



Department for
Communities and
Local Government

The 2018-19 Local Government Finance Settlement

Technical Consultation Paper



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Scope of the consultation

Topic of this consultation:	This consultation covers proposals for the local government finance settlement for 2018-19.
Scope of this consultation:	This consultation seeks views on proposals for the local government finance settlement for 2018-19, in particular from representatives of local government.
Geographical scope:	These proposals relate to England only.
Impact Assessment:	Since the Government does not envisage that the proposals within this consultation document will have an impact on business, no impact assessment has been produced.

Basic Information

To:	The consultation will be of particular interest to local authorities, and representative bodies for local authorities.
Body/bodies responsible for the consultation:	Local Government Finance Directorate within the Department for Communities and Local Government.
Duration:	This consultation will last for 6 weeks from 14 September 2017 to 26 October 2017.
Enquiries:	For any enquiries about the consultation please contact Roger Palmer Roger.Palmer@communities.gsi.gov.uk or 0303 444 3130
How to respond:	<p>You may respond by completing an online survey at: https://www.surveymonkey.co.uk/r/lqsettlement1819</p> <p>In addition, you can respond to the questions in this consultation by email to: LGFConsultation@communities.gsi.gov.uk</p> <p>If you are responding in writing, please make it clear which questions you are responding to.</p> <p>Written responses should be sent to:</p> <p>Roger Palmer Department for Communities and Local Government 2nd floor, Fry Building</p>

	<p>2 Marsham Street London SW1P 4DF</p> <p>When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none">- your name,- your position (if applicable),- the name of organisation (if applicable),- an address (including postcode),- an email address, and- a contact telephone number.
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About this consultation

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

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

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) 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 FOIA, 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 DPA 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.

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

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact DCLG Consultation coordinator.

Department for Communities and Local Government
2 Marsham Street
London
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Or by e-mail to: consultationcoordinator@communities.gsi.gov.uk

1 Summary of proposals

1.1 Background

- 1.1.1 The proposed 2018-19 settlement is framed in the context of the overall Spending Review package, announced in 2015, which addressed the particular pressures experienced by councils which provide adult social care.
- 1.1.2 In addition, in the Spring Budget 2017, a total of £2.021 billion was announced, as supplementary funding to the improved Better Care Fund (iBCF) (£1.01 billion in 2017-18, £674 million in 2018-19 and £337 million in 2019-20).
- 1.1.3 The 2016-17 settlement offered local authorities an historic four year deal, giving greater certainty over their funding. This was accepted by 97% of local authorities. The proposed 2018-19 settlement funding is therefore allocated in accordance with the agreed methodology announced by the Secretary of State at that time. This ensures that local councils delivering the same set of services receive the same percentage change in settlement core funding for those services.
- 1.1.4 This consultation paper describes the Government's intended approach for the third year of the multi-year settlement. In broad terms, this offers the certainty to councils which will allow them to plan ahead and implement reform with greater confidence.

1.2 Summary of proposals

- 1.2.1 The remaining sections of this document set out our proposed approach to the 2018-19 settlement. It:
 - outlines the third year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not
 - outlines the method for distributing New Homes Bonus funding following implementation of reforms announced at the time of the 2017-18 provisional settlement and a proposal for further incentives to support the delivery of housing growth
 - outlines the Government's proposals for the council tax referendum principles for 2018-19
 - confirms the approach being taken for adjusting business rates tariff and top-ups to cancel out, as far as is practicable, the impact of the 2017 business rates revaluation on local authorities' income

- outlines the approach to Mayoral Combined Authorities precepts in 2018-19
- outlines the approach for allocating settlement funding where a fire authority transfers from a county council in accordance with the provisions of the Fire and Rescue Services Act 2004, as amended by the Policing and Crime Act 2017 and the implications for the Adult Social Care council tax precept.

2 The multi-year settlement offer

2.1 Certainty of funding

2.1.1 The 2016-17 settlement announced the opportunity for councils to accept a multi-year settlement offer, which would give greater certainty of funding until the end of the spending period. The offer included:

- Revenue Support Grant
- business rates tariff and top-up payments, which will not change for reasons relating to the relative needs of local authorities
- Rural Services Delivery Grant and
- Transition Grant.

