Local Government Association
Provisional Local Government Finance Settlement 2021/22
On the Day Briefing
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Briefing

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Introduction

The local government finance settlement is the annual determination of funding to local government from central government. This briefing covers the provisional local government finance settlement for 2021/22. We expect the final 2021/22 settlement to be laid before the House of Commons, for its approval, in late January or early February 2021.

The LGA has issued a media statement responding to today's statement.

Key messages

- The settlement indicates that core spending on local services has the potential to increase by £2.2 billion in 2021/22, an increase of 4.5 per cent. Extra money to meet COVID-19 costs, new funding for adult and children's social care and for councils with responsibility for services such as homelessness, planning, recycling and refuse collection will help meet cost and demand pressures next year.

- However, more than 85 per cent of the potential core funding increase next year is dependent on councils increasing council tax by up to 5 per cent next year. This leaves councils facing the tough choice about whether to increase bills to bring in desperately needed funding to protect services at a time when we are acutely aware of the significant burden that could place on some households.

- Council tax rises – particularly the adult social care precept – have never been the solution to the long-term pressures faced by councils, particularly in social care which is desperately in need of reform. Increasing council tax raises different amounts of money in different parts of the country, unrelated to need.

- Councils also need clarity and certainty about how all local services will be funded over the next few years and beyond. Next year we need a multi-year settlement and meaningful progress towards a long-term, sustainable solution to the funding crisis our adult social care services continue to face. There must be no further delays to the process of reform.

- It is vital that the Government guarantees the financial challenge facing councils as a result of COVID-19 will be met in full, including funding for cost pressures and full compensation for lost income and local tax losses.

- The Government must urgently publish next year’s public health grant settlement so councils can get on with the job of helping keep their communities healthy and resilient, in the face of the ongoing pandemic.

- The Government needs to work closely with councils during its review of the New Homes Bonus as soon as possible to allow them to plan their 2022/23 budgets and into the future.

- The impact of the pandemic has not changed the way general Government grants are distributed between councils which remains complex, opaque and out of date. We are calling on the Government to resume the Fair Funding Review, but with a guarantee that the transitional mechanisms ensure that no councils experience a loss of income.

- The Government must use its review of business rates to determine the future of the tax - which accounts for around a quarter of all council spending power - and shift attention towards developing new sources of finance for councils and different ways of incentivising growth.

- We will continue to promote the role councils play in making a huge difference to the lives of our residents and communities. As we prepare our response to the 2021 Budget and look ahead to the Spending Review, we will be campaigning for local services to be provided with a long-term, sustainable future which gives councils clarity and certainty over their funding. This will allow local government to play our full part as we improve outcomes and value for money in public services, rebuild our economy, get people back to work, level up inequalities some face and create new hope in our communities.

Council Tax Referendum Principles

The following council tax referendum principles were announced:

  - a core principle of up to 2 per cent applying to shire county councils, unitary authorities, London borough councils, the City of London, the Isles of Scilly, the GLA general precept and fire and rescue authorities.
  - a continuation of the Adult Social Care precept, with an additional 3 per cent flexibility available for social care authorities on top of the core principle. This can be spread over two years.
  - 2 per cent or £5, whichever is higher, for shire district councils.
  - £15 for Police and Crime Commissioners.
  - no referendum principle for Mayoral Combined Authorities or town and parish councils.

The settlement in detail

The Ministry for Housing Communities and Local Government (MHCLG) has announced the provisional local government finance settlement for 2021/22.

We have provided a glossary of Local Government Finance terms which provides a brief explanation of some of the language used in this briefing. This can be found at Annex B.

Today's statement is broadly in line with the indicative figures for 2021/22 announced in the 2020 Spending Review in November 2020.

The closing date for responses to the consultation document to MHCLG is 16 January 2021. We expect the final settlement to be published in late January / early February 2021.

The 2021 Annual Local Government Finance Conference will take place online in two parts on 7 and 12 January 2021 and will provide further analysis of the settlement. During these webinars, you will have the chance to explore the latest developments in local government finance and what their implications are for local authorities, as well as the opportunity to share your views directly with central government. You will need to make two separate bookings if you wish to participate in the webinar on 7 January 2021 (Part I) and the webinar on 12 January 2021 (Part II).

