



Department for  
Communities and  
Local Government

# Local government finance settlement 2015 to 2016: technical consultation

Summary of responses



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## **Background**

This document provides an analysis of all the responses received for the technical consultation on the 2015-16 local government finance settlement.

## **The scope of the consultation**

On 22 July 2014, the Department of Communities and Local Government published a consultation seeking views on a range of detailed and technical issues concerning the 2014-15 and 2015-16 local government finance settlements.

The consultation document set out questions on a range of issues, including the compensation for the 2% cap on the small business rates multiplier announced by the Government at the 2014 Autumn Statement; the transfers of funding, such as the 2014-15 Council Tax Freeze Grant, into the 2015-16 settlement; and the transfer of funding out of the settlement for the Carbon Reduction Credits Energy Efficiency Scheme.

The consultation ran for 10 weeks, closing on 25 September 2014.

## Analysis of consultation responses

A total of 107 responses were received to the consultation. Consultation responses have been read and considered in detail and a numerical analysis of the responses, together with summaries of the main comments received, are set out below.

Many of the responses mentioned or commented on the issues without explicitly expressing support or rejection of the proposals. The numerical analysis shows the numbers of respondents expressly supporting or rejecting each proposal. These figures are also given as a percentage of the total number of responses received i.e. 107.

The table below gives a breakdown of consultation responses included in this analysis by the type of respondent:

| Type of respondent                       | Number of responses | Percentage of total responses |
|--|---------------------|-------------------------------|
|  |                     |                               |
| <b>Shire Districts</b>                   | <b>24</b>           | <b>22%</b>                    |
| <b>Unitary Authorities</b>               | <b>19</b>           | <b>18%</b>                    |
| <b>Metropolitan Areas</b>                | <b>18</b>           | <b>17%</b>                    |
| <b>County Councils</b>                   | <b>13</b>           | <b>12%</b>                    |
| <b>London Boroughs</b>                   | <b>15</b>           | <b>14%</b>                    |
| <b>Greater London Authority</b>          | <b>1</b>            | <b>1%</b>                     |
| <b>Single Purpose Fire Authorities</b>   | <b>4</b>            | <b>4%</b>                     |
| <b>Single Purpose Police Authorities</b> | <b>1</b>            | <b>1%</b>                     |
| <b>Special Interest Groups</b>           | <b>10</b>           | <b>9%</b>                     |
| <b>Local Authority Associations</b>      | <b>2</b>            | <b>2%</b>                     |
| <b>Shire Districts</b>                   | <b>24</b>           | <b>22%</b>                    |
|  |                     |                               |
| <b>Total</b>                             | <b>107</b>          | <b>100%</b>                   |

## Chapter 2: Effect of the 2013 Autumn Statement

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

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 was therefore 0.471, instead of 0.476.

Under the business rates retention scheme, tariffs, top-ups and the baseline funding level 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.

The Government compensated local authorities for the loss of business rates income in 2014-15 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 data submitted by local authorities in February 2013. Adjustments may be made to the grant based on actual retained income, which will be known in September 2015.

The Government proposed 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?**

Number of respondents supporting the proposal: 95 (89%)

Number of respondents opposing the proposal: 3 (3%)

There was almost unanimous support for this proposal. Those who opposed the proposal did so because they believed that the compensation should be adjusted for the inflationary increase in the small business rates multiplier in 2015-16, so that the grant retained its value in real terms.

## **Chapter 3: Transfers of funding into the settlement**

### **2014-15 Council Tax Freeze Grant**

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.

The Government therefore proposed to roll the 2014-15 council tax freeze grant into Revenue Support Grant, paid only to those authorities that qualified for the Council Tax Freeze Scheme in 2014-15, in the same way as the 2013-14 grant.

As the 2013-14 and 2014-15 Council Tax Freeze funding elements will both be within Revenue Support Grant, the Government proposes to combine the 2014-15 grant and the 2013-14 funding as a single funding element.

**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?**

Number of respondents supporting the proposal: 66 (62%)

Number of respondents opposing the proposal: 28 (27%)

The majority of responses to this question supported the proposal, and came from a range of authorities. Those opposing the proposal predominantly did so because they believed that identifying the grant separately would ensure its transparency. This would allow them to continue to verify that the grant had been protected in cash terms.

### **2014-15 Efficiency Support Grant**

In order to ensure that no authority had a reduction in their 2014-15 revenue spending power of more than 6.9%, £9.4m 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.

The Government proposed 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 had been made by individual authorities, the Government proposed to roll in the funding 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?**

Number of respondents supporting the proposal: 51 (48%)

Number of respondents opposing the proposal: 20 (19%)

Responses for the proposal to roll the 2014-15 Efficiency Support Grant into Revenue Support Grant as a separate element for the qualifying authorities, subject to satisfactory progress by individual authorities were, predominantly in favour of doing so.

Those that opposed the proposal did so for a number of reasons, including: the funding for Efficiency Support Grant had been top-sliced from all authorities to help just a few; and rolling in additional grants into Revenue Support Grant would increase the complexity of the local government finance settlement.

## **2014-15 Rural Services Delivery Grant**

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.

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.

The Government proposed 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?**

Number of respondents supporting the proposal: 60 (56%)

Number of respondents opposing the proposal: 21 (20%)

Almost three times as many responses were received in support of the proposal to roll the 2014-15 Rural Services Delivery grant into Revenue Support Grant and combine it with the rural funding element, as against it. A number of those opposing the proposal did so because they believed that the additional funding for rural authorities was not required, as the additional costs associated with service delivery in rural areas had been taken into account at the beginning of the business rates retention scheme.



## **Chapter 4: Transfers of funding out of the settlement**

### **Carbon Reduction Credits Energy Efficiency Scheme adjustment**

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.

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.

The Government therefore proposed 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?**

Number of respondents supporting the proposal: 20 (19%)

Number of respondents opposing the proposal: 60 (56%)

Three times as many responses were received opposing the proposal to reduce funding to authorities below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, as supporting it. Those that opposed the proposal did so predominantly on the basis that no additional funding had been provided to local authorities when they had been enrolled in the scheme.

## **Draft Equality Statement for the 2015-16 Settlement**

The remaining question in the consultation paper concerned the draft equality statement for the 2015-16 local government finance settlement. The equality statement covers the Government's proposals for the distribution of Revenue Support Grant in 2015-16 as set out in the technical consultation. Local authorities were asked to comment on the impact of the 2015-16 settlement on protected groups and on the content of the equality statement.

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

Number of respondents to question: 54 (51%) The main points made in response to this question were:

- The funding reductions would affect protected groups in general
- The settlement is moving funding away from grant dependent authorities and deprived areas which would impact protected groups.
- The Government should carry out some analysis of the impact of its funding reductions on protected groups
- The Equality Statement does not make clear that the responsibility for the impact on protected groups falls on both central government and local government
- The mitigations identified in the Equality Statement are weak