2.1.2 We have also published individual local authority allocations for the improved Better Care Fund until 2019-20, which total £1.5 billion in 2018-19 and £1.8 billion in 2019-20.¹

2.1.3 97% of councils accepted the multi-year offer, giving councils the confidence to implement reforms.

2.1.4 Government will need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement,² the Government intends to present these figures to parliament as part of the 2018-19 provisional local government finance settlement in due course.

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

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

¹ The Secretary of State for Health, in his written statement to parliament on Monday 3rd July, set out a package of measures for reducing delays in transfer of care. This included considering a review, in November, of 2018/19 allocations of the social care funding provided at Spring Budget 2017 for areas that are poorly performing. This funding will all remain with local government, to be used for adult social care.

<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statements/commons/>

² As prescribed in sections 78 and 78A of the Local Government Finance Act 1988.

2.2 100% business rates retention pilots

- 2.2.1 The Government is committed to working with local government to consider how best to implement its manifesto commitments to continue to give local government greater control over the money they raise and address concerns about the fairness of current funding distributions. We have recently launched a prospectus that invites local authorities to submit proposals to pilot 100% business rates retention in 2018 to 2019. This can be found at:
<https://www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus>
- 2.2.2 We intend that the impact on the settlement calculations of existing and any new pilots will be approached in broadly the same way as for the first wave of pilots in 2017-18. Further details will be provided at the time of the provisional settlement.

3 New Homes Bonus

3.1 Background

3.1.1 Since its introduction in 2011 the New Homes Bonus has been successful in encouraging authorities to promote housing growth. Over £6 billion has been allocated to local authorities through the scheme to reward housing supply. Since the New Homes Bonus was introduced over 1,200,000 homes have been delivered. This includes new homes, conversions and long term empty properties being brought back into use.

3.1.2 In 2015-16 the Government consulted on a number of possible reforms to the Bonus to sharpen the incentive for housebuilding and provide £800m for Adult Social Care. The outcome of the consultation was announced alongside the provisional local government finance settlement 2017-18. The Government decided to:

- reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017-18 and then to 4 years from 2018-19 and
- set a national baseline for housing growth to sharpen the incentive for councils to deliver more new homes.

3.1.3 The Government chose to set the initial baseline in 2017-18 at 0.4% below which the Bonus will not be paid. This level is significantly below the average growth rate in the 10 years before the introduction of the New Homes Bonus scheme. The Government also retained the option of making adjustments to the baseline in 2018-19 and future years in the event of significant and unexpected housing growth.

3.2 Baseline 2018-19

3.2.1 As New Homes Bonus calculations are based on additional housing stock reported through the council tax base, decisions on the baseline for 2018-19 will be made following a review of the data when it is published in November. Confirmation of the baseline to be used for 2018-19 allocations will be made at the time of the provisional settlement. Any funding intended for New Homes Bonus payments that is not used for this purpose will be returned to local government.

3.3 New Homes Bonus and Planning Effectively

- 3.3.1 The Government decided not to take forward proposals linking the New Homes Bonus to planning reforms in 2017-18 but confirmed that it would consider withholding the part of the Bonus from authorities not planning effectively for new homes from 2018-19. Government has considered the position and has decided to consult on revised proposals. We also intend to go further in 2019-20. This could include linking payment of the bonus to the housing delivery test or the standard approach to local housing need. We would consult on any further changes to the Bonus before implementation in 2019-20.
- 3.3.2 As noted in the 2015 consultation, under the current scheme, councils receive the same reward for homes granted permission by the authority as they do for development granted on appeal by the Planning Inspectorate (PINS). We consulted on a 'by unit' methodology in 2015. This method, in which we would reduce the New Homes Bonus payment in line with the number of homes allowed on appeal, is still under consideration. We would now like to gather views on further proposals to ensure the Bonus is focussed on recognising those homes the authority has approved.
- 3.3.3 An alternative approach, instead of linking a reduction in the Bonus to the number of homes granted on appeal or tracking specific appeals, looks at the quality of decision making by planning authorities, as set out in the Planning Live tables P152 and P154³.
- 3.3.4 This approach would link Bonus allocations to the ratio of successful appeals to residential planning decisions⁴ (major and minor) over an annual period using data collected by PINS. At the time the allocations are made, the number of successful appeals/appeals allowed by PINS divided by the number of decisions made, in the last financial year, would result in a percentage reduction to be applied to the New Homes Bonus allocation for the following financial year, so:

