



Department for  
Communities and  
Local Government

# Local government finance settlement 2014-15

Consultation

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# Chapter 1

## Introduction

### 1.1 Overview of the proposals

- 1.1.1 This consultation seeks views on the provisional local government finance settlement for 2014-15, as required by the Local Government Finance Act 1988.<sup>1</sup> It will be of particular interest to local authority finance departments.
- 1.1.2 We welcome responses on any aspect of the proposals set out in this consultation and the supporting information.<sup>2</sup> In particular we welcome views on the proposals on which we have not previously consulted (a summary of consultation questions is at annex B).
- 1.1.3 Chapter 2 sets out how to respond. You should note that we may wish to publish responses.
- 1.1.4 The Government published the illustrative 2014-15 Local Government Finance Report on 4 February 2013<sup>3</sup>, and consulted on proposals for 2014-15 and 2015-16 in July 2013.
- 1.1.5 The Government has made two announcements in 2013 which affect the 2014-15 settlement:
- at the Budget that a reduction of 1% would be made from the local government spending control total
  - at the Autumn Statement that the small business non-domestic rating multiplier (“the small business rates multiplier”) for 2014-15 would be capped at 2%
- 1.1.6 Chapter 2 sets out proposed changes to the illustrative 2014-15 local government finance settlement and the proposals made in the technical consultation as a result of these announcements.

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<sup>1</sup> The requirements of the Act are: to consult representatives of local government before making a determination of the amount of Revenue Support Grant (section 78); to notify representatives of local government of the general nature of the basis of distribution (section 78A); to notify those representatives of the general nature of the basis of calculation of payments authorities make or receive (top ups and tariffs) (Schedule 7B, paragraph 12).

<sup>2</sup> The draft Local Government Finance Report 2014-15 and supporting tables are available at <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2014-to-2015>

<sup>3</sup> [www.local.communities.gov.uk/finance/1314/settle.htm](http://www.local.communities.gov.uk/finance/1314/settle.htm)

- to achieve the 1% reduction announced at Budget 2013 by protecting council tax freeze funding but scaling back all other allocations
- to uprate each authority's baseline funding level, tariff or top up in line with the 2% small business rates multiplier

1.1.7 The Government has carefully considered responses to the technical consultation,<sup>4</sup> and has made changes to the proposals for 2014-15 (listed in bold below). Chapters 3 and 4 set out the following proposals for 2014-15:

- to hold back £120m for the rates retention safety net (from upper and lower tier and fire and rescue funding elements only, with a lower contribution from fire) and to offset this in 2014-15 with a £50m holdback using funding previously held back for capitalisation (3.1)
- **to remove the remaining £50m holdback for capitalisation and return the balance to authorities in proportion to their settlement funding assessment, after meeting the cost of additional funding for rural authorities and the cap on spending power reductions (Efficiency Support Grant) (3.2)**
- **to reduce the holdback to fund the full New Homes Bonus for local councils from £800m to £700m (3.3)**
- to roll into the settlement the £174m council tax freeze funding for 2013-14, as a separate element, from 2014-15, rather than from 2015-16 (4.1)
- **to roll into the settlement additional funding for rural authorities of £9.5m (4.2)**

1.1.8 For 2015-16 the 2013 Spending Round announced a range of measures to support councils in delivering better outcomes with fewer resources. The Government consulted on proposals for 2015-16 in the technical consultation, and has carefully considered the responses.

