total. They are determined as part of the Spending Review. It is also the name given to the size of each of the different elements within the Settlement Funding Assessment.

### *Council Tax*

A local tax on domestic property, set by local authorities, calculated by deducting any funding from reserves, income it expects to raise and general funding it will receive from the Government, in order to meet its planned spending.

### *Council Tax base*

This is the number of Band D equivalent dwellings in a local authority area. To calculate the tax base for an area, the number of dwellings in each council tax band is reduced to take account of discounts and exemptions. The resulting figure for each band is then multiplied by its proportion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. An adjustment is then made for the collection rate.

### *Council Tax bands*

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of the homes. The bands are set out below.

### *Council Tax bands*

| Value of home estimated at 1 April 1991 |                     | Proportion of the tax due April 1991 for a band D property |
|---|---------------------|--|
| Band A                                  | Under £40,000       | 66.7%  |
| Band B                                  | £40,001 - £52,000   | 77.8%  |
| Band C                                  | £52,001 - £68,000   | 88.9%  |
| Band D                                  | £68,001 - £88,000   | 100.0%   |
| Band E                                  | £88,001 - £120,000  | 122.2%   |
| Band F                                  | £120,001 - £160,000 | 144.4%   |
| Band G                                  | £160,001 - £320,000 | 166.7%   |
| Band H                                  | Over £320,001       | 200.0%   |

### *Estimated Business Rates Aggregate*

The total business rates forecast at the outset of the business rate retention scheme to be collected by all billing authorities in England in 2013-14. The Estimated Business Rates Aggregate is updated year on year in line with the change in the small business multiplier (usually the September RPI).

### *Floor damping*

A method by which stability in funding is protected through limiting the effect of wide variations in grant. A floor guarantees a lower limit to a year– on–year change in grant.

The grant amounts changes of authorities who receive changes above the floor are scaled back by a fixed proportion to help pay for the floor.

### *Levy*

Mechanism to limit disproportionate benefit from business rates. The *levy* is applied proportionally on a 1:1 basis (i.e. a 1% increase in business rates income results in an authority getting a 1% increase in revenue from the rates retention scheme) but with a limit on the maximum *levy* rate that is imposed, at 50p in the pound. *Levy* payments are used to fund the safety net.

### *Levy account*

This is the account from which safety net payments are made and into which *levy* payments are received. The account will also hold any credits made to finance the safety net.

### *Local government finance settlement*

The local government finance settlement is the annual determination of funding distribution as made by the Government and debated by Parliament.

### *Local government spending control total*

The total amount of expenditure for Revenue Support Grant in the Department for Communities and Local Government's Local Government Departmental Expenditure Limit (LG DEL) plus the local share of the Estimated Business Rates Aggregate that is allocated to the local government sector by Government for each year of a Spending Review.

### *Local share*

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

### *Lower Tier Authorities*

Authorities that carry out the functions that in shire areas with two tiers of local government, are carried out by shire districts. They are the same councils as billing authorities.

### *Multiplier*

The business rates multiplier which when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. The small business multiplier is updated annually by the retail price index (RPI) unless the Government decides otherwise and the other multiplier adjusted accordingly, to fund rate relief for small businesses.

### *Non-Domestic Rates*

See business rates.

### *Pooling*

Under the business rates retention scheme, local authorities have the ability to come together and request to pool their business rates. For the purposes of the business rates retention system, pools are treated as a single local authority. They will have a single tariff/top-up payment and a single *levy* rate.



### *Precept*

This is the amount of council tax income all billing and precepting authorities need to provide their services. The amounts for all authorities providing services in an area appear on one council tax bill, which is administered by the billing authority.

### *Precepting authority*

An authority or body that does not collect Council Tax or business rates but is part of the business rates retention scheme. This is an authority which sets a precept to be collected by billing authorities. County councils, police authorities, the Greater London Authority, single purpose fire and rescue authorities and parish councils are all precepting authorities.

### *Proportionate Share*

This is the percentage of the national business rates yield which a local authority has collected - on the basis of the average rates collected by authorities over the two years to 2011-12. This percentage was applied to the local share of the 2013-14 Estimated Business Rates Aggregate to determine the billing authority business rates baseline.

### *Receiving authorities*

These are the 421 authorities that are eligible to receive Revenue Support Grant (billing authorities plus county councils and fire and rescue authorities).

### *Reserves*

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

### *Revenue Expenditure*

Expenditure financed by Aggregate External Finance grants, council tax and use of reserves.

### *Revenue Spending Power*

The calculation of each authority's spending power is used to calculate eligibility for Efficiency Support Grant. The definition, broadly speaking, is spending power from council tax, Government revenue grants and National Health Service funding for social care.

### *Revenue Support Grant*

A Government grant which can be used to finance revenue expenditure on any service.

### *Ring-fenced grant*

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

### *Safety net*

Mechanism to protect any authority which sees its business rates income drop, in any year, by more than 7.5% below their baseline funding level (with baseline funding levels being updated by the small business rates multiplier for the purposes of assessing eligibility for support).

### *Service tiers*

There are four service tiers corresponding to the services supplied by the four types of authorities. These are upper-tier services – those services, other than fire, supplied by county councils in two-tier areas; police services; fire and rescue services; and lower-tier services – those services supplied by district councils in two-tier areas. Some authorities may provide more than one tier of service.

### *Settlement Funding Assessment*

Previously referred to as Start-Up Funding Assessment. It comprises at a national level the total *Revenue Support Grant* and the *local share of Estimated Business Rates Aggregate* for the year in question. On an individual local authority level it comprises each authority's *Revenue Support Grant* for the year in question and its *baseline funding level* updated year on year in line with the September forecast of RPI, unless otherwise decided).

### *Specific grants*

Grants paid under various specific powers, but excluding Revenue Support Grant or area based grant. Some specific grants are ring-fenced.

### *Specified body*

This is the term used for a body or bodies that are directly funded from Revenue Support Grant, and that provide services centrally for local government as a whole.

### *Tariffs and top-ups*

Calculated by comparing at the outset of the business rate 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 updated year on year in line with the September forecast of RPI, unless otherwise decided.

### *Tariff authority*

An authority with, at the outset of the scheme, a higher individual authority *business rates baseline* than its *baseline funding level*, and which therefore pays a *tariff*.

### *Top-up authority*

An authority with, at the outset of the scheme, a lower individual authority *business rates baseline* than its *baseline funding level*, and which therefore receives a *top-up*.