



Department for  
Communities and  
Local Government

# Local Government Finance Settlement 2015-16

Technical consultation

July 2014

Department for Communities and Local Government

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# Chapter 1

## Introduction

### 1.1 Overview of the proposals

1.1.1 This consultation seeks views on detailed technical proposals for the local government finance settlement for 2015-16. It will be of particular interest to local authority finance departments.

1.1.2 For 2015-16 the 2013 Spending Round announced a range of measures to support councils in delivering better outcomes with fewer resources, and the proposed settlement includes significant a range of protections for local authorities, including:

- continued compensation for the reduced income from business rates as a result of the 2% cap on the small business rates multiplier announced at Autumn Statement 2013
- continued protection for authorities which froze council tax in 2014-15
- continued protection through Efficiency Support Grant for the small number of local authorities with revenue spending power reductions greater than 6.9% in 2014-15
- increased additional funding for the most rural authorities

1.1.3 The proposals in this consultation help to deliver these protections and consolidate previous reforms. They are in line with previous commitments or follow established precedents.

1.1.4 In order to establish a fuller evidence base for future decisions on rural funding the Government has also commissioned research on whether rural authorities face additional unavoidable costs in service delivery compared to urban authorities. The research will involve the Local Government Association and the Rural Services Network as well as a range of rural and urban authorities and is expected to report in the autumn.

1.1.5 The Government consulted on proposals for 2015-16 in the 2013 technical consultation, and has carefully considered the responses.<sup>1</sup> In order to provide greater certainty for authorities and to help them plan for the transformation of their services, illustrative 2015-16 allocations were published alongside the 2014-15 settlement.

1.1.6 In consultation on the provisional 2014-15 and illustrative 2015-16 settlement, a number of councils made representations that there should be specific funding for local welfare provision. Ministers have considered that it would be more appropriate to allow local authorities to decide the appropriate proportion of their general fund to spend in providing such services. However, it might be possible to create a notional line in the settlement for local welfare funding as an indication on how councils are likely to spend some of their budget.

1.1.7 This consultation proposes the following detailed changes:

### *Chapter 2*

Compensation for the 2% cap on the small business 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

### *Chapter 3*

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 (£9.6m) to be rolled in subject to satisfactory performance, as announced at the 2014-15 settlement

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<sup>1</sup> A summary of the responses to the 2013 technical consultation is available at <https://www.gov.uk/government/consultations/local-government-finance-settlement-2014-15-and-2015-16-technical-consultation>

2014-15 Rural Services Delivery Grant (£2m) to be rolled into the settlement and combined with the existing rural funding element

#### *Chapter 4*

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

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

1.1.8 Other aspects of the proposed 2015-16 settlement remain as set out in the consultation on the provisional 2014-15 settlement:

- a £1bn hold back to fund the New Homes Bonus
- a £50m holdback for the rates retention 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 from the full 10% reduction announced at the 2013 Spending Review by extending the trajectories set in the 2010 spending round
- protection for the overall funding allocation to the Isles of Scilly

1.1.9 Other aspects of future local government funding, including in particular the new burdens funding for the administrative changes required by the localisation of council tax support, will be discussed with the local government sector over the coming months. The Department for Health will also be formally consulting in parallel on the development of the formula for funding deferred payments for adult social care and assessment for the cap on payment for care, following the Care Act 2014.

1.1.10 The provisional settlement for 2015-16 will be issued for consultation in the usual manner at the end of 2014. We will consult on proposals for the 2016-17 settlement in the light of the Budget and Spending Review.

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2014-15-and-2015-16-technical-consultation>

1.1.11 We welcome responses on any aspect of the proposals set out in this consultation and the supporting information. In particular we welcome views on the proposals on which we have not previously consulted and on the draft equality statement for the 2015-16 settlement (annex A) A summary of consultation questions is at annex B.