1.1.9 In order to provide greater certainty for authorities and to help them plan for the transformation of their services, we are publishing illustrative 2015-16 allocations alongside the 2014-15 settlement. These are subject to further change and we will consult on the provisional 2015-16 settlement in autumn 2014. The illustrative 2015-16 settlement has been prepared on the basis of the following proposals:

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<sup>4</sup> A draft equality statement is at Annex A. A summary of the responses to the technical consultation is available at <https://www.gov.uk/government/consultations/local-government-finance-settlement-2014-15-and-2015-16-technical-consultation>

- to reduce the holdback to fund the full New Homes Bonus for local councils from £1.1bn to £1.0bn (a change from the proposal in the technical consultation)
- to holdback £50m for the rates retention safety net (from upper and lower tier and fire and rescue elements only, with a lower contribution from fire)
- to achieve the reduction announced at Spending Round 2013 by scaling back elements within Revenue Support Grant at differential rates :
  - protecting grants rolled into the start up funding assessment in April 2013 from the full 10% reduction by extending the trajectories set in the 2010 spending round
  - ensuring that authorities which froze council tax continue to be compensated
  - continuing to protect the very small overall funding allocation to the Isles of Scilly
- to make a small transfer out to cover lost carbon reduction revenue from authorities falling out of that scheme

1.1.10 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

<b>Topic of this consultation:</b>	The 2014-15 local government finance settlement.
<b>Scope of this consultation:</b>	As above. Following decisions on this consultation, the final local government finance settlement for 2014-15 will be laid before Parliament in early 2014
<b>Geographical scope:</b>	England.
<b>Impact assessment:</b>	A draft equalities statement covering the possible impacts of the settlement is at Annex A.
<b>Body responsible for the consultation:</b>	The Local Government Finance Directorate within the Department for Communities and Local Government.
<b>Duration:</b>	Four weeks from 18 December 2013 to 5pm on 15 January 2014.
<b>Enquiries:</b>	Andrew Lock andrew.lock@communities.gsi.gov.uk 0303 444 2137
<b>How to respond:</b>	By email to: Or by post to: Andrew Lock Department for Communities and Local Government Zone 5/D2, Eland House Bressenden Place London SW1E 5DU

<b>Getting to this stage:</b>	The Department consulted on proposals for the 2014-15 local government finance settlement and the illustrative 2015-16 local government finance settlement from 25 July to 2 October (see <a href="http://www.local.communities.gov.uk/finance/1415/sumcon/technical_consultation_paper.pdf">http://www.local.communities.gov.uk/finance/1415/sumcon/technical_consultation_paper.pdf</a> ).
<b>Previous engagement:</b>	<p>The Department published an illustrative 2014-15 local government finance settlement in December 2012 with the 2013-14 local government finance settlement</p> <p>The Government previously consulted on the outline of the business rates retention scheme in the Business Rates Retention: Technical Consultation from 17 July to 24 September 2012<sup>5</sup>.</p> <p>The Department continues to engage with local authorities and representative organisations through regular meetings, and attendance at local authority events.</p>

- 1.2.1 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.
- 1.2.2 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).
- 1.2.3 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.
- 1.2.4 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.

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<sup>5</sup> [www.gov.uk/government/consultations/business-rates-retention-technical-details](http://www.gov.uk/government/consultations/business-rates-retention-technical-details)

# Chapter 2

## Effect of 2013 Budget and Autumn Statement

### **2.1 Scaling back the Local Government Departmental Expenditure Limit (LG DEL) by 1%**

- 2.1.1 In the 2013 Budget, the Government announced that a reduction of 1% overall would be made from the total LG DEL, including the Settlement Funding Assessment (comprising the local share of business rates and Revenue Support Grant).
- 2.1.2 The local share of business rates is fixed until 2020 to provide a strong incentive for local authorities to promote growth. The Government therefore proposes to apply the full reduction to Revenue Support Grant. On that basis, the 2014-15 Revenue Support Grant would be reduced by 1.73%.
- 2.1.3 The reduction will be applied to all the elements of Revenue Support Grant, with the exception of the council tax freeze compensation element. This reflects the commitment made to local authorities that took up the grant that it would be protected. As a result the reduction in the 2014-15 control totals for each of the remaining elements will be 1.78%.