$$\frac{\text{Residential appeals allowed by PINS}}{\text{Residential decisions made by the LPA}} \times 100 = \% \text{ reduction in NHB allocation}$$

³ Live tables on planning application statistics: Table P152 and P154
<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>

⁴ Live tables on planning application statistics: Table P135
<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>

3.3.5 The number of units involved in the decisions is not considered in this methodology, nor is there a link drawn with specific appeal outcomes on specific developments, rather it is a more general approach to link the quality of decision making within the authority over a period of time. A hypothetical worked example is set out at annex A.

3.3.6 Under the proposal, PINS would produce a new dataset each year drawing on the data contained within the published Planning Live tables P152 and P154 to which the formula would be applied. Authorities would then be given an opportunity to comment on this dataset through the same process currently used to make representations on New Homes Bonus allocations. There is usually one calendar month between the announcement of provisional allocations and confirmation of final allocations.

Question 2: Do you agree with the New Homes Bonus allocation mechanism set out above?

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

3.4 National parks, development corporations and county councils

3.4.1 National Park Authorities (and the Broads Authority) are responsible for decisions on planning applications in their areas; whereas New Homes Bonus payments for the homes built are made to the relevant district and county councils. This reflects the fact that local authorities are responsible for many of the services that would be affected by increased population in their areas.

3.4.2 The original scheme design for the New Homes Bonus made clear that billing authorities were expected to discuss with National Park Authorities and the Broads Authority the use of Bonus receipts in their areas. They could, for example, conclude an agreement to split New

Homes Bonus funding between them at a locally determined rate, or reach an agreement on funding a specific community project.

- 3.4.3 Government is seeking views on whether, in such areas, the Bonus paid to local authorities should be removed or reduced in line with the proposals set out above, that is, whether the decision making by the National Park Authority or Broads Authority should be reflected in Bonus allocations.
- 3.4.4 The same considerations apply where development corporations are established – whether Urban Development Corporations, or Mayoral Development Corporations in London. These bodies are again the local planning authority for decisions on planning applications but not the recipients of the New Homes Bonus.
- 3.4.5 Government has also considered the position of county councils in two tier areas, who receive 20% of Bonus payments, but are not the planning authority for decisions involving residential development. The Government is again seeking views on whether county councils should be included in the calculation of any adjustments.

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

4 Council tax referendum principles

4.1 Council tax referendum principles for local authorities

4.1.1 The Government aims to balance the need to keep council tax low with ensuring that councils and others such as fire and rescue authorities, police and crime commissioners and combined authority mayors can raise sufficient funds. The Government's election manifesto re-affirmed that the Government will continue to ensure that local residents can veto high increases in council tax via a referendum. The Government therefore seeks views on the following referendum principles for 2018-19:

- a core principle of less than 2%. This would apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, fire authorities, and Police and Crime Commissioners except those whose Band D precept is in the lower quartile of that category (see below)
- the Government is considering whether a 2% principle would apply to the precepts set for the general functions of Mayoral Combined Authorities (see section 6). It is anticipated that the relevant police principle would apply to the Greater Manchester Combined Authority's police functions (see below)
- a continuation of the Adult Social Care precept of an additional 2% with additional flexibility to increase the precept by 1% to 3% in 2018-19, provided that increases do not exceed 6% between 2017-18 and 2019-20. This would apply to County Councils, unitary authorities and London boroughs (including the Common Council of the City of London and the Council of the Isles of Scilly), subject to consideration of the use made of the Adult Social Care precept in the previous year
- shire district councils would be allowed increases of less than 2% or up to and including £5, whichever is higher
- Police precepts in the lowest quartile would be allowed increases of less than 2% or up to and including £5, whichever is higher.