1.1.12 Section 1.12 sets out how to respond. You should note that we may wish to publish responses.

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

## 2.2 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.  Following decisions on this technical consultation, the provisional Local Government Finance settlement for 2015-16 will be consulted on in the usual way in autumn 2014.
<b>Geographical scope:</b>	England.
<b>Impact Assessment:</b>	A draft Equalities 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>	This consultation will run for ten weeks from 22 July 2014 to 5pm on 25 September 2014.  The consultation period has been set at ten weeks in order to provide local authorities with the longest possible period to comment on detailed information about their funding for 2015-16.
<b>Enquiries:</b>	For enquiries, please contact:  andrew.lock@communities.gsi.gov.uk



	0303 444 2137
<b>How to respond:</b>	<p>By email to:  <a href="mailto:LGFSummerConsultation@communities.gsi.gov.uk">LGFSummerConsultation@communities.gsi.gov.uk</a></p> <p>Or by post to:          Andrew Lock          Department for Communities and Local Government          Second Floor          Fry Block          2 Marsham Street          SW1P 4DF</p>
<b>Getting to this stage:</b>	The Department published an illustrative 2015-16 Local Government Finance Settlement at the time of the 2014-15 Local Government Finance Settlement.
<b>Previous engagement:</b>	<p>The Government previously consulted on the outline of the 2015-16 scheme in the Business Rates Retention: Technical Consultation from 17 July to 24 September 2012<sup>2</sup> and in the Technical Consultation on the 2014-15 and 2015-16 settlement issued on 25 July 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.

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<sup>2</sup> [www.gov.uk/government/consultations/business-rates-retention-technical-details](http://www.gov.uk/government/consultations/business-rates-retention-technical-details)

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

## Effect of the 2013 Autumn Statement

### 2.1 Compensation for the 2% cap on the small business rates multiplier

2.1.1 At the 2013 Autumn Statement, the Government announced that the small business rates multiplier would be capped at 2%, rather than increased in line with the September 2013 Retail Price Index (3.2%), as previously proposed. The multiplier for 2014-15 calculated on the statutory basis including rounding is 0.471, instead of 0.476.

2.1.2 Under the business rates retention scheme, tariffs, top-ups and baseline funding levels are indexed each year by the change in the small business rates 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.

2.1.3 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.

2.1.4 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.

2.1.5 The Government intends to continue to pay compensation for the loss of income through a section 31 grant and on the same basis as in 2014-15.

**Question 1: Do you agree that compensation for the cap should be paid on the basis of the reduction to retained business rates income adjusted to account for lower tariffs and top-ups, as in 2014-15?**

# Chapter 3

## Transfers of funding into the settlement

### 3.1 2014-15 Council Tax Freeze Grant

3.1.1 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.

3.1.2 The Government therefore proposes 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.

3.1.3 The 2013-14 Council Tax Freeze Grant was paid to qualifying authorities as a separate element within RSG, 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 proposes to combine the 2014-15 grant and the 2013-14 funding as a single funding element in order to minimise the number of elements.

**Question 2: Do you agree that the 2014-15 Council Tax Freeze Grant be should be rolled into Revenue Support Grant, and combined with the 2013-14 Council Tax Freeze funding element as a single element?**

### 3.2 2014-15 Efficiency Support Grant

3.2.1 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 seven 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.

3.2.2 The Government proposes to take decisions on whether to roll in the 2014-15 Efficiency Support Grant funding, after consideration of the March progress reports and the further progress reports due in the autumn. If satisfactory progress has been made by individual authorities, the funding will be rolled in as a separate element paid to qualifying authorities.

**Question 3: Do you agree that, subject to satisfactory progress by individual authorities, the 2014-15 Efficiency Support Grant should be rolled in as a separate element for the qualifying authorities?**

### 3.3 2014-15 Rural Services Delivery Grant

3.3.1 The Government recognises that there may be additional costs associated with service delivery in rural areas, and provided additional funding 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.

