



Ministry of Housing,
Communities &
Local Government

The provisional local government finance settlement 2021-22

Consultation paper



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Scope of the consultation

Topic of this consultation:	This consultation covers proposals for the local government finance settlement for 2021-22.
Scope of this consultation:	<p>This consultation seeks views on proposal for the local government finance settlement for 2021-22, in particular from representatives of local government, before determining the final amount of Revenue Support Grant and its allocation to receiving authorities and the specified body.¹</p> <p>The consultation notifies representatives of local government of the general nature of the basis of distribution of Revenue Support Grant, and of the general nature of the basis of calculation of 'tariff' and 'top up' payments through this consultation document and accompanying documents, in particular the draft Local Government Finance Report for 2021-22.²</p>
Geographical scope:	These proposals relate to England only.
Impact Assessment:	Since the Government does not envisage that the proposals within this consultation document will have an impact on business, no impact assessment has been produced.

Basic Information

To:	The consultation will be of interest to local authorities and representative bodies for local authorities.
Body/bodies responsible for the consultation:	Local Government Finance Directorate within the Ministry of Housing, Communities and Local Government
Duration:	This consultation is open to submissions for 4 weeks from 17 December 2020 to 16 January 2021
Enquiries:	For any enquiries about the consultation please contact lgfsettlement@communities.gov.uk
How to respond:	<p>You can respond to the questions in this consultation via a pro-forma.</p> <p>Return address details and a list of consultation questions can be found in Annex B of this consultation document.</p> <p>Email details and an address for written responses can also be found in the pro-forma.</p>

¹ As required by section 78(5) of the Local Government Finance Act 1988.

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

About this consultation

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

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

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. 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 Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

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

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

1. Summary of proposals

1.1 Introduction

1.1.1 This consultation paper sets out the Government's proposals for the 2021-22 local government finance settlement.

1.1.2 This chapter provides a summary of the proposals contained within the 2021-22 provisional settlement.

1.2 Spending Review 2020 and Future Reform

1.2.1 On 25 November 2020, the Government announced the outcome of Spending Review 2020. The Spending Review and settlement have been drawn up in unique circumstances. The Government's primary aim, in this challenging period, has been to continue to support councils in dealing with the immediate impacts of the pandemic, to promote recovery and renewal at local level, and support and maintain critical mainstream services.

1.2.2 At the national level our proposals result in an increase in Core Spending Power for local authorities in England of £2.2 billion, from £49.0 billion in 2020-21 to £51.2 billion in 2021-22. This is a cash increase of 4.5%. Within this, councils will have access to an additional £1 billion for social care next year which includes a £300 million increase in the Social Care Grant, and there will be a further round of New Home Bonus allocations.

1.2.3 Once the pandemic is over, we will continue to work with local government to understand the lasting impact it has had on both service demands and revenue raising. We will then revisit the priorities for reform of the local government finance system, taking account of wider work on the future of the business rates tax and on the Adult Social Care system. Final decisions will be taken in the context of next year's Spending Review. In the meantime, there will be no reset of accumulated business rates growth in 2021-22.

1.3 Summary of proposals included in the 2021-22 provisional settlement

1.3.1 Chapter 2 – Distribution of Settlement Funding Assessment (SFA) - this chapter outlines the Government's proposals for distributing core settlement resources in 2021-22:

- a uniform percentage increase in 2020-21 Revenue Support Grant (RSG) allocations, based on the change in the Consumer Price Index (CPI)
- a freeze in Baseline Funding Levels (BFLs) at 2020-21 levels, to match the freeze in the business rates multiplier
- an increase in section 31 grant for the under-indexation of the multiplier, to compensate for the freeze in the business rates multiplier
- eliminating so-called 'negative RSG', through the use of forgone business rates receipts.