Core Spending Power

The Government figures indicate that Core Spending Power will rise by an average 4.5 per cent in 2021/22 in cash terms. These Government forecasts are on the assumption that every local authority will raise their council tax by the maximum permitted without a referendum.

Core Spending Power in 2021/22 consists of:

- Settlement Funding Assessment (which consists of Revenue Support Grant, which will increase by £12.8 million and the baseline funding level (BFL) which is unchanged for 2021/22);
- Compensation for under-indexing the business rates multiplier; this relates to the multiplier freeze for 2021/22 as announced in the Spending Review as well as historic caps on multiplier increases and uprating the multiplier by the Consumer Price Index instead of the Retail Price Index;
- Income from the New Homes Bonus;
- The Social Care Grant for 2021/22;
- Improved Better Care Fund;
- A new Lower Tier Services Grant;
- Rural Services Delivery Grant;
- Income from council tax assuming that the tax base grows, and councils increase council tax by the 2 per cent basic referendum limit in 2021/22 as well as the maximum possible social care precept in 2021/22, and the additional flexibilities for shire districts.

Detailed Core Spending Power figures are included in Annex A.

LGA view:

- It is good that the Settlement has provided a potential increase of 4.5 per cent in council core spending power to support vital local services. However, this assumes that council tax bills will rise by maximum allowable levels, including 5 per cent for social care authorities, next year, and this will place a significant financial burden on households in a year of economic uncertainty. If councils choose to spread the increase in the adult social care precept over two years the increase will be less than 4.5 per cent.

- The ability to raise extra council tax remains a sticking plaster and not a long-term solution.

- We look forward to working with the Government to ensure that the 2021 Spending Review provides sustainable long-term funding for local services.

COVID-19 Funding

As part of package of support to local authorities in England for COVID-19 pressures in 2021/22 the Government:

- Confirmed allocations of the £1.55 billion of unringfenced funding to meet expenditure pressures in 2021/22, distributed using the COVID-19 Relative Needs Formula. This formula includes population and deprivation factors, as well as an area cost adjustment to account for the differing costs of delivering services across the country. The additional funding for COVID-19 pressures next year is not included in Core Spending Power.

- Set out how losses in scope of the guarantee to compensate for 75 per cent compensation of irrecoverable 2020/21 business rates and council tax losses will be measured. For council tax, this is broadly a comparison of each authority's council tax requirement and an adjusted Net Collectable Debit. For business rates, this is broadly a comparison of income as calculated in the National Non-Domestic Rates ('NNDR') statistical collection forms 1 and 3.

The Government is consulting on the other financial support measures included in the COVID-19 2021/22 package:

- The Government intends to distribute the £670 million to support households least able to afford council tax payments in 2021/22 based on the proportion of working-age local council tax support caseload using data from quarter 1 and quarter 2 of 2020/21, adjusted to reflect the average bill per dwelling in the area. Under this methodology the Government plans to pay allocations as section 31 grants directly into the general funds of billing and major precepting authorities in April. Provisional allocations of this funding and a detailed methodology note will be published here shortly.

- The Government has proposed a continuation of the Sales, Fees, and Charges compensation scheme for the first three months of 2021/22 and to use a quarter of each council's 2020/21 budgeted income as the baseline from which to assess losses.

The consultation, as well full details on the COVID-19 funding package for local government in 2021/22 published today, is available here. The consultation deadline is 14 January.

In the consultation document accompanying the provisional settlement, the Government confirms that it will, once the pandemic is over, continue to work with local government to understand the lasting impact the COVID-19 pandemic has had on both service demands and revenue raising.

LGA view:

- Council services have been critical in the fight against COVID-19 and it is good that the Chancellor has provided further funding for councils to manage the cost pressures and income losses they face as a result of the pandemic.

- The Chancellor's pledge to compensate for 75 per cent of irrecoverable council tax and business rates income, and to extend the scheme to fund a portion of councils lost income from fees and charges during the early part of the next year provide some much-needed stability but will need to be reviewed and probably extended.

- We welcome the Government's commitment to work with local government on the lasting impact of the COVID-19 pandemic. It is vital that the Government guarantees the financial challenge facing councils as a result of COVID-19 will be met in full, including funding for cost pressures and full compensation for lost income and local tax losses.

Council tax

The basic referendum principle for 2021/22 is proposed to be 2 per cent, with the exception of shire district authorities, for which the higher of either 2 per cent or £5 (on a Band D bill) applies.