3.3.2 Both the rural funding element and the grant were allocated to the top quartile of authorities on the basis of the super sparsity indicator, 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.

3.3.3 The Government proposes to roll the 2014-15 Rural Services Delivery Grant into Revenue Support Grant and combine it with the existing rural funding element, distributed on the same basis and for the same purpose.

**Question 4: Do you agree that the 2014-15 Rural Services Delivery Grant should be rolled in and combined with the rural funding element?**

# Chapter 4

## Transfers of funding out of the settlement

### 4.1 Carbon Reduction Credits Energy Efficiency Scheme adjustment

4.1.1 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.

4.1.2 When local authorities fall below the threshold for participation in the scheme, there is a loss of tax revenue to the Exchequer, for which compensation is required. DCLG and DfE Department Expenditure Limits will be adjusted to compensate for this loss in relation to non-schools and schools emissions respectively. In order to make this adjustment the Government proposed to reduce funding to authorities which had emissions below the threshold for participation in the scheme through a negative funding element (with no notional adjustments to the 2014-15 settlement to reflect this change).

4.1.3 On the basis of data which has now been collected by DECC 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.

4.1.4 The Government therefore proposes to reduce 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, through a negative funding element as previously proposed.

**Question 5: Do you agree with the proposed methodology for reducing funding to 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 Exchequer?**



## Draft equality Statement for the 2015-16 Settlement

<b>Name of Directorate</b>
Local Government Finance
<b>Please list all the policy streams in your business area.</b>
<p><b><i>The Distribution of Revenue Support Grant in 2015-16</i></b></p> <p>This equality statement covers the Government's proposals for the distribution of Revenue Support Grant in 2015-16 as set out in the Technical Consultation of July 2014. In April 2013 the Government put in place the new rates retention system and on 25 July 2013 issued a Technical Consultation which set out its proposals for the distribution of Revenue Support Grant in 2014-15 and 2015-16. This is available at:</p> <p><a href="http://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2014-to-2015">www.gov.uk/government/collections/final-local-government-finance-settlement-england-2014-to-2015</a></p> <p>In summary, the proposals for 2015-16 were to distribute Revenue Support Grant by continuing the existing approach of scaling back 2015-16 allocations, using different scaling factors for different elements of Revenue Support Grant; and to set the holdback for the safety net funding at £50m. Illustrative figures for the 2015-16 settlement were provided as part of the 2014-15 Local Government Finance Settlement, and the 2014 Technical Consultation proposes a number of further changes for 2015-16 including compensation for the 2% cap for business rates announced in Spending Review 2013, , as well as a number of other changes affecting the settlement including the treatment of 2014-15 Council Tax Freeze grant, and the 2014-15 Efficiency Support Grant. It also considers how to reflect the changes that have been made to the Carbon Reduction Credits Energy Efficiency Scheme.</p>
<b>Identify any policy streams aimed at or impacting upon a Protected Group.</b>
<p>The Technical Consultation provides illustrative levels of funding to individual councils for the 2015-16 financial year where appropriate. The funding with which it is concerned is not specifically aimed at protected groups - it is one element making up authorities' total revenues. However, the changes to funding as set out in the consultation's</p>



proposals could, without mitigating action and depending on the spending decisions made by local authorities, have an adverse impact on protected groups.

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>3</sup>).

The 2015-16 Local Government Finance Settlement as proposed in this consultation, implies, in absolute terms, a reduction in the amount of money authorities receive as Revenue Support Grant compared to each of the preceding years, in line with decisions taken in the 2013 Spending Round. Any reduction in an authority’s income could, in theory, 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). See further the passage on impacts in section 7 of this document.

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

Stuart Hoggan, Deputy 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 Settlements the Secretary of State is subject to the public sector equality duty in section 149 of the Equality Act 2010.

#### **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

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<sup>3</sup> Police authorities are not funded through the Business Rates Retention Scheme; instead their funding comes via the Home Office’s Police Grant Report.