1.3.2 Chapter 3 – Council Tax - this chapter details the Government's intentions for council tax referendum principles in 2021-22:

- a core council tax referendum principle of up to 2% for shire counties, unitary authorities, London boroughs, the Greater London Authority (GLA) and fire authorities
- a bespoke council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils
- an Adult Social Care (ASC) precept of 3% for authorities responsible for ASC, with the option to defer some or all of its use into 2022-23
- a referendum principle of £15 for police and crime commissioners
- setting no council tax referendum principles for Mayoral Combined Authorities (MCAs)
- setting no council tax referendum principles for parishes.

1.3.3 Chapter 4 – Distribution of Social Care resources - this chapter sets out the Government's proposals for making funding available for social care services:

- increasing the Social Care Grant for 2021-22 by £300 million, on top of last year's total of £1.41 billion
- distributing the new Social Care Grant resources using the ASC Relative Needs Formula (RNF), with £240 million used to equalise the variation in yield from the ASC council tax precept, at the same level of equalisation as last year
- maintaining the improved Better Care Fund (iBCF) funding at 2020-21 cash terms levels (£2.1 billion) with the distribution unchanged.

1.3.4 Chapter 5 – New Homes Bonus - this chapter explains the Government's proposals for the New Homes Bonus (NHB):

- a new round of NHB payments in 2021-22, which will not attract new legacy payments
- 2021-22 allocations will be paid for by a £622 million top-slice of RSG
- no changes to the calculation process from 2020-21
- all previously announced legacy payments will be honoured in 2021-22 allocations.

1.3.5 Chapter 6 – this chapter explains the Government's proposals for a new Lower Tier Services Grant:

- the grant will allocate £111 million to local authorities with responsibility for lower tier services. The distribution will be based on assessed relative needs
- alongside this, there will be a one-off minimum funding floor to ensure that no authority sees an annual reduction in Core Spending Power (CSP).

1.3.6 Chapter 7 - Rural Services Delivery Grant - this chapter explains how the most sparsely populated local authorities receive extra support to deliver services. The Government:

- proposes to increase Rural Service Delivery Grant (RSDG) by £4 million, taking the total to £85 million
- will distribute these resources using the same approach as last year.

1.3.7 Chapter 8 - Visible Lines:

- following the Spending Review, the Government plans not to publish Visible Lines for grants rolled into the settlement at previous Spending Reviews.

1.3.8 Chapter 9 – Equalities Impacts of these proposals - this chapter invites views and evidence on the impact that the Government’s proposals may have on persons who share a protected characteristic. It also refers to a draft assessment of the impact of the 2021-22 settlement on persons who share a protected characteristic.

1.4 Additional information

1.4.1 A return address for responses to this consultation, along with a full list of consultation questions, is included in Annex B, and a glossary of technical terms can be found in Annex E.

1.5 Exemplifications of the proposals

1.5.1 The supporting tables accompanying this consultation exemplify the proposals for individual local authorities. These proposals represent the Government’s intentions and the figures are presented on the basis of available information.

1.5.2 Data changes, new information or errors identified by either the department or local authorities between the publication of this consultation paper and the calculation of the final settlement may lead to changes to individual local authority exemplifications. The Government encourages local authorities to check their individual allocations.

2. Distribution of Settlement Funding Assessment

2.1 Introduction

2.1.1 This chapter outlines the Government's proposals for distributing Settlement Funding Assessment (SFA) in 2021-22, which is comprised of Revenue Support Grant (RSG) and Baseline Funding Levels (BFLs).

2.2 Business Rates Retention

2.2.1 From April 2013, local government has been funded in part through the business rates retention scheme, ensuring that local authorities have more control over the money they raise and are able to benefit directly from supporting local business growth.

2.2.2 When the scheme started in 2013-14, the Government committed that BFLs and Business Rates Baselines, which are used to determine tariffs and top-ups, would be fixed in real terms until the system was reset. The Government therefore proposes not to alter the existing mechanism for determining tariff and top-up payments in 2021-22.

2.2.3 At Spending Review 2020 the Government announced that it would freeze the business rates multiplier in 2021-22. In the local government finance settlement, BFLs and tariffs and top-ups will therefore remain unchanged. Local authorities will be compensated for the shortfall in income from freezing the multiplier, via the section 31 grant for under-indexation of the multiplier. The estimated increase in this grant will be reflected in Core Spending Power.