### **2.2 Capping the small business multiplier at 2%**

- 2.2.1 At the Autumn Statement, the Government announced that the small business rates multiplier would be capped at 2%, rather than set at the same level as the change in the September 2013 Retail Price Index (3.2%) as previously proposed. The multiplier for 2014-15 calculated on the statutory basis<sup>6</sup> including rounding will be 0.471, instead of 0.476.
- 2.2.2 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 will therefore reduce the baseline funding level and lead to a reduction in the

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<sup>6</sup> Local Government Finance Act 1988, Schedule 6

Settlement Funding Assessment which comprises Revenue Support Grant and the baseline funding level.

- 2.2.3 An authority's tariff, or top-up and its baseline funding levels for 2014-15 will be approximately 1.95% (ie 0.471/0.462) higher than they were in 2013-14.
- 2.2.4 The Government has undertaken to compensate local authorities for any loss of business rates income as a result of this, and other Autumn Statement measures. This will include compensating top-up authorities for the fact that their top-up payments will be lower than they would have been had the multiplier not been capped. Similarly, compensation payments to tariff authorities will also reflect the impact of the cap on their tariff payments.

# Chapter 3

## Changes to holdbacks

### 3.1 Increasing the safety net hold back

- 3.1.1 The rates retention system includes a safety net which protects local authorities from a reduction in their business rates income of more than 7.5% of their individual baseline funding level. The safety net is funded by a levy on authorities with disproportionate business rates growth.
- 3.1.2 The illustrative 2014-15 settlement published in 2012 with the local government finance settlement for 2013-14 provided for a hold back of £25 million in both 2013-14 and 2014-15 to ensure that the safety net was fully funded. The 2013-14 amount was paid into the Levy Account, into which, or from which, all levy and safety net payments are made at the beginning of that year. Since then, safety net on account payments in 2013-14 have exceeded the £25 million holdback by £44 million.
- 3.1.3 In order to make good the £44 million deficit and ensure that the Levy Account has sufficient funds to pay 2014-15 safety net on account payments, the Government proposes to hold back an additional £95 million in 2014-15 from Revenue Support Grant (making a total of £120 million to be paid into the Levy Account in 2014-15).
- 3.1.4 These resources would only be used as needed and any funding not used would be returned to authorities in year in proportion to their 2013-14 Start-Up Funding Assessment.

### 3.2 Removing the capitalisation holdback

- 3.2.1 The Government proposed in the illustrative 2014-15 settlement published in 2012 with the local government finance settlement for 2013-14 that £100 million would be held back from Revenue Support Grant for capitalisation in 2014-15. Any provision not allocated would be distributed in accordance with the authorities' share of the 2013-14 Start-Up Funding Assessment.
- 3.2.2 As there has been limited take up in 2013-14, the Government proposes to remove the capitalisation holdback and allocate the funds as follows:

- £50 million holdback to reduce the safety net holdback, as set out in the technical consultation.
- funding for the new rural funding element (£9.5m as set out in 4.2 below) and the cap on spending power reductions (Efficiency Support Grant).
- funding not needed for the rural funding element and Efficiency Support Grant will be returned to authorities in proportion to their 2013-14 start up funding assessment.

3.2.3 The cost of Efficiency Support Grant is estimated at £9.4m on the basis that:

- it will be available to protect authorities which would otherwise receive a reduction in spending power exceeding 6.9%
- authorities which received Efficiency Support Grant in 2013-14 will receive either the same amount as in 2013-14 or the amount required to cap spending power reduction at 6.9% whichever is the higher, subject to satisfactory performance

3.2.4 The cost of provision for the new rural funding element and Efficiency Support Grant cannot therefore be finally determined at present. To allow a prudent margin, the effect has been illustrated in the provisional settlement of returning £28 million. This is subject to change at the final settlement.

**Question 1: Do you agree with the Government's proposal to remove the capitalisation holdback and re-allocate the funding ?**

### **3.3 Reducing the New Homes Bonus holdback**

3.3.1 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 2013-14, the Government will continue to set aside £250 million in 2014-15 to fund the New Homes Bonus in part. Again, as in previous years, the rest of the funding will be provided from Revenue Support Grant.