As previously announced, social care authorities will be able to levy a 3 per cent adult social care precept (in addition to the existing basic referendum threshold of 2 per cent referred to above). This can be spread over two years.

There will be no referendum principles for mayoral combined authorities (MCAs).

The Government will continue with its policy of not setting referendum limits for parish and town councils. It will take account of the increases set by parishes in 2021/22 when reviewing the matter ahead of next year's settlement.

As announced in the Spending Review, Police and Crime Commissioners (PCC), including the Police element of Greater London Authority, and the PCC component of the Greater Manchester Combined Authority precept will be allowed to increase by £15.

The Government is awaiting proposals from the Mayor of London, as part of the responses to this consultation, on the GLA referendum principle.

LGA view:

- Whilst it is good that there will be flexibility for councils to raise the adult social care precept by a further 3 per cent in 2021/22, this is not a sustainable solution to funding adult social care.

- An increase in council tax of up to 5 per cent will place a significant burden on households. In addition, increasing council tax raises different amounts of money in different parts of the country, unrelated to need.

- We have always maintained that the council tax referendum limit should be abolished so councils and their communities can decide how local services are paid for, with residents able to democratically hold their council to account through the ballot box.

- We agree that districts should have the extra flexibility but in view of the proposed £15 threshold proposed for Police and Crime Commissioners, we would call for a higher limit than £5.

Adult and children's social care

The Government has confirmed there will be an additional Social Care Grant of £300 million for adult and children's services. This is in addition to all existing social care funding continuing in 2021/22.

Of this £300 million, £60 million will be distributed on the basis of the 2013/14 adult social care relative needs formula, with £240 million used to adjust for the funding that could potentially be raised through the adult social care precept in 2021/22.

As mentioned above, the Government is also consulting on a 3 per cent adult social care precept. This 3 per cent flexibility can be phased in over two years.

LGA view:

- The additional funding for adult and children's social care is welcome, as is that the funding will not be ringfenced, providing councils with flexibility on how their allocations are best used locally. However, the £300 million sum is not significant in comparison to the cost pressures that these vital services face. It is disappointing that the improved Better Care Fund has been frozen.

- Councils have increased children's social care budgets year on year at the expense of other services, but have been unable to keep up with increasing demand. Additional funding is urgently needed to ensure children are safe and well, and to reinvest in the important preventative services that can prevent children and families reaching crisis point.

- The adult social care precept provides limited means to raise additional funding, but it is not sustainable. It raises different amounts of money in different parts of the country, is unrelated to need and adds an extra financial burden on households. Nearly 10 per cent of the average council tax bill is now made up of the precept.

- Overall, this is a continuation of the sticking plaster approach to funding adult and children's social care. For example, the Prime Minister promised to 'fix adult social care' in July 2019 and everyone connected to adult social care is frustrated by the lack of progress on this crucial agenda; there must be no further delays to the process of reform.

District-level services

The Government has announced a new £111 million 'lower tier services' grant.

£86 million will be allocated to district councils and unitary authorities in line with their shares of the 'lower-tier' element of the settlement funding assessment. The remaining £25 million will be allocated to district councils to ensure that no council sees its core spending power reduce in 2021/22.

The announcement states that this £25 million funding is in response to the current exceptional circumstances and is a one-off and that no local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms.

LGA View:

- Councils receiving this funding will welcome the additional resource, but full compensation for covid-19 related costs, including lost income, is required.

New Homes Bonus

The provisional amount of £622 million for the New Homes Bonus (NHB) has been included in Core Spending Power in 2021/22. The bonus consists of the legacy payments for 2018/19 and 2019/20 and the new money for 2021/22, as well as the Affordable Homes Premium across those years. The England total of allocations for 2021/22 is £196 million.

As previously announced, there is no legacy payment in respect of 2020/21, and there will be no legacy payment in respect of 2021/22 in forthcoming years. The threshold over which the bonus is paid remains at 0.4 per cent.

The Government has set out its intention to hold a consultation on the future of the New Homes Bonus, with a view to implementing reform in 2022/23.

LGA view:

- The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities.
- The Government needs to work closely with councils as part of its review of the NHB in order to ensure it helps us deliver more homes and works for local government.
- It is important that sufficient clarity about the outcome of the review is provided to councils as soon as possible to allow them to plan their 2022/23 budgets and beyond.