2.2.4 The Government plans to freeze BFLs for all authorities in 2021-22 at their 2020-21 levels. 2020-21 BFLs included the elimination of so-called 'negative RSG' and as such this will continue in 2021-22. This is consistent with the Government's previous commitment, made during the implementation of the business rate retention scheme in 2013-14, that authorities' retained business rates baselines would be fixed in real terms until the business rates system was reset.³

2.2.5 Local authorities in 100% business rates retention Devolution Deal areas and the GLA will continue to benefit from increased levels of business rates retention in 2021-22.

³ Please refer to section 5.1 of the 2019-20 Local Government Finance Settlement Technical Consultation for an explanation of the issue of negative Revenue Support Grant. The document is available here: <https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation>

2.3 Distribution of Revenue Support Grant

2.3.1 In the interests of providing stability in local authority allocations, we are not proposing to change the distribution of RSG from that used in 2020-21. Instead the Government is proposing to increase 2020-21 RSG levels in line with the change in the Consumer Price Index (CPI).

2.3.2 Increasing RSG in line with inflation will mean that all authorities are treated on an equivalent basis - receiving an inflationary uplift across SFA and the under-indexation grant.

Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2021-22?

3. Council tax

3.1 Council tax

3.1.1 The Government remains committed to striking a balance between giving local authorities the flexibility to determine their own level of council tax and ensuring local residents have the final say on excessive increases.

3.2 Council tax referendum principles

3.2.1 The Government proposes the following package of referendum principles for 2021-22:

- a core council tax referendum principle of up to 2% for shire counties, unitary authorities, London boroughs, the GLA general precept, and fire authorities
- an Adult Social Care (ASC) precept of 3% on top of the core principle for local authorities with responsibility for adult social care.
- shire district councils in two-tier areas will be allowed increases of up to 2% or £5, whichever is higher
- Police and Crime Commissioners (PCCs) (including the GLA charge for the Metropolitan Police and the PCC component of the Greater Manchester Combined Authority precept) will be allowed increases of £15.

3.2.2 In recognition that local authorities might not want to take up the ASC precept flexibility in full next year, some or all of this can be deferred for use in 2022-23. This means that an ASC authority could, for example, set a 2% increase for ASC in 2021-22 and a 1% increase for ASC in 2022-23, irrespective of other referendum principles that may apply in 2022-23.

3.2.3 In 2022-23, the Government intends to legislate through the Referendums Relating to Council Tax Increases (Principles) (England) Report for authorities who do defer. The mechanism will be similar to that used in 2019-20, where authorities had been able to use a 6% ASC precept over the three years from 2017-18 to 2019-20. Decisions on whether to defer or not are for councils, consistent with their responsibility for council tax levels.

3.3 Council tax referendum principles for Mayoral Combined Authorities

3.3.1 Devolution deals have led to the creation of eight Mayoral Combined Authorities (MCAs) with powers such as transport and planning.

3.3.2 The Government has not so far set a referendum principle for MCAs, on the expectation that mayors would exercise restraint and set a precept that was affordable and proportionate to their needs.

3.3.3 As in 2020-21, the Government proposes not to set a council tax referendum principle for MCAs in 2021-22. In line with the referendum principle for police and crime commissioners, we propose to set a £15 principle for the PCC component of the Greater Manchester Combined Authority.

3.5 Council tax referendum principles for town and parish councils

3.5.1 In 2018-19, the Government announced that it did not intend to set referendum principles for town and parish councils for three years. This was contingent on the sector taking all available steps to mitigate the need for council tax increases and the Government seeing clear evidence of restraint in the increases set by the sector.

3.5.2 In 2020-21, the average Band D parish precept increased by 4.0%. This was the lowest percentage point increase in parish precept since 2012-13 but remains in excess of the rate of inflation.