3.3.2 The technical consultation proposed a holdback of £800m in 2014-15 on the basis of the data available at that time, 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 2013 returns, the margin could prudently be reduced.

3.3.3 The Government therefore proposes to take out £700m not £800m from Revenue Support Grant in 2014-15. The £100m would be

returned to authorities through the upper-tier, lower tier and fire funding elements of Revenue Support Grant.

3.3.4 The provisional allocations of the New Homes Bonus were published on 16 December 2013. Final allocations will be published alongside the final settlement. As set out in the technical consultation, any surplus will be returned to local authorities through Section 31 grant, in proportion to their 2013-14 Start-Up Funding Assessments, as soon as possible in the 2014-15 financial year.

**Question 2: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £800m to £700m ?**

# Chapter 4

## Transfers of funding into the settlement

### **4.1 2013-14 council tax freeze grant**

- 4.1.1 It was announced at the 2013 Spending Round that the 2013-14 council tax freeze grant would be baselined in LG DEL. This means that the compensation will continue to be paid beyond the 2010 Spending Review period.
- 4.1.2 In line with the commitment to authorities at the time of take up, the Government wishes to ensure that the grant is protected in cash terms and only benefits authorities that froze council tax in 2013-14.
- 4.1.3 The Government therefore proposes to roll the 2013-14 council tax freeze grant into Revenue Support Grant as a separate element from 2014-15, paid only to those authorities which qualified for the Council Tax Freeze Scheme in 2013-14.
- 4.1.4 Council Tax freeze funding for 2014-15 and 2015-16 will be built into the baseline for subsequent years. This provides the maximum possible certainty for councils that the extra funding for freezing council tax will remain available.

### **4.2 Additional funding for rural authorities**

- 4.2.1 The Government has decided to increase the Efficiency Support for Services in Sparse Areas funding to £9.5m in 2014-15. As in 2013-14, we propose to allocate the funding to the top quartile of authorities on the basis of the sparsity indicator, which ranks authorities by the proportion of the population which is scattered widely, but using 2011 census data.
- 4.2.2 The Government also proposes to roll the funding in to Revenue Support Grant from 2014-15 as a separate element, paid only to authorities which qualify for funding on this basis.

**Question 3: Do you agree with the Government's proposal to increase and roll in funding for rural authorities ?**

# Annex A

## Draft equality statement

<b>1. Name of Directorate</b>
Local Government Finance
<b>2. Please list all the policy streams in your business area.</b>
<p><b><i>The Local Government Finance Report (England) 2014/2015</i></b> The Local Government Finance Report (England) 2014/2015 is concerned with, amongst other things, the exercise of the Secretary of State's functions under section 78 of, and Schedule 7B to, the Local Government Finance Act 1988 ("the 1988 Act"). The matters set out in the Report include –</p> <ol style="list-style-type: none"><li>1. the Secretary of State's determination (under section 78(2) and (3) of the 1988 Act) of<ol style="list-style-type: none"><li>(a) the amount of Revenue Support Grant for the financial year 2014-15;</li><li>(b) whether the Secretary of State proposes to pay grant to receiving authorities and the specified body, and</li><li>(c) if so, the amount of such grant he proposes to pay to receiving authorities and the specified body;</li></ol></li><li>2. the basis on which the Secretary of State proposes to distribute among receiving authorities the amount of Revenue Support Grant for the financial year 2014-15 (section 78A(2) of the 1988 Act);</li><li>3. the basis on which the Secretary of State proposes to calculate the Baseline Funding Level for receiving authorities;</li><li>4. the Secretary of State's determination (under paragraph 4 of Schedule 7B to the 1988 Act) of the percentages that are to be the central and local shares of a billing authority's non-domestic rating income for the financial year 2013-14;</li><li>5. the basis (under paragraph 12 of Schedule 7B to the 1988 Act) on which the Secretary of State intends to calculate –<ol style="list-style-type: none"><li>(a) which relevant authorities are to make payments ("tariffs") under Part 5 of Schedule 7B to the 1988 Act;</li><li>(b) which relevant authorities are to receive payments ("top-ups") under that Part of that Schedule; and</li><li>(c) the amount of each payment under (a) or (b).</li></ol></li></ol> <p><b><i>Public sector equality duty</i></b> 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</p>

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 are age; disability, gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex; sexual orientation.