Education and children

In a written Ministerial statement the Secretary of State for Education confirmed school and early years revenue funding allocations for 2021/22.

In the 2020 Spending Review the Government confirmed that schools budget will increase by £2.2 billion from £47.6 billion in 2020/21 to £49.8 billion in 2021/22. The Government has also confirmed that high needs funding to support children with Special Educational Needs and Disabilities (SEND) will increase by £730 million or 10 per cent for 2021/22.

In the 2020 Spending Review the Government also confirmed an additional £44 million for early years education in 2021/22 to increase the hourly rate paid to childcare providers for the Government's free hours offer.

LGA view

- The LGA welcomes the Government's announcement to increase schools budgets by £2.2 billion for 2021/22. It is however disappointing that further funding has not been made available to help cover the exceptional costs incurred by schools in responding to COVID-19 since they reopened in September, and new expectations continue to be introduced such as the testing announcements just today.
- The additional high needs funding for 2021/22 is also welcome; the Government must use the on-going review of Special Educational Needs and Disability (SEND) to give councils the powers and long-term certainty of funding to support children and young people with SEND.
- The LGA has repeatedly raised concerns about the underfunding of the early entitlements, so additional funding is welcome. However, with many early years providers struggling in the light of COVID-19, it is disappointing that this is not a more significant and immediate investment to support providers during this time. It is crucial we retain the good quality early education and childcare that improves children's outcomes and reduces the disadvantage gap.

Public health

The settlement includes no information about the national total, or individual council allocations, of the public health grant for 2021/22.

LGA view:

- We call on government to provide councils with clarity on the funding available in 2021/22 as a matter of urgency. The current delay to the announcement is making it extremely difficult for councils to plan effectively at a time when public health services are vital to the fight against COVID-19.

- Sufficient ongoing funding is needed to ensure all local authorities can continue to meet their public health responsibilities beyond COVID-19 as well. The Government should match the growth in public health grant to growth in overall NHS funding under the Long Term Plan. This means the public health grant would have to increase to at least £3.9 billion by 2024/25.

Business rates and business rates retention

The Government states that it will 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.

As announced in the Spending Review, there will be no reset of the business rates baseline for 2021/22. In his statement to the House of Commons, the Secretary of State confirmed that the Government will work with the sector and Members across the House to seek a new consensus for broader reforms to local government, including the Fair Funding Review and the business rates reset, and will ensure that councils are set on a long-term trajectory of sustainable growth and fair resources.

There are no new business rates pilots in 2021/22. The business rates pilots for areas with ratified devolution deals and the GLA will continue. These are: Greater Manchester, Liverpool City Region, Cornwall Council, the Combined Authorities of the West of England and the West Midlands. In addition, the London retention percentage will stay at 67 per cent, of which 30 per cent is for the boroughs and City of London and 37 per cent for the Greater London Authority.

MHCLG is consulting on 26 business rates pools.

As announced in the 2020 Spending Review, the business rates multiplier will be frozen for 2021/22. It will remain at 49.9p (small business multiplier) and 51.2p (national business multiplier). Councils will receive £650 million in compensation in 2021/22 for under-indexing of the business rates multiplier.

LGA view:

- In our [response to the Call for Evidence for the Business Rates Review], we stated that although property continues to provide a good basis for a local tax on business, we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead or as well as a reformed business rates system.

- The move to 75 per cent business rates retention should only be revisited, if appropriate, once the business rates review concludes.

- Not resetting the business rates baseline will provide councils with some of the funding certainty and stability they need for next year.

- We welcome the fact that local government will be fully compensated for the freezing of the business rates multiplier in 2021/22. However, this decision reduces buoyancy in the business rates system, and without alternative means of funding, council income would reduce in the medium term.

The Fair Funding Review

In the consultation document accompanying the provisional settlement, the Government confirms that it will, once the pandemic is over, continue to work with local government to understand the lasting impact the COVID-19 pandemic has had on both service demands and revenue raising.

In his statement to the House of Commons, the Secretary of State confirmed that the Government will work with the sector and Members across the House to seek a new consensus for broader reforms to local government finance, including the Fair Funding Review and the business rates reset, and will ensure that councils are set on a long-term trajectory of sustainable growth and fair resources.