3.5.3 In expectation that parish and town councils continue to show restraint when setting council tax precept levels, the Government proposes to continue with no referendum principles for town and parish councils in 2021-22. The Government will take careful account of the increases set by parishes in 2021-22 when reviewing the matter ahead of next year's settlement.

3.6 Council tax referendum principle for the Greater London Authority (GLA)

3.6.1 The Mayor of London has already indicated that in order to fund Londoners' free travel concessions more generously than the English level, he may seek to raise the general element of the GLA's council tax precept. We await the Mayor's proposals on the GLA referendum principle, as part of the responses to this consultation.

Question 2: Do you agree with the proposed package of council tax referendum principles for 2021-22?

4. Distribution of Social Care Resources

4.1 Social Care

4.1.1 The Government is committed to addressing social care pressures. In 2020-21, the Government provided £1 billion in additional grant funding, and gave councils access to an extra £500 million raised through a 2% ASC council tax precept for local authorities with adult social care responsibilities.

4.1.2 This year the Government is proposing to make available an additional £1 billion for social care which includes a £300 million boost to the Social Care Grant, to a total of £1.71 billion. Local authorities with adult social care responsibilities will also be able to raise council tax by an additional 3% to help to support the most vulnerable.

4.1.3 The Government is also proposing to roll-forward the 2020-21 Social Care Grant of £1.41 billion and the 2020-21 improved Better Care Fund of £2.1 billion.

4.2 Social Care Grant

4.2.1 In the interests of stability, the Government proposes to roll-forward allocations of the £1.41 billion Social Care Grant from 2020-21, leaving these unchanged.⁴

4.2.2 The Government is proposing that the £300 million of additional grant will be distributed in two ways. Our proposal is to use £240 million as an equalisation component, holding the level of equalisation at the same level as in 2020-21, together with £60 million allocated directly through the existing ASC RNF.

4.2.3 Our equalisation methodology is a balanced approach which recognises that the distribution of resources generated through the ASC precept does not match the pattern of assessed need. The proposed methodology, which is the same as that used for this grant in 2020-21, means that all authorities will receive over 94% of the total RNF-based share of the resources which are available through the additional grant and the new ASC precept. An explanation of the methodology is in Annex C and a table of individual local authority allocations is [published separately](#).

4.2.4 The Government proposes that this grant will not be ringfenced, and conditions on reporting requirements will not be attached. In particular, it will be for local authorities to determine how much of it should be spent on adult social care and how much should be spent on children's social care.

⁴ Please refer to section 4.2 of the 2020-21 provisional Local Government Finance Settlement consultation for an explanation of the distribution of the Social Care Grant:
<https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2020-to-2021-consultation>

Question 3: Do you agree with the Government's proposals for the Social Care Grant in 2021-22?

4.2 improved Better Care Fund

4.2.1 In the interests of stability, the Government proposes to continue existing iBCF funding at 2020-21 levels (£2.1 billion), with the distribution unchanged.

Question 4: Do you agree with the Government's proposals for iBCF in 2021-22?

5. New Homes Bonus

5.1 Background

5.1.1 The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas by rewarding local authorities for net additional homes added to the council tax base. It is paid annually from a top-slice of RSG.

5.1.2 The Government has committed to reforming the NHB, and this year will be the final year under the current approach. We will publish shortly a consultation document on the future of the New Homes Bonus, including options for reform.

5.2 New Homes Bonus in 2021-22

5.2.1 The Government is proposing a new round of NHB payments (year 11 payments) in 2021-22. This will be the final set of allocations under the current approach, and the Government's proposal is that year 11 payments will not attract new legacy commitments in future years.

5.2.2 The allocations for 2021-22 will be funded through a £622 million top slice of RSG.

5.2.3 The Government is not intending to change the calculation process for year 11 payments, and the methodology will therefore be the same as in 2020-21. Year 11 payments will be calculated as units for reward above a payments baseline of 0.4%, multiplied by the average band D council tax payment, with an additional payment made for affordable homes. In two-tier areas, the annual payment will be split: 80% for shire districts and 20% for shire counties.