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 (December 2013 to January 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?**

- *Known difference in needs for those with a protected characteristic, and*
- *Evidence of an adverse equality impact on those with a protected characteristic.*
- *List any actions taken to mitigate against adverse equality impact on those with a protected characteristic*

**Impacts of the proposed changes to the Local Government Finance Settlement for 2015-16**

A number of responses to the summer 2013 technical consultation on changes for 2014-15 and 2015-16 raised concerns with the proposal on the methodology for calculating control totals for each of the elements within the Settlement Funding Assessment for 2015-16. This was the most widely opposed proposal in the technical consultation and there was widespread comment on the impact of holding back funding on both upper and lower tier authorities and fire authorities.

More generally, responses to the consultation on the 2014-15 provisional settlement included some that noted 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 protected groups and would have an adverse impact on protected groups. Most authorities who commented on the impact of the settlement considered that protected groups would be adversely affected by reductions in services generally but did not identify services targeted on any protected groups which would be affected. The general points made in responses were that the impact of the scale and distribution of reductions depended on the size or nature of protected groups in an authority not its degree of grant dependency. It was also noted that that protections in the baseline and for rolled in grants and Efficiency Support Grant are limited and quickly lose effectiveness due to the continuing reductions in Revenue Support Grant.

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 members of one or more protected groups, than on other groups.

If reductions in Revenue Support Grant cannot be met through authorities making efficiencies, pooling resources or other means, then services may have to be de-commissioned, re-modelled or scaled back. Given that local authorities provide a wide range of services targeting or impacting upon protected groups there could be an impact upon these groups. Whilst a reduction in funding is likely to have most impact on the most grant dependent authorities, and there is some correlation between these authorities and the prevalence of equalities groups, the impact upon equalities groups will also depend upon:

- changes in local authorities' other sources of income. Revenue Support Grant is just one of many income streams, and increases in other sources of income may mitigate reductions in Revenue Support Grant. For instance Government will be 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 £3.2 billion Regional Growth Fund and the £177 million European Agricultural Fund for Rural Development.
- 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. They are, as mentioned, subject to statutory equalities duties.

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

### **Mitigations**

A number of elements in the local government finance settlement would mitigate the impact of the changes in this consultation. These include:

***Strong protections for the most grant dependent authorities are embedded in the baseline*** – The 2013-14 start-up funding assessment that forms the baseline for the funding reductions in 2015-16 contained significant protections for the more grant dependent authorities. The formula funding elements of their assessments were relatively protected, receiving higher floors for floor damping, resulting in higher assessments than would otherwise have been the case. The relative resource amount was restored to 2010-11 levels, to help authorities with low council tax bases. While the

impact may lessen as the business rates retention scheme continues these protections ensured protection for local authorities at the outset of the scheme.

**Support for funding relating to protected groups** – The 2013 Technical Consultation set out that in 2015-16 elements of Revenue Support Grant that relate to protected groups would have their funding protected relative to the core formula funding elements. For example, the Learning Disability and Health Reform Funding element is relatively protected, receiving a lower percentage reduction than either the upper-tier or lower-tier elements of formula funding. The Government has, as mentioned above, committed to invest £3.8bn in the Better Care Fund and £330 million to support the cost of transformation in other services, including £200 million as an initial investment for the expansion of the Troubled Families Programme. Most of the extra funding announced at the 2013 Spending Round is directed toward services either solely for the protected groups or that benefit them relatively more than others.

To support taxpayers with the cost of living the 2013 Autumn Statement set out that there was no further reduction to overall local government grant in 2014-15 and 2015-16 beyond what had been announced previously, and it also announced that £550 million of additional funding would be made available for further council tax freezes in 2014-15 and 2015-16.

**Funding protections within business rates retention** – The scheme provides substantial overall protections, including an annual RPI increase in the tariffs and top-ups through which Government rebalanced resources at the outset of the scheme, and an RPI-linked safety net guaranteeing that no council 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. Additional adjustments to the business rates baseline were provided at the start of the scheme to protect authorities from the risk of a high volume of appeals.