LGA view:

- We are calling on the Government to resume the Fair Funding Review, but with a guarantee that the transitional mechanisms ensure that no councils experience a loss of income.

- When the Fair Funding Review is relaunched, it is right that the Government reviews progress made to date to ensure that it is still fit for purpose, or flexible enough to deal with shifts in council service models as a result of COVID-19.

Rural Services Funding

The Rural Services Delivery Grant will be £85 million in 2021/22. This is an increase of £4 million compared to 2020/21. The Government is minded to retain the current method of distributing the grant and has included a consultation question on this.

LGA view:

- Councils in rural areas will welcome this additional funding.

- We encourage affected local authorities to respond to the consultation.

Fire Funding

As set out above, Fire and Rescue Authorities will be able to raise their precept by 2 per cent in 2021/22. In line with councils, fire authorities will also receive an increase in their revenue support grant in line with inflation and an increase in the compensation grant for under-indexing the business rates multiplier. Some fire and rescue authorities will receive a share of the £4 million increase in the rural services delivery grant.

LGA view:

- After a number of years where there have been reductions in Fire and Rescue Authorities' funding, a further inflationary increase for 2021/22 following on from the inflationary increase in 2020/21 is helpful.

- However fire and rescue services need to be funded to take account of the full range of risks, demands and cost pressures they face. While we would prefer council tax referendum limits to be removed, in view of the flexibility given to Police and Crime Commissioners, an increase in the precept flexibility for Fire and Rescue Authorities would assist.

- The outcomes of the cases brought about discriminatory practices in the fire fighters pension scheme will have implications for the pension administrative costs and employer contributions to be made by Fire and Rescue Authorities. Unless these additional cost pressures are funded by government they will have a significant impact on Fire and Rescue Authority budgets in 2021/22 and beyond.

- As has been identified in Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services reviews greater investment is needed in fire and rescue services protection teams and to meet the recommendations arising from reviews of building safety after the Grenfell fire and implementation of the provisions in the Building Safety Bill. £20 million was made available to the sector in 2020/21 for enhanced protection activity, with a further £10 million made available to respond to the recommendations of the Phase 1 report of the Grenfell Tower Inquiry. Additional funding needs to be made available to the sector in 2021/22 to further enhance protection activity, respond to any further recommendations from the Grenfell Tower inquiry, and so services are better placed to work alongside the Health and Safety Executive in its new role as the Building Safety Regulator.

- We will continue to work with the Home Office and the National Fire Chiefs Council ahead of the 2021 Spending Review, and we will be making the case for additional funding to be made available to enable fire and rescue services to drive transformation in the way they deliver their services, as well as for the capital funding issues faced by some services to be addressed.

Police Funding

The Provisional Police Grant Report (England and Wales) 2021/22 was published by the Home Office today in a written Ministerial statement. Funding to Police and Crime Commissioners (PCCs) will increase next year by up to an additional £703 million (5.4 per cent), assuming full take-up of precept flexibility. PCCs will be able to increase their Band D precept by up to £15 in 2021/22 (which could raise up to £288 million), without the need to call a local referendum. In addition to this, the Government announced that PCCs will receive some of the £670 million of additional grant funding announced for local council tax support as part of the Spending Review 2020.

The Government has announced today that an additional £20 million will be available for a second round of the Safer Streets Fund 2021/22.

LGA view:

- Further funding to help local areas improve community safety through the Safer Street Fund is welcome and we will be seeking further details about this funding announcement. Given the key role that councils have in supporting safer and stronger communities, we will be calling for the second round of funding to also be open to councils to bid directly into.

Redmond Review

Alongside the settlement, The Secretary of State announced the Government's response to the Independent review of Local authority financial reporting and external audit (the Redmond Review). This included the following:

- The deadline for audits will be put back to September 30th for two years in 2021 and 2022.
- £15 million will be provided for councils in 2021/22 to pay for additional costs arising from new reporting requirements recommended by the Redmond review and expected increases audit fees driven by additional audit requirements arising from the new NAO code of practice.

The Government is still considering whether structural changes are required to the procurement and regulatory arrangements for local audit and will make a decision on that in 2021.

LGA view

- We will review the full response in detail and continue discussions with central government and the sector. The change to the audit deadline is something that we called for and is welcome and we also called for any increases in costs as a result of the review recommendations or changes in audit requirements to be fully funded.