5.2.4 The Government intends to honour previously announced legacy payments in the 2021-22 allocations. This means paying legacy payments associated with year 8 (2018-19) and year 9 (2019-20).

Question 5: Do you agree with the Government's proposals for New Homes Bonus in 2021-22?

6. Lower Tier Services Grant

6.1.1 The Government is proposing a new un-ringfenced Lower Tier Services Grant in 2021-22, which will allocate £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services).

6.1.2 The proposed grant methodology is two-fold. £86 million of the grant will be allocated according to the 2013-14 Settlement Funding Assessment (SFA), through the lower tier element of SFA. This represents the best available relative needs assessment for the authorities concerned. A full methodology note is at Annex D below and a table of allocations is [published separately](#).

6.1.3 Alongside this, there will be a minimum funding floor to ensure that no authority sees an annual reduction in Core Spending Power and there is a nominal and real terms increase in CSP when comparing 2020-21 funding to 2021-22 proposed funding. The Government is clear that this funding is in response to the current exceptional circumstances and is a one-off. No local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms.

Question 6: Do you agree with the Government's proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?

6. Rural Services Delivery Grant

6.1 Rural Services Delivery Grant

6.1.1 The Government recognises additional cost pressures in rural areas. We are proposing to increase the Rural Services Delivery Grant (RSDG) by £4 million, taking the total to £85 million - the highest ever.

6.1.2 In 2020-21, allocations were distributed to the top quartile of local authorities on the basis of the 'super-sparsity' indicator, which ranks authorities by the proportion of the population which is scattered widely, using Census data and weighted towards the authorities with the sparsest populations.

6.1.3 We propose to continue to use the existing formula to distribute the allocations of RSDG for 2021-22.

Question 7: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2021-22?

7. Visible Lines

7.1 Visible Lines

7.1.1 Visible Lines are a product that the Government has published alongside the settlement in recent years.⁵ Visible Lines show a notional allocation for grants that were rolled into the settlement at previous Spending Reviews, most of them before 2016. These allocations are entirely notional as the core settlement is not ringfenced and they do not impact on the settlement distribution or represent an expectation from central government of local expenditure levels.

7.1.2 At each Spending Review it is standard procedure to remove Visible Lines, since a projection of grant profiles no longer exists. Therefore, we no longer intend to publish Visible Lines for the grants that were rolled in prior to 2016.

7.1.3 For future Spending Reviews, if forward profiles are available for grants rolled into the settlement, we will consider again whether to publish Visible Lines for the duration of that Spending Review.

Question 8: Do you have any comments on the Government's plan not to publish Visible Lines?

⁵ See Core spending power: visible lines of funding 2020 to 2021:
<https://www.gov.uk/government/publications/core-spending-power-visible-lines-of-funding-2020-to-2021>

8. Equalities impacts of these proposals

8.1 Draft Equality Statement

8.1.1 A [draft equality assessment](#) of the impact of the 2021-22 local government finance settlement has been published alongside this consultation document.

Question 9: Do you have any comments on the impact of the proposals for the 2021-22 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.

Annex A: Privacy notice

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation. This consultation fulfils the mandatory statutory requirements to consult under sections 78(5), 78A(3) and paragraph of Schedule 7B of the Local Government Finance Act 1988.

4. With whom we will be sharing your personal data

Other Government Departments including:

- Attorney General's Office
- Cabinet Office
- Department for Business, Energy and Industrial Strategy
- Department for Digital, Culture, Media and Sport
- Department for Education Department for Environment
- Food and Rural Affairs
- Department for International Trade
- Department for Transport
- Department for Work and Pensions
- Department of Health and Social Care
- Foreign, Commonwealth and Development Office

- Her Majesty's Treasury
- Home Office
- Ministry of Defence
- Ministry of Justice
- Northern Ireland Office
- Office of the Advocate General for Scotland
- Office of the Leader of the House of Commons
- Office of the Leader of the House of Lords
- Scotland Office UK
- Export Finance
- Wales Office

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation.

6. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

Annex B: Address details & list of consultation questions

If the pro-forma link is inoperable, written responses may be sent by email or post to:

LGFsettlement@communities.gov.uk

Or

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

When replying to this consultation please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name,
- your position (if applicable),
- the name of organisation (if applicable),
- an address (including post-code),
- an email address, and
- a contact telephone number

Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2021-22?

Question 2: Do you agree with the proposed package of council tax referendum principles for 2021-22?

Question 3: Do you agree with the Government's proposals for the Social Care Grant in 2021-22?

Question 4: Do you agree with the Government's proposals for iBCF in 2021-22?

Question 5: Do you agree with the Government's proposals for New Homes Bonus in 2021-22?

Question 6: Do you agree with the Government's proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?

Question 7: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2021-22?

Question 8: Do you have any comments on the Government's plan not to publish Visible Lines?

Question 9: Do you have any comments on the impact of the proposals for the 2021-22 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.

Annex C: Social Care Grant equalisation methodology and provisional allocations

In the interests of stability, the Government proposes to roll-forward allocations of the £1.41 billion Social Care Grant from 2020-21, leaving these unchanged. This note explains the proposed methodology for allocation of the £300 million of additional funding in Social Care Grant in 2021-22.

The proposed equalisation methodology for Social Care Grant in 2021-22 is based on identifying the total potential new available resource for social care to be equalised.

This is the sum of the additional grant funding to be used for equalisation (in this case £240m) plus the total available increase in council tax precept income in that year as a result of the proposed 3% Adult Social Care council tax precept referendum principle (approximately £790 million). This total amount is then allocated between authorities on the basis of the Adult Social Care Relative Needs Formula.

The amount for each local authority is then reduced by its potential council tax precept income.

The resulting figure is then essentially that authority's share of the equalisation amount (£240 million).

For a small number of authorities, the precept income exceeds the needs share, and in these cases the equalisation component of the grant is set to zero and the authority concerned retains the potential council tax resources in excess of their calculated needs share.

This results in turn in a grant total for equalisation which exceeds £240 million; to reduce this to the required level, the grant payments for each authority are reduced, by amounts in proportion to the figure for each authority.

The Government has published a separate table of Social Care Grant allocations at: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>.

The resulting shares of the £300 million are shown in the second column of the allocations table and are added to the other grant components to give the overall total. From this, all authorities receive over 94% of their RNF-based share of the total new resources.

Annex D: Lower Tier Services Grant methodology and provisional allocations

The Government has published a separate table of Lower Tier Services Grant allocations at: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>.

A more detailed explanation of the grant allocation methodology is provided below:

- a. The lower tier 2013/14 SFA grant component is calculated as follows:

$$\text{Lower Tier 13/14 SFA}_{21/22}^{LA} = \text{Lower Tier 13/14 SFA}_{21/22}^{\text{England}} \times$$

$$\text{Lower Tier shares of SFA}_{13/14}^{LA}$$

- b. The cash funding floor component is calculated as follows:

$$\text{Cash Funding Floor}_{21/22}^{LA} = \text{Max} (\text{CSP}_{20/21}^{LA} - \text{CSP pre-floor}_{21/22}^{LA}, 0)$$

- c. The lower tier services grant for each authority is then the sum of the two components:

$$\text{LTSG}_{21/22}^{LA} = \text{Lower Tier 13/14 SFA}_{21/22}^{LA} + \text{Cash Funding Floor}_{21/22}^{LA}$$

- d. The total grant required for the cash funding floor is determined by the sum of the amount required for each authority:

$$\text{Cash Funding Floor}_{21/22}^{\text{England}} = \sum_{LA} \text{Cash Funding Floor}_{21/22}^{LA}$$