### ***The Distribution of Revenue Support Grant in 2014-15***

This equality statement covers the Government's proposals for the distribution of Revenue Support Grant in 2014-15.

In summary these proposals are:

a) to set the hold back for the New Homes Bonus at £700m.

b) to set the hold back for safety net funding at £70m.

c) to return the money that was previously held back for capitalisation funding.<sup>7</sup>

d) to roll 2013-14 council tax freeze funding and the Efficiency Support for Services in Sparse Areas grant in to Revenue Support Grant.<sup>8</sup>

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<sup>7</sup> See Part M of Chapter 5 of the Local Government Finance Report (England) 2014-15.

e) to scale back the allocations using different scaling factors for the different elements of Revenue Support Grant.<sup>9</sup>

### **3. Identify any policy streams aimed at or impacting upon a protected group.**

The settlement provides levels of funding to individual councils for the 2014-15 financial year and reduces local government expenditure in a controlled way. The Revenue Support Grant is not specifically aimed at protected groups; it is one element making up about a quarter of authorities' spending power.<sup>10</sup> However, the level of funding could, without mitigating action and depending on the spending decisions made by the authorities, have an adverse impact on protected groups.

Authorities receiving funding are "receiving authorities" as defined in section 76(2) of the 1988 Act (ie billing authorities and major precepting authorities<sup>11</sup>).

The 2014-15 local government finance settlement 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 2010 Spending Review and subsequent autumn statements and budgets. 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?**

Simon Ridley, 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?**

<sup>8</sup> See Parts K and L of Chapter 5 of the Local Government Finance Report (England) 2014-15.

<sup>9</sup> See all parts of Chapter 5 of the Local Government Finance Report (England) 2014-15.

<sup>10</sup> Revenue spending power is spending power from council tax, retained business rates, government revenue grants and National Health Service funding for social care.

<sup>11</sup> Police authorities are not funded through the Business Rates Retention Scheme; instead their funding comes via the Home Office's Police Grant Report.

Sources of evidence include but are not limited to:

- Responses to the Local Government Finance Settlement 2014-15 and 2015-16: Technical Consultation;
- The Local Government Finance Settlement 2014-15 and 2015-16: Technical Consultation Draft Equality Statement;
- 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 local government finance settlement for 2014-15**

This settlement implements decisions taken in the 2010 Spending Review and 2013 Budget regarding reductions in central government funding to local government in 2014-15.

If the reduction 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. While 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, billing authorities and major precepting authorities retain specific proportions of the business rates collected in their area, providing opportunities for councils that promote business growth to increase their revenues.
- how local authorities choose to manage reductions in funding. It is unhypothecated and councils are responsible for decisions on how it is used. They are subject to statutory equalities duties.

It is therefore not possible to predict how the settlement for 2014-15 will impact 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 and how those services are designed and delivered.

**Mitigations**

A number of elements in the local government settlement, including the specific measures being consulted on, would mitigate the potential impact of the local

government settlement on those with protected characteristics. These include:

***Strong protections for the most grant dependent authorities are embedded in the baseline***

– The start-up funding assessment that formed the baseline for the funding reductions in 2014-15 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. Since Revenue Support Grant in 2014-15 is determined by a simple proportionate scaling back of the baseline elements for upper-tier funding, lower-tier funding and fire and rescue funding this protection for the more grant dependent authorities would be retained into future settlements.