4.1.2 Following consideration of responses, the Government intends to provide an update on its proposals alongside the provisional local government finance settlement later in the year.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

4.2 Council tax referendum principles for town and parish councils.

4.2.1 Last year, the Government issued a challenge to town and parish councils to demonstrate restraint when setting precept increases that are not a direct result of taking on additional responsibilities, and to make precept decisions more transparent to local tax-payers. The continuation of this position in 2018-19 is contingent upon the Government receiving clear evidence of how the sector is responding to this challenge. The Government expects parishes, in setting their precepts, to consider all available options to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for particular purposes or for “invest to save” projects which will lower on-going revenue costs. Any revised proposals will be set out at the time of the provisional local government finance settlement later in the year.

5 The business rates revaluation adjustment

5.1 Background

- 5.1.1 The most recent business rates revaluation took effect from 1 April 2017. Revaluation is a revenue neutral exercise so the total rates bill stays the same at the England level in real terms, after allowing for appeals. At the local authority level, overall bills will increase or fall depending upon whether rateable values in that area have performed above or below the average for England, after allowing for appeals.
- 5.1.2 This creates change in business rates revenues outside the control of local authorities. When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top-up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before. This will ensure that the growth incentive created by the rates retention scheme and the delivery of public services will not be weakened by losses of income outside the control of authorities.
- 5.1.3 The Government has confirmed a methodology for adjusting the tariffs and top-ups following consultation at the 2017-18 provisional settlement (see Annex B).

5.2 Business rate retention levy

- 5.2.1 Following the recalculation of tariffs and top-ups, as set out in Annex B, we will use the resulting business rates baselines to recalculate the levy rate for each authority for 2017-18 and subsequent years.

6 Mayoral Combined Authorities

6.1 Background

6.1.1 Devolution Deals have led to the creation of 6 Mayoral Combined Authorities with powers such as transport and planning. Combined Authorities are currently funded by their constituent councils through a levy for transport functions, and contributions agreed and provided by constituent local authorities in their area.

6.2 Establishing a precept

6.2.1 From 2018-19 elected Combined Authority mayors can raise additional resources through a precept (or additional charge) on local council tax bills, unless an Order is made that prevents them from doing so (such as in West of England). The precept may only be set with the agreement of the Combined Authority. The new Mayoral Combined Authorities of Cambridgeshire & Peterborough, Liverpool City Region, Tees Valley and West Midlands may set a precept for mayors' general functions, and the Greater Manchester Combined Authority may set a precept with two separately identified elements for the mayor's general functions and for his police and crime commissioner functions.

6.2.2 The Government is considering applying referendum principles to Mayoral Combined Authorities that are setting precepts. Local authorities are required annually to determine whether their proposed council tax increase exceeds the threshold set by the Secretary of State, thereby triggering a referendum. Since newly established MCAs' mayoral precepts will have no Band D amount from the previous year on which such calculations can be made, it would be necessary to set notional figures or Alternative Notional Amounts (ANAs) for all authorities concerned to enable this determination to take place.

6.2.3 In assessing the level of ANA, the Government would engage with mayors and authorities to discuss the level of any required ANA, taking account of any conferral of functions, including additional mayoral functions and the need to limit pressure on council tax bills.