- e. Set the quantum of the grant through the lower tier 2013/14 SFA grant component in a., so that the sum of that grant component plus the amount required for the funding floor is equal to £111 million. This results in c.£86 million through the former, with a funding floor of c.£25 million, equal to the total quantum available:

$$\begin{aligned} \text{s.t } \text{LTSG}_{21/22}^{\text{England}} &= \text{Lower Tier 13/14 SFA}_{21/22}^{\text{England}} + \text{Cash Funding Floor}_{21/22}^{\text{England}} = \text{£111m} \\ &= \text{£86m} + \text{£25m} = \text{£111m} \end{aligned}$$

Where:

Lower Tier 13/14 SFA is the lower tier 2013/14 SFA grant component within the Lower Tier Services Grant

Lower Tier shares of SFA^{LA}_{13/14} is the lower tier shares within 2013/14 SFA (sums to 1). These are derived from the adjusted 2013/14 SFA breakdown by funding tier published at the 2014/15 Local Government Finance Settlement

CSP is the Core Spending Power of an authority

CSP pre-floor is the Core Spending Power of an authority before the cash funding floor is applied but including *Lower Tier 13/14 SFA*

Cash Funding Floor is the cash funding floor grant component within the Lower Tier Services Grant

LTSG is the Lower Tier Services Grant comprised of the Lower tier shares of 13/14 SFA grant component and the Cash funding floor component

Annex E: Glossary of technical terms

Baseline Funding Level

The amount of an individual local authority's 2013-14 Settlement Funding Assessment provided through the local share of the Estimated Business Rates Aggregate.

Business Rates Baseline

An authority's BRB determined on an individual basis at the outset of the business rates retention scheme. It is calculated by dividing the local share of the Estimated Business Rates Aggregate (England) between billing authorities on the basis of their proportionate shares, before the payment of any major precepting authority share.

Business rates retention

Business rates are a tax on non-domestic properties. Billing authorities have a responsibility to issue bills and collect rates in their areas. Since 2013-14, local government has retained 50% of its business rates – worth around £12.5 billion – which is distributed across the sector.

Core Spending Power

A measure of the revenue funding available for local authority services. This includes council tax; business rates; Revenue Support Grant; New Homes Bonus; adult social care grants; and, other grants.

Council tax referendum principles

These mark levels of council tax increases (either in percentage or cash terms) above which a local authority must hold a referendum which allows residents to approve or veto the increase. The comparison is made between the authority's average band D council tax level for the current financial year and the proposed average band D for the next financial year.

Devolution Deals

Introduced in 2014, Devolution Deals are a bespoke arrangement tailored to certain local authorities. Devolution Deals give local government greater powers and more autonomy over budgeting.

Equalisation

The process through which a proportion of Social Care Grant funding is used to take account of the impact of the distribution of the Adult Social Care council tax precept.

Local Government Departmental Expenditure Limit (LG DEL)

The departmental budget derived from central Government resources for the purposes of local government.

New Homes Bonus

The New Homes Bonus acts as an incentive to increase housing supply and spur growth. The level of funding for an area reflects additional housing supply in that area. Most authorities receive some form of New Homes Bonus funding from central Government.

Precept

A council tax charge from local authorities which do not issue bills themselves. These include county councils, police and crime commissioners, fire and rescue authorities, the Greater London Authority, combined authority mayors, and town and parish councils. Billing authorities – usually shire district councils or unitary authorities – collect council tax on behalf of precepting authorities and pass the proceeds to them.

Revenue Support Grant

Billing and major precepting authorities receive Revenue Support Grant from central Government in addition to their local share of Business Rates Aggregate.

Rural Services Delivery Grant

Funding provided in recognition of the possible additional costs of delivery services in sparsely populated areas.

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).

Settlement Funding Assessment

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

Small business non-domestic rating multiplier

If your property in England has a rateable value below £51,000, your bill will be calculated using the small business multiplier, which is lower than the standard one. This is the case even if you do not get small business rate relief

Spending Review

The Spending Review sets out the long-term spending limits for all Government departments, typically covers the next three or four years

Spending Round

The Spending Round sets out the short-term spending limits for all Government departments, typically covers a full calendar year.

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, then indexed in line with the change in the small business rating multiplier.

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.