***A lower limit to reductions in spending power*** – The settlement includes an Efficiency Support Grant that would ensure no authority has a reduction in spending power of more than 6.9 per cent.

***Increased funding to support services to scattered populations*** – The settlement contains an additional £9.5m grant to authorities with more scattered populations. This will ensure authorities serving protected groups that live in scattered communities have additional funding.

***Support for funding relating to protected groups*** – The settlement ensures that in 2014-15 elements of Revenue Support Grant that relate to protected groups 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.

***Funding protections within business rates retention*** – The scheme provides substantial overall protections, including an annual increase in the tariffs and top-ups through which Government rebalanced resources at the outset of the scheme, and a safety net guaranteeing that no council will see its business rates income drop more than 7.5% below its baseline funding level. Both of these are uprated each year by the small business rate multiplier. This will protect the spending power of local authorities from significant unexpected shocks to their business rates income, and so help ensure that protected groups are not adversely affected. 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 business rates retention scheme is not a zero-sum game, i.e. if one authority realises rapid growth 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>12</sup> suggests that additional GDP over the first seven years of the scheme could be in the order of £10 billion.

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<sup>12</sup> <https://www.gov.uk/government/publications/business-rates-retention-scheme-economic-benefits>

***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, that funding is not the only source of income for authorities.

Further, 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 equality duties. 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, e.g. 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 provisional settlement for 2014-15 will impact 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 also not been possible to identify specific groups that benefit from the settlement. The overall benefit is the contribution to deficit reduction implying lower interest rates now and a reduced burden on future tax payers and to support services.

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

Given the high level of the decisions being taken and that the local government settlement only distributes resource between local authorities it is difficult to identify the precise impacts on protected groups ahead of local authorities making decisions on resource allocation. Four authorities responding to the technical consultation (July – October 2013) suggested that the proposals would have an impact on various protected groups.

**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.**

The reductions 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.

**This analysis was undertaken by (name of Equality Champion and any other colleagues involved).**

<b>Name/Title</b>	Marguerita McNally		
<b>Directorate/Unit</b>	LGF	<b>Lead contact</b>	Mark Chandler
<b>Date</b>	December 2013	<b>Date</b>	December 2013
<b>SCS Sign off</b>			
Stuart Hoggan			
<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 4: Do you have any comments on the impact of the 2014-15 settlement on protected groups, as set out in the draft Equality Statement ?**

# Annex B

## Summary of consultation questions

Question 1: Do you agree with the Government's proposal to remove the capitalisation holdback and re-allocate the funds ?

Question 2: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £800m to £700m?

Question 3: Do you agree with the Government's proposal to increase and roll in funding for rural authorities ?

Question 4: Do you have any comments on the impact of the 2014-15 settlement on protected groups, as set out in 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. It used to be known as the Pre-Budget Report.

### *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 (usually set at the September RPI).

### *Billing authorities*

These are the 326 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 Rate 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 2012. The local government sector retains up to 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*. This replaces the previous 'set-aside' policy.

### *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*

<b>Value of home estimated at 1 April 1991</b>		<b>Proportion of the tax due April 1991 for a band D property</b>
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.

### *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) (although exceptionally a lesser increase may be imposed) and the other multiplier adjusted accordingly, to fund rate relief for small businesses.

### *Non-domestic rates*

See business rates.

### *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 local authorities in England (county councils, metropolitan and shire district councils, unitaries, the Isles of Scilly, fire and rescue authorities, police authorities, London boroughs, the City of London, and the Greater London Authority) which are eligible to receive Revenue Support Grant. Parish councils are not receiving 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 (RSG)*

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 uprated 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*

This 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* uprated year on year in line with RPI. The settlement funding assessment is referred to as the Start-Up Funding Assessment for 2013-14, the first year of the business rates retention scheme.

#### *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 (such as the Local Government Improvement and Development Agency) 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 linked to the small business rates multiplier 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*.