The Government has also provided Efficiency Support Grant which ensures that no council in 2014-15 sees a fall of more than 6.9% in its overall spending power. This is a higher level of protection than was offered in 2013-14 when a limit of 8.8 % reduction was set. Those authorities with the most sparse populations are also protected through the Rural Services Delivery Grant. This grant is intended to promote efficiencies in the most sparsely populated rural local authorities and is worth £11.5 million in 2014-15, an increase on the £8.5 million paid for this purpose in 2013-14.

It should also be noted that business rates retention is not a zero-sum game, i.e. if one authority realises rapid growth in tax base and makes large gains from the scheme, this does not mean that another authority loses out. The scheme is expected to generate

additional growth: economic analysis<sup>4</sup> suggests that additional GDP over the first seven years of the scheme could be in the order of £10 billion. Nonetheless the scheme does of course exist within the context of on-going reductions to the overall local government funding quantum as part of the Government's policy of tackling the deficit.

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

It is important to note that whilst the role of the Secretary of State for Communities and Local Government is to set the overall framework for local government funding, and that 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 receipt of a range of specific grants.

In addition it is for authorities to make decisions on allocation of their 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 assess how the proposed changes for 2015-16 will impact on specific protected groups as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services.

**8. When your policies are finally implemented which groups are most likely to benefit?**

It has not been possible to identify specific groups that benefit from the proposed settlement being consulted on. The overall benefit is the continued contribution to deficit reduction implying lower interest rates now and a reduced burden on future generations.

**9. In considering the above information have any gaps in data or equalities information been identified?**

As the Local Government Settlement simply distributes resource between local authorities it is difficult to identify the protected groups affected or any gaps in data or

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<sup>4</sup> <https://www.gov.uk/government/publications/business-rates-retention-scheme-economic-benefits>

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2014-15-and-2015-16-technical-consultation>

equalities information relating to them ahead of local authorities making decisions on resource allocation.			
<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 protected groups. 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>	Andrew Lock		
<b>Directorate/Unit</b>	LGF	<b>Lead contact</b>	Andrew Lock
<b>Date</b>	July 2014	<b>Date</b>	July 2014
<b>SCS Sign off</b>			
<p><b>Nick Burkitt, Acting Director, Local Government Finance</b></p> <p><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 made to the need to: eliminate unlawful discrimination; advance equality of opportunity; and foster good relations.</b></p>			

**Question 6: Do you have any comments on the impact of the 2015-16 settlement on protected groups, and on the draft Equality Statement ?**

# Annex B

## Summary of consultation questions

Question 1: Do you agree that compensation for the cap should be paid on the basis of the reduction to retained business rates income adjusted to account for lower tariffs and top-ups, as in 2014-15?

Question 2: Do you agree that the 2014-15 Council Tax Freeze Grant should be rolled into Revenue Support Grant, and combined with the 2013-14 Council Tax Freeze funding element as a single element?

Question 3: Do you agree that, subject to satisfactory progress by individual authorities, the 2014-15 Efficiency Support Grant should be rolled in as a separate element for the qualifying authorities?

Question 4: Do you agree that the 2014-15 Rural Services Delivery Grant should be rolled in and combined with the rural funding element?

Question 5: Do you agree with the proposed methodology for reducing funding to 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 Exchequer?

Question 6: Do you have any comments on the impact of the 2015-16 settlement on protected groups, and on the draft Equality Statement?

## 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).

### **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.

### **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*. This replaces the previous 'set-aside' policy.

### **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. It does not include the resources identified in the 2013 Spending Round for social care and Troubled Families.

### **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.

## **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).

## **Start-up funding assessment**

A local authority's share of the local government spending control *total* which will comprise its Revenue Support Grant for the year in question and its *baseline funding level*.

## **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.