

# Explanatory Note on Method of Calculation of the Transition Grant

## Summary

1. Transition Grant is being provided to authorities to ease the change from a system based on central government grant to one in which local sources determine a council's revenue.
2. The 2016/17 local government finance settlement allocated Revenue Support Grant by looking at the main resources available to councils<sup>1</sup>, ensuring that councils delivering the same set of services receive the same percentage change in funding for those sets of services.<sup>2</sup> As a result of this change, authorities with relatively more income from council tax and business rates received less revenue support grant in total. Other authorities consequently received more revenue support grant in total, of the same amount.
3. Where this amount is negative for an authority, the transition grant compensates them in direct proportion to the difference between the old methodology and new methodology.

## Calculation

4. The first step is to calculate what each authority's Revenue Support Grant allocation would have been had the methodology used to calculate the 2015-16 Revenue Support Grant been used.
5. The starting point is the 2015-16 allocation for each element as described in Annex B of the Local Government Finance Report (England) 2016/2017<sup>3</sup>.
6. The amount of Revenue Support Grant ascribed to the Isles of Scilly was the same as set out in section 4 of the Local Government Finance Report (England) 2016/2017.
7. For all other authorities the following formula is used to calculate its 2016-17 allocation for each of the remaining elements<sup>4</sup> as appropriate:

$$(A / C) \times B$$

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<sup>1</sup> A council's 'Settlement Core Funding' comprises 2015/16 Council Tax Requirement, estimated business rate income and revenue support grant.

<sup>2</sup> These services and the Settlement Core Funding methodology are described in more detail in the Local Government Finance Report (England) 2016 to 2017 Report available at <https://www.gov.uk/government/publications/local-government-finance-report-england-2016-to-2017>

<sup>3</sup> A copy can be found on the website at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/498420/HC789\\_Local\\_government\\_finance\\_report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/498420/HC789_Local_government_finance_report.pdf)

<sup>4</sup> The elements within Revenue Support Grant are listed in Table 1.

where:

- A is the amount of the adjusted 2015-16 element for each authority, calculated in accordance with Annex B of the Local Government Finance Report (England) 2016/2017;
- B is the national control total for the 2016-17 element as set out in the Table 1;
- C is the sum for all authorities of the result of A.

8. The notional amount of Revenue Support calculated under the 2015-16 methodology is equal to the total of the amounts calculated at paragraph 5 above.

9. The second step is to calculate the amount of Transition Grant.

10. The amount of transition grant for each authority is calculated as follows:

$$(D / F) \times E$$

where:

- D is equal to either G minus H, or zero, whichever is greater;
- E is the total of the Transition Grant in 2016-17 ie £150,000,000;
- F is the sum for all authorities of the result of D;
- G is the amount of Revenue Support Grant calculated under the 2015-16 methodology;
- H is the amount of Revenue Support Grant calculated in accordance with Section 4 of the Local Government Finance Report (England) 2016/2017.

**Table 1: 2016-17 Control Totals used for the 2015-16 methodology**

<b>Revenue Support Grant element</b>	<b>2016-17 Control Total (£)</b>
Upper-tier funding	3,202,979,103
Local Welfare Provision funding	129,600,000
Lower-tier funding	756,991,403
Fire and rescue funding	443,204,474
2011-12 Council Tax freeze compensation	340,118,003
Early intervention funding	605,544,318
GLA general funding	20,371,175
Homelessness prevention funding	45,205,996

Lead local flood authority funding	12,223,411
Learning disability and health reform funding	859,541,545
Council Tax freeze compensation part 2	435,000,431
Efficiency support funding 2014-15	9,386,434
Efficiency support funding 2015-16	2,191,103
Carers etc component of the Care Act funding	186,600,000
Funding reform component of the Care Act funding	121,100,000
Lead local flood authority part 2	10,161,290
Lead local flood authority: surface water for major development funding	1,904,000
Carbon monoxide and smoke alarms funding	246,401