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

7 Transfer of Fire functions from County Councils to Police and Crime Commissioners

7.1 Background

- 7.1.1 The Fire and Rescue Services Act 2004, amended by the Policing and Crime Act 2017 enables police and crime commissioners (PCCs) to take responsibility for fire and rescue services in their local area where a local case is made setting out that to do so would be in the interests of economy, efficiency and effectiveness or public safety (the statutory tests). The Home Secretary can only give effect to such a proposal when it appears, in her view, to meet these statutory tests.
- 7.1.2 PCCs developing such a proposal will need to propose an allocation of the Settlement Funding Assessment (Revenue Support Grant and Baseline Funding levels) and council tax precept that will be transferred to the PCC Fire and Rescue Authority.
- 7.1.3 We would expect the allocation of settlement funding and council tax precept to be a fair and proportionate amount considering the funding requirements and financial sustainability of both the PCC Fire and Rescue Authority and county council.
- 7.1.4 Where a proposal is approved by the Home Secretary, funding will be allocated for 2018-19 and 2019-20 according to the Settlement Funding Assessment included in the proposal.
- 7.1.5 Both the PCC Fire and Rescue Authority and the county council will require an Alternative Notional Amounts report to be approved by the House of Commons alongside the settlement in order to set the council tax precepts for the first year of the new arrangements in accordance with the agreed referendum principles. Any draft ANA reports will be published for representations alongside the provisional settlement.

7.2 Implications for collecting the Adult Social Care Precept

- 7.2.1 The Adult Social Care council tax precept was established in 2016-17 and enabled social care authorities such as county councils to charge an additional 2% on top of up to 2% core increase without triggering a referendum, specifically to fund Adult Social Care services. In 2017-18 and 2018-19 they are permitted to increase council tax by up to 3% each year, provided that the total increase in the years 2017-18 to 2019-20 does not exceed 6%.
- 7.2.2 Any transfer of the fire function and associated precept from the county council will result in it having a lower Band D council tax level due to a

decrease in its council tax baseline. Whilst this is a natural consequence of the change, it will mean that the additional funding which can be collected through the Adult Social Care precept will be lower than originally assumed. This also impacts adversely on assumptions made in allocating funding through the improved Better Care Fund.

7.2.3 We propose to adjust the county's ANA to restore the element of council tax Band D which is attributable to previous use of the ASC precept. For the avoidance of doubt, there would be no equivalent negative change to the council tax baseline of the PCC Fire and Rescue Authority, which does not charge the ASC precept. It is anticipated that the adjustment will not result in local taxpayers paying any additional council tax than they would have done under present arrangements.

7.2.4 The level of the ASC adjustment will depend upon the size of the county's remaining precept once agreement has been reached about the financial implications of the transfer of its fire function. However, it is intended that in calculating the adjustment, a comparison will be made between:

- the total amount of Adult Social Care precept in its council tax baseline in the financial year immediately prior to the transfer of its fire function (i.e. the amounts of ASC precept collected in the years 2016-17 and 2017-18) and
- the total amount of ASC precept it would be able to charge in 2018-19 using its reduced council tax baseline following the transfer of the fire function.

7.2.5 The cash difference will be converted into an amount of Band D council tax using the county's 2016 council tax level, and added to the county's ANA. All future council tax increases will be based upon the starting point provided by this ANA figure, thereby locking in the ASC precept adjustment for future provision of Adult Social Care services.

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

8 Equalities impacts of these proposals

- 8.1.1 A draft equality statement for the 2017-18 local government finance settlement was published in February 2017. Any representations made in response to this consultation will be used to inform the equalities statement to be published at the time of the 2018-19 provisional settlement.

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Annex A – Planning Appeals methodology for adjusting New Homes Bonus payments

The following example shows the impact of reducing a local authority’s New Homes Bonus payment according to the ratio of successful appeals to total planning decisions in a given time period.

The proposed approach is illustrated below using hypothetical figures for clarity.

Example

- A local planning authority (LPA) makes decisions on 100 residential planning applications during the course of the relevant year. Ten of these decisions were to refuse permission for new homes.
- Five developers involved decide to appeal the decisions, and those appeals are then considered by PINS.
- Three of the appeals are subsequently successful and two unsuccessful.
- The impact of the new mechanism would be to reduce the authority’s New Homes Bonus payment for that year by 3%.