Other topics included in the Secretary of State's speech

The Secretary of State re-announced a number of funds available to local authorities, including the UK Shared Prosperity Fund, Levelling Up Fund, the Troubled Families Programme, Domestic Abuse Bill implementation and rough sleeping, as set out in the Spending Review on 25th November.

Further Information

To help inform the LGA's response to the consultation settlement we will continue to analyse the settlement to develop a deeper understanding of the effect on councils. To further inform the LGA's response please send your responses to, and any comments on, the settlement to lgfinance@local.gov.uk.

For further information on the content of this briefing please contact Mike Heiser, Senior Adviser (Finance) (mike.heiser@local.gov.uk / 020 7664 3265) and Laura Johnson, Public Affairs Adviser (laura.johnson@local.gov.uk / 07921 604235).

Annex A: Core Spending Power

	2015/16 £ million	2016/17 £ million	2017/18 £ million	2018/19 £ million	2019/20 £ million	2020/21 £ million	2021/22 £ million
Settlement Funding Assessment	**21,249.9**	**18,601.7**	**16,632.6**	**15,574.2**	**14,559.6**	**14,796.9**	**14,809.7**
Compensation for under-indexing the business rates multiplier	**165.1**	**165.1**	**175.0**	**275.0**	**400.0**	**500.0**	**650.0**
Improved Better Care Fund	**0.0**	**0.0**	**1,115.0**	**1,499.0**	**1,837.0**	**2,077.0**	**2,077.0**
Rural Services Delivery Grant	**15.5**	**80.5**	**65.0**	**81.0**	**81.0**	**81.0**	**85.0**
Transition Grant	**0.0**	**150.0**	**150.0**	**0.0**	**0.0**	**0.0**	**0.0**
Adult Social Care Support Grant	**0.0**	**0.0**	**241.1**	**150.0**	**0.0**	**0.0**	**0.0**
New Homes Bonus	**1,167.6**	**1,461.9**	**1,227.4**	**947.5**	**917.9**	**907.3**	**622.1**
New Homes Bonus - returned funding	**32.4**	**23.1**	**24.5**	**0.0**	**0.0**	**0.0**	**0.0**
Winter pressures Grant	**0.0**	**0.0**	**0.0**	**240.0**	**240.0**	**0.0**	**0.0**
Social Care Support Grant	**0.0**	**0.0**	**0.0**	**0.0**	**410.0**	**1,410.0**	**1,710.0**
Lower Tier Services Grant	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**111.0**
Council Tax	**22,035.9**	**23,247.3**	**24,665.8**	**26,331.6**	**27,767.8**	**29,226.9**	**31,145.3**
Core Spending Power	**44,666.5**	**43,729.5**	**44,296.5**	**45,098.3**	**46,213.3**	**48,999.1**	**51,210.2**
Year-on-year Change (£ million)		*-937.0*	*567.0*	*801.8*	*1,115.0*	*2,785.8*	2,211.1
Year-on-year Change (%)		*-2.1%*	*1.3%*	*1.8%*	*2.5%*	*6.0%*	4.5%

Source: Core Spending Power: Supporting Information

Annex B – Glossary of Local Government Finance Technical Terms

Adult Social Care Precept	Local authorities with responsibility for adult social care have flexibility to raise additional council tax above the referendum threshold. Funding raised through this additional 'precept' must be used entirely for adult social care.
Affordable Homes Premium	As part of the New Homes Bonus, affordable homes delivered in an area attract an additional £350 per unit on top of the standard Bonus grant.
Area Cost Adjustment (ACA)	A factor to reflect the differences in service cost delivery in different areas. The current ACA reflects differences in wages (the 'Labour Cost Adjustment') and differences in rateable values (the 'Rates Cost Adjustment') between local authorities across the country.
Business rates baseline	The business rates baseline for each authority determined at the start of the 50 per cent business rates retention scheme in 2013/14, uprated in line with the small business rates multiplier each year.
Business rates baseline funding level (BFL)	The amount of the settlement funding assessment (SFA) provided through the local share of business rates.
Better Care Fund (BCF)	A single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.
Business rates revaluation	A regular exercise by the Valuation Office Agency, last carried out in 2017, to reassess the rateable value of individual non-domestic hereditaments. The results are used to set new business rates bills. The next revaluation is planned for 2023.
Central Share	The percentage share of locally collected business rates paid to central government by billing authorities. In 2013/14 when business rates retention began this was set at 50 per cent. The central share is redistributed to local government through grants including the Revenue Support Grant.
Core Spending Power	The Government's measure of the core components of local government funding, comprising the Settlement Funding Assessment, assumed income from council tax (including the adult social care precept), New Homes Bonus, Rural Services Delivery Grant and the improved Better Care Fund and Adult Social Care Support Grant
COVID-19 Relative Needs Formula	The COVID-19 Relative Needs Formula (RNF) is a formula used to allocate some COVID-19 related funding grants to Local Government. The formula uses deprivation, population and an Area Cost Adjustment. The weightings for these factors have been determined using regression analysis of the financial pressures reported by local authorities.
Dedicated Schools Grant	The Dedicated Schools Grant is the principal source of funding for schools and related activities in England. It is a ringfenced grant paid to local authorities for maintained schools. School-level allocations are currently determined in consultation with the schools forum in each local authority area. From April 2017 has also included the 'retained duties' element previously paid as part of the Education Services Grant
Improved Better Care Fund (iBCF)	Additional funding for adult social care authorities from 2017/18 onwards that has to be included within the Better Care Fund plans.
Levy account	A Government account into which proceeds from the business rates levy, and any top-slice, are paid and which is used to pay safety net to qualifying authorities. Any surplus is to be returned to authorities.
Local Share	The percentage share of locally collected business rates retained by local government. This was set at 50 per cent at the implementation of business rates retention.

Lower Tier Services Grant	A grant introduced in 2021/22 to provide funding for shire district councils and unitary authorities providing shire district-level services (so called 'lower tier services' by the Government).
(Business Rate) Multiplier	The business rates multiplier 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. Unless the Government decides to set a lower increase, the small business multiplier is uprated annually by the Consumer Prices Index and the other multiplier adjusted accordingly.
Net Collectable Debit	The total amount that authorities expect to collect if every taxpayer paid the full amount for which they are liable for the current financial year after discounts and benefits.
New Homes Bonus (NHB)	A grant paid to reward local authorities for the number of homes built and brought back into use.
Revenue Support Grant	A grant paid to local authorities as part of the Settlement Funding assessment (see below) which can be used to fund revenue expenditure on any service.
Rural Services Delivery Grant	A grant paid to the top quartile of local authorities on the basis of the super-sparsity indicator, in recognition of possible additional costs for rural councils.
Safety Net	A mechanism to protect any authority which sees its business rates income drop, in any year, by more than a given level below their baseline funding level. In 2021/22 this level is set at 7.5 per cent for authorities with 50 per cent business rates retention and 3 per cent for authorities with 100 per cent business rates retention.
Sales Fees and Charges Reimbursement Scheme	A scheme set up by the Government to compensate councils for part of their lost sales, fees and charges as a result of the COVID-19 pandemic.
Section 31 Grant	A grant paid to local councils under Section 31 of the Local Government Act 2003, under such conditions as the minister may determine. This mechanism is used to compensate local authorities for the costs of additional business rates reliefs announced by Government.
Settlement Funding Assessment (SFA)	This is a local authority's share of the local government spending control total which will comprise its Revenue Support Grant for the year in question and its baseline funding level.
Small Business Rate Relief	Businesses with a property with a rateable value of £12,000 and below receive 100 per cent relief on business rates. Businesses with a property with a rateable value between £12,000 and £15,000 receive tapered relief.
Social Care Support Grant	A non-ringfenced grant for adult and children's social care services.
Top-Ups and Tariffs	The difference between an authority's business rates baseline (the amount expected to be collected through the local share of business rates) and its baseline funding level (the amount of SFA provided through the local share). Tariff authorities make a payment and top-up authorities receive a payment. Tariffs and top-ups are self-funding at the outset of the scheme and uprated in line with the small business rates multiplier each year, except for recalculation so that authorities do not have gains or losses solely due to business rates revaluation.
Under-indexing grant	A grant provided by the Ministry for Housing, Communities and Local Government to compensate councils for the impact of the Government's decisions to increase the business rates multiplier by lower than the Retail Prices Index (so-called 'underindexing'). This is intended to make sure that councils do not experience funding reductions as a result of this policy.