Worked example		
i	Applications to LPA	100
ii	Rejected by LPA	10
iii	Appeals to PINS	5
iv	Dismissed by PINS	2
v	Allowed by PINS	3
vi	Reduction to NHB allocation (v/ i)	3%

Annex B: Methodology for adjusting for the 2017 business rates revaluation

1 2017-18 tariff and top-up as calculated in the settlement

1.1 The tariff and top-up amount for 2017/2018 was calculated as:

$$(A + B) \times (C / D)$$

where:

A is the tariff or top-up amount for the authority for 2016/2017, calculated in accordance with Section 6 of the Local Government Finance Report (England) 2016/2017;

B is calculated as follows:

$$E \times (1 - F / G) \times H$$

C is the value of the September 2016 RPI, which is 264.9;

D is the value of the September 2015 RPI, which is 259.6;

E is the sum of:
an authority's income from business rates; plus the amount of section 31 grants paid to the authority in 2015/2016 to compensate for loss of business rates income multiplied by 0.484/0.480 to bring it up to 2016-17 values;

F is:
the sum of rateable value in all of the draft 2017 local rating lists covering the authority's area using the draft lists published on 28 September 2016⁵; multiplied by the 2017/2018 small business rates multiplier adjusted for revaluation, which is 0.436;

G is:
the sum of the rateable value in all of the 2010 local rating lists covering the authority's area published on 28 September¹; multiplied by the 2016/2017 small business rates multiplier, which was 0.484;

⁵ <https://www.gov.uk/government/statistics/non-domestic-rating-high-level-estimates-of-change-in-rateable-value-of-rating-lists>

H is the authority's local share as set out in paragraph 1.2 below.

1.2 The table below sets out the local share for each class of authority.

Class of authority	Local Share
Non-metropolitan district councils which do not have the functions of county councils	0.40
London borough councils Common Council of the City of London	0.30
Metropolitan district councils Non-metropolitan district councils which have the functions of county councils County councils which have the functions of district councils but which do not have responsibility for the provision of fire and rescue services	0.49
County councils which have the functions of district councils and which have responsibility for the provision of fire and rescue services Council of the Isles of Scilly	0.50
County councils which do not have responsibility for the provision of fire and rescue services	0.09
County councils which have responsibility for the provision of fire and rescue services	0.10
Metropolitan county fire and rescue authorities, Combined fire and rescue authorities	0.01
Greater London Authority,	0.20

2 Recalculation of 2017-18 tariff and top-up

2.1 The adjusted tariff and top-up amount for 2017/2018 will be calculated as:

$$(A + I) \times (C / D)$$

where:

I is calculated as follows:

$$J \times (1 - K / L) \times H$$

J is the sum of:

an authority's income from business rates; plus the amount of section 31 grant paid to the authority in 2016/2017 to compensate for loss of business rates income;

K is:

the sum of the rateable value in all of the 2017 local rating lists covering the authority's area for 1 April 2017 and measured on that day; multiplied by the 2017/2018 small business rates multiplier adjusted for revaluation, which is 0.436;

L is:

the sum of the rateable value in all of the 2010 local rating lists covering the authority's area for 31 March 2017 and measured on 1 April 2017; multiplied by the 2016/2017 small business rates multiplier, which was 0.484.

3 2017-18 tariff and top-up adjustment

3.1 The adjustment is calculated as the difference between the adjusted tariffs and top-ups (see para 2.1) and the original 2017-18 tariffs and top-ups (see para 1.1).

4 2018-19 tariff and top-up

4.1 The tariff and top-up amount for 2018/2019 will be calculated as:

$$(A + I) \times (M / D)$$

M is the value of the September 2017 RPI.

5 2019-20 tariff and top-up

5.1 The tariff and top-up amount for 2019/2020 will be calculated as:

$$(A + I) \times (N / D)$$

N is the value of the September 2018 RPI.

Annex C: Summary of consultation questions

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

Question 2: Do you agree with the New Homes Bonus allocations mechanism set out above?

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Annex D: Glossary of technical terms

Baseline funding level

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

Local share

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

Revenue Support Grant

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

Tariffs and top-ups

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 index linked to RPI in future